
Delivering a more independent Openreach

Annual Monitoring Report

Covering the period from 1 April 2019 to 31 March 2020

Delivering a more independent Openreach – [Welsh overview](#)

Contents

Section

1. Overview	1
2. Openreach and BT	5
3. Openreach and its customers	10
4. Openreach and fibre networks	12
5. Looking ahead	20

1. Overview

We want people across the UK to have access to faster and more reliable broadband. In 2016, we decided that Openreach needed greater independence to ensure it could operate in the interests of all its customers. We instigated a programme of reform by BT Group intended to address our concerns and deliver better outcomes for consumers and businesses. In July 2017, we accepted commitments from BT to reform Openreach.

We set up the Openreach Monitoring Unit (OMU) to monitor adoption of the new arrangements and provided updates on the progress of implementation of these arrangements in our reports of June and November 2018.¹

In July 2019 we issued our first full annual monitoring report covering the period to March 2019.² In that report we set out the background and summary of the reforms needed. We noted that while real progress had been made implementing new arrangements, more needed to be done to strengthen Openreach's independence and engagement with its customers.

This current report covers the monitoring period from 1 April 2019 to 31 March 2020. In light of the challenges and industry priorities arising from the outbreak of the COVID-19 pandemic, we deferred our publication from the summer. Where appropriate we have noted developments that have occurred since the end of the annual monitoring period.

What we have found – in brief

Overall, BT and Openreach continue to make good progress in strengthening and safeguarding Openreach's strategic independence. However, there is no room for complacency and continued focus and vigilance will be needed to ensure progress continues, is fully embedded and sustainable.

BT has increased its full-fibre rollout ambitions to reach 20 million premises by the mid to late 2020s and **Openreach's FTTP deployment is continuing at scale and pace across the UK enabled by significant BT investment.** Beneath the surface of the stated ambitions, we have seen that Openreach independently worked up its commercial business case which was scrutinised and challenged by BT Group through established governance processes before the final investment decision was made. However, we will continue to monitor how the investment needed to support this ambition is delivered.

We welcome Openreach's action during the challenges of the COVID-19 pandemic - working closely and constructively with industry to help people and businesses across the UK stay connected. This includes delivering new - and maintaining existing - telecommunications infrastructure throughout this challenging period.

Industry feedback generally shows Openreach is improving its engagement with its wholesale customers in many areas - developing its independent identity and building and maintaining

¹ [Openreach Monitoring Unit](#).

² [Delivering a more independent Openreach: Annual Monitoring Report](#). Ofcom, July 2019.

constructive commercial relationships. We note the commitment of the Openreach CEO and senior leadership team as a key factor in this progress.

However, some feedback indicates that not all stakeholders think the separation between BT and Openreach is working as they consider it should. For example, some industry stakeholders have continued to raise their concerns about the potential for undue BT Group influence over Openreach pricing decisions. We also note some concerns around coincidences of timing of Openreach fibre deployment in certain locations where communication providers'³ ('providers') build footprints overlap. While these have been raised as concerns, we have to date not found anything that would suggest that Openreach is not acting in accordance with the Commitments. These will continue to be particular areas of focus for our monitoring in the year ahead.

Use of BT's duct and poles by other providers to deliver their networks has increased substantially since our last report. We welcome Openreach's work with providers on this and the progress made. This is a complex challenge and we note Openreach commitment to making physical infrastructure access ('PIA') work.

However, there have been 'growing pains' in the implementation of PIA, and we believe Openreach will need to do more to ensure providers can gain access at the scale and pace necessary to support the deployment of multiple, fast fibre networks for UK consumers. Openreach continues to engage with its PIA customers and provides updates at a regular roundtable meetings of industry CEOs, chaired by Ofcom.

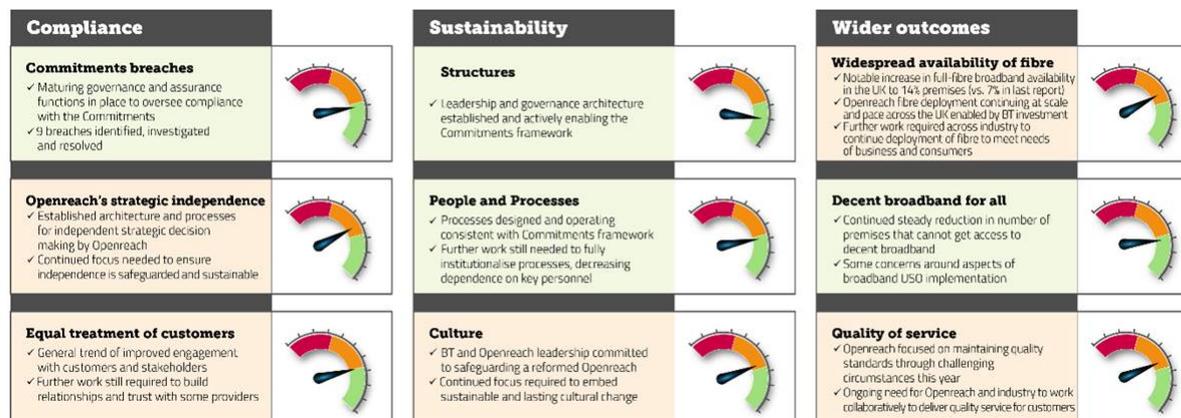
Our Monitoring programme

- 1.1 Throughout the year, Ofcom's Openreach Monitoring Unit (OMU) has continued its monitoring programme to assess the progress made by BT and Openreach. Specifically, we have continued to assess whether they are:
- a. complying with the 'Commitments' - the set of regulatory promises made to Ofcom around Openreach reform; and
 - b. continuing to develop the architecture and ways of working in both organisations to sustain and safeguard Openreach independence; and
 - c. working constructively with customers and industry to deliver positive outcomes for consumers.

³ Companies which provide services to a customer's home, such as telephone and internet services, and which usually own some infrastructure.

How Openreach is performing

Figure 1: Indicators of Openreach’s performance



- 1.2 Overall BT and Openreach are generally making good progress. Key factors in this are the advances in Openreach’s strategic independence and the development of sustainable processes that support the Commitments framework.
- 1.3 These developments are recognised by positive movement on the progress indicators (above) – however, there is no room for complacency and there is more to do to ensure BT and Openreach embed ‘Commitments compliance’ sustainably throughout both organisations.
- 1.4 We also acknowledge the progress made by BT in increasing its ambitions and significant investment in Openreach fibre roll-out, as well as Openreach’s ongoing deployment of fibre at pace and scale. As at March 2020, Openreach had built full-fibre connections out to 2.6 million premises – a notable increase from the 1.2 million noted in our 2019 Annual Monitoring Report – and was reaching on average 32,000 new premises with full fibre each week.⁴
- 1.5 However, we note there is still some way to go for BT’s ambitions – for full-fibre rollout to reach 20 million premises⁵ - to be realised and for the industry as a whole to make full-fibre broadband widely available to people across the UK.
- 1.6 We also note the key areas where industry stakeholders have shared some concerns with us around:
- the potential for undue BT Group influence over Openreach pricing decisions; and
 - overlap in fibre deployment by Openreach and other providers.
- 1.7 These issues have been part of our monitoring, but we have to date not found anything that would suggest that Openreach is not acting in accordance with the Commitments. We

⁴ [BT Financial results for the full year to 31 March 2020](#). BT Group plc, 7 May 2020.

⁵ [2019/20 financial results & events](#). BT, 7 May 2020.

Delivering a more independent Openreach

have seen positive indicators from Openreach that it recognises these issues and that it is taking steps to ensure compliance.

- 1.8 We also remain vigilant on these issues - which are explored further through this report - and note that these will continue to be particular areas of focus for our monitoring in the year ahead.

2. Openreach and BT

Openreach strategic and operational independence

- 2.1 A fundamental part of reforming Openreach has been to establish it as a more independent organisation, with the ability to set its own strategic intentions and make decisions about its own operations and engagement with customers.
- 2.2 In our previous reports, we have noted the progress made in implementing the organisational architecture and governance to enable this independence – for example, the legal separation of Openreach from its BT Group parent and the establishment and evolution of the Openreach Board.⁶
- 2.3 We also noted that strategy development and allocation of capital (and supporting processes) would remain areas of focus for our monitoring, given their importance to solidifying and safeguarding Openreach independence.

Strategy and financing

- 2.4 Since our last report, we have seen continued progress in the strengthening of Openreach's independence. Most notably, we have seen Openreach independently develop its latest commercial business case for accelerating fibre roll-out to pass 4.5 million homes by the end of March 2021.⁷ After being developed by Openreach, the business case was scrutinised and challenged by BT Group through established governance processes before the final investment decision was made to fund this activity.
- 2.5 Last year, BT Group established financial planning processes⁸ for allocating capital to Openreach and its other business units (such as EE). The approach sets out the process for Openreach to develop, independently, its own financial plans and capital requirements and the importance of Openreach Board approval prior to formal submission to BT Group, as its parent company. This year, BT and Openreach conducted a joint review to confirm that the processes were being followed, respecting the relative independence of Openreach while also enabling BT Group to continue to fulfil its responsibilities.
- 2.6 To date we have seen no evidence of undue influence from BT Group. However, we remain mindful of the potential for BT Group to influence Openreach and will continue to monitor closely the interaction between Openreach and BT on financial decisions, including funding of fibre deployment. It remains important for these interactions to follow established processes and have built-in mechanisms for escalation and constructively resolving conflict.
- 2.7 We also expect these interactions to be conducted with appropriate transparency and will look closely at the evidence if we become aware of concerns that Openreach's increased

⁶ The Openreach Board was strengthened by the addition of a new Non-Executive Director, Andrew Barron, in June 2020.

⁷ [Trading update: Results for the three months to 30 June 2020](#). BT Group plc, 31 July 2020.

⁸ [Financial Planning Processes Guidance Note](#). BT Group plc, March 2019.

independence is in danger of being eroded. We have an ongoing dialogue with Openreach and expect that any such concerns about threats to its independence would be raised directly with Ofcom.

- 2.8 We have seen BT Group set out its strategic vision for the decade and cascade a strategic framework across the organisation. As an organisation wholly owned by BT, Openreach is naturally expected to operate within this framework. However, we welcome the fact that the framework continues to enable Openreach strategic independence by setting broad boundaries without ‘boxing-in’ or restricting Openreach’s ability to independently reach its own strategic decisions. In parallel with this framework, Openreach has developed its own, detailed, independent ten-year strategy.
- 2.9 Openreach’s ability to hold the reins of its own fibre strategy should be a welcome signal for industry that increased independence is being utilised to drive outcomes that support all its customers.

Commercial decision-making

- 2.10 We have also seen BT Group and Openreach make significant efforts to ensure their interactions on strategic decision-making is transparent and subject to scrutiny. During the year, BT Group implemented a new ‘Guidance Note’ setting out a framework for commercial decision-making. The published note⁹ makes it clear that the default position is for Openreach to make its own product and pricing decisions without BT Group intervention. The referral of decisions to BT Group is only warranted where specific criteria that impact its regulatory, legal or financial responsibilities as Openreach’s parent¹⁰ are met.
- 2.11 To date, we have not seen any issues arising from the implementation of this framework – but will continue to monitor closely how it is followed for significant commercial decisions going forward. We note that there are internal escalation and governance processes that are designed to ensure BT Group intervention in Openreach decisions only occurs where this is justified to fulfil its parent company role.
- 2.12 We welcome the introduction of this framework, to enhance the mechanisms and controls in place for Openreach’s strategic interactions with BT Group - and with BT as a customer – in order to help to build industry trust in Openreach’s intent and ability to act in the best interest of all of its customers.
- 2.13 Our monitoring of BT’s interaction with Openreach going forward will be particularly focused on how decisions are reached on issues of real significance to the industry, such as, Openreach’s wholesale pricing of fibre services.

⁹ [Commercial Processes: Pricing, Products and Projects](#). BT Group plc, Feb 2020.

¹⁰ For example, where a commercial decision reaches defined thresholds of significant financial value. We also note that BT implemented a revised Guidance Note for ‘Regulatory, Policy and Legal Processes’ which codifies existing practices to establish clear organisational boundaries in this space and guidance on appropriate BT and Openreach interactions.

- 2.14 Through this challenging year, we have seen a clear commitment from BT to pursue its ambitions of providing full-fibre connections across the UK. In parallel, we have seen Openreach deployment of fibre hit its stride, as it continues to deliver connections at pace and scale. Now we are seeing Openreach increase its focus on provisioning and facilitating commercial distribution for its fibre services, we expect significant decisions will need to be made in the coming year on wholesale pricing.
- 2.15 This underpinned the May 2020 investment announcement on fibre, where the initiative behind the business case was fully owned and developed by Openreach until it was ready to be assessed by BT Group. Similarly, for Openreach's 2018 volume pricing offer for Generic Ethernet Access services¹¹, we saw Openreach's independence prevail as it owned and developed an offer for all its customers following some robust discussions with BT Group.
- 2.16 The wider industry clearly has a strong interest in how Openreach determines its forward looking FTTP pricing strategy. As well as wanting commercially attractive offers, we are aware of industry's desire for appropriate transparency of BT Group's role in establishing pricing.
- 2.17 We expect Openreach to ensure that all providers continue to have appropriate opportunities to engage with it as it focuses on how to best serve all of its customers and make commercial decisions without undue influence from BT Group.

Compliance and Oversight

- 2.18 BT and Openreach have established committees for overseeing compliance and behaviours within the organisations: the BT Compliance Committee (BTCC) and Openreach Board Audit, Risk and Compliance Committee (OBARCC).
- 2.19 We have seen OBARCC and BTCC continue to work proactively on upholding and institutionalising the commitments. This has been supported by the work of the Commitments Monitoring Office (CMO)¹² and the Commitments Assurance Office (CAO)¹³ respectively.
- 2.20 The dedicated CMO and CAO 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 OBARCC and BTCC.
- 2.21 To support transparency and stakeholder understanding of its function, earlier this year the CAO published an operating manual setting out how it approaches its assurance activities to support BTCC and help deliver organisational compliance with the Commitments. The manual also sets out relevant complaints procedures, and contact

¹¹ In August 2018, Openreach launched its *Generic Ethernet Access Volume 'Agreement Special Offer'* offering CPs discounted pricing for services in exchange for committing to 3- or 5-year terms.

¹² [The Commitments Monitoring Office.](#)

¹³ [The Commitments Assurance Office.](#)

information for providers to raise queries or other direct feedback on BT's compliance with the Commitments.¹⁴ We welcome the transparency of the annual OBARCC¹⁵ and BTCC¹⁶ report publications which set out their views on compliance and any identified breaches of the Commitments (however minor). Both committees also publish summary bulletins quarterly throughout the year.

- 2.22 We note that where issues are identified, they are investigated and remediated and lead to further reflection by these oversight committees and relevant management teams on whether additional, more proactive measures can be taken to minimise future instances of non-compliance. For example, in its most recent report, OBARCC acknowledges that ongoing monitoring and assurance activity is required to ensure information disclosure processes are strictly followed.¹⁷
- 2.23 OBARCC and BTCC reported a combined total of 9 breaches of the Commitments during the monitoring period (compared to 11 breaches last year).¹⁸ As well as including information about breaches in the published OBARCC and BTCC reporting, Openreach and BT continue to proactively notify Ofcom when incidents occur and provide updates as these are investigated and appropriately remediated. We note that occasional inappropriate sharing of information remains an important theme and we will continue to monitor how individual incidents are remediated, as well as the work underway by OBARCC and BTCC to proactively identify where controls can be strengthened and minimise the risk of future occurrences.
- 2.24 More broadly, Openreach is currently conducting an assurance review intended to proactively identify and address legacy billing and pricing issues. We welcome the proactive steps Openreach is taking through this review to embed a compliance culture across the organisation. We believe that it is a good example of upfront investment which reduces the risk of non-compliance later on.

Culture and behaviours

- 2.25 As indicated in our previous report, institutionalising the changes brought about by the Commitments will be essential to ensuring that Openreach's cultural identity and independence is sustained over time.
- 2.26 Since its legal separation from BT, we have seen a distinct Openreach identity and brand established across the UK - for example, specific Openreach branding (which doesn't reference BT) has been rolled out on all vehicles.¹⁹ And over the past year, we have seen further evidence that the culture and processes of both BT and Openreach are developing

¹⁴ [Commitments Assurance Office. Operating Manual: How We Work](#). BT, March 2020.

¹⁵ [OBARCC Commitments Compliance Report 2020](#). OBARCC, 2 July 2020.

¹⁶ [BT Compliance Committee. Annual Review 2019/20](#). BT, July 2020.

¹⁷ [OBARCC Commitments Compliance Report 2020](#). Page 9. OBARCC, 2 July 2020.

¹⁸ BT identified three breaches and Openreach identified six. Details of the breaches can be found in BTCC Annual Review 2019/20 and the OBARCC Commitments Compliance Report 2020.

¹⁹ We continue to monitor progress of the Openreach brand in Northern Ireland especially, given its relative infancy compared to the rest of the UK.

in a way that supports Commitments compliance and seeks to safeguard Openreach's independence.

- 2.27 However, we recognise that lasting cultural change takes time as well as consistent senior-level commitment. We have been pleased by the focus of BT and Openreach leadership in building cultural change around the Commitments to date and expect that continued focus will be critical going forward to ensure the change is enduring.
- 2.28 BT and Openreach are making changes to embed compliance with the Commitments in standard practice, so that they become second nature for colleagues across both organisations. For example, to minimise the likelihood of inadvertent breaches, BT have a continuing programme of education and training to support relevant colleagues in understanding the Commitments and the controls implemented to facilitate compliance.
- 2.29 BT is continuing its cultural transformation journey, building on the work conducted last year and improvement recommendations from a third-party consultancy. Progress towards implementing improved processes and controls has continued, and we note that monitoring the evolving culture of compliance remains a key focal area for both BTCC and OBARCC.
- 2.30 In our last report we acknowledged BT's plans for a new annual share award available to all employees and emphasised to BT leadership the importance of ensuring any scheme would not focus exclusively on criteria set by BT and thereby incentivize inappropriate behaviours by Openreach staff. Since then, BT and Openreach have confirmed that they are taking steps to ensure that all awards to Openreach staff under this scheme will be dependent on performance criteria that are defined independently by Openreach and overseen by the Openreach Remuneration Committee.

3. Openreach and its customers

- 3.1 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. We will continue to monitor Openreach's commitment to engaging with industry and acting in ways that ensures its customers are receiving fair and equal treatment.²⁰
- 3.2 Openreach continues to develop its independent identity and, while some customers continue to raise issues, industry feedback points to a general trend of Openreach improving its engagement with customers and working to build constructive commercial relationships. We note the leadership and commitment of the Openreach Executive as a key factor in this progress.

Culture and behaviours

- 3.3 Since our last report, Openreach has continued to interact with its customers directly as well as through relevant industry fora and engagement mechanisms.
- 3.4 For example, we have seen continued use of the Statement of Requirements (SoR) process through which customers can request new products, or changes to existing ones that would support their build ambitions. Openreach monitors performance metrics for this process closely and shares regular updates with industry. We understand that the quality of engagement through this process, and the timeliness of decision-making has improved since our last report.
- 3.5 Openreach has also continued consultation with its customers to inform its decision-making and help it to understand and shape the products and services its customers need. In March, following responses from across industry, Openreach issued its conclusions on its 2019 *'Fibre to the Premises (GEA-FTTP) for Business'* consultation - setting out its position and thoughts on future development opportunities for this type of product.
- 3.6 In our last report, when considering Openreach collaboration, we noted a lack of clarity around the limited use of the 'Confidential Phase' of Openreach's *'Customer Consultation Process for Significant Investment or Co-Investment'*.²¹ Since then, Openreach has told us that the feedback they have received indicates that the limited number of confidential submissions is a positive reflection of the trust many providers have in Openreach preserving confidentiality through normal bilateral engagement processes.
- 3.7 We understand that Openreach is continuing to take steps to improve customer experience, for example, by refreshing its systems and processes for managing customer

²⁰ A key requirement of the Commitments is that Openreach must treat all its customers equally in the exercise of its functions. See 'Commitment 5' on page 3 of the [Commitments](#).

²¹ This is a phase in the Openreach product development and service offering, designed to give customers confidence to discuss major investment with the certainty that this will not become known to other customers or anyone in BT plc outside of Openreach, without their explicit consent.

contacts and relationships. In Northern Ireland, Openreach also continues to engage directly with customers through its Regulatory Compliance Committee and Product Forum.

- 3.8 In order to hear feedback directly from providers, in February 2020, we invited stakeholders to share their thoughts with the OMU on how the arrangements between Openreach and BT were operating in practice. Overall, the responses indicated that providers consider the arrangements to have been largely successful in increasing Openreach's independence from BT Group and improving Openreach's ability to focus on the needs of its customers. One specific example offered was that Openreach had improved its communication of briefings to reach its whole customer base, rather than communicating these only through industry fora (which smaller customers are not always able to attend).
- 3.9 But, whilst Openreach has made good progress around customer engagement, some feedback indicates that not all stakeholders think the separation between BT and Openreach is working as they consider it should.
- 3.10 For example, industry stakeholders have continued to raise their concerns – both with us and with Openreach - about the potential for undue BT Group influence over Openreach pricing decisions. We have also heard some concerns relating to overlap in fibre deployment by Openreach and other operators, and the ability to access BT's ducts and poles where and when it is needed.
- 3.11 While these have been raised as concerns, we have to date not found anything that would suggest that Openreach is not acting in accordance with the Commitments. These will continue to be particular areas of focus for our monitoring in the year ahead and we expect Openreach to continue taking steps to engage constructively with industry participants to explore any concerns and to demonstrate appropriate evidence in response.
- 3.12 We note that, to date, in our engagement with Openreach on matters raised by stakeholders, it has generally responded constructively and sought to thoroughly investigate complaints and take appropriate remedial action. Where we have probed into matters raised directly with OMU we have considered Openreach's responses to be adequate in addressing the issues raised.
- 3.13 Customers are able to escalate concerns with their existing Openreach contacts or may directly contact the CMO to raise specific queries or complaints about Openreach's compliance with the Commitments.²²

²² [The Commitments Monitoring Office.](#)

4. Openreach and fibre networks

- 4.1 A key objective of Ofcom’s approach to Openreach reform and encouraging network competition, has been to support the delivery of fast, fibre broadband connections across the UK, and providing choice and quality outcomes for consumers.
- 4.2 Throughout the challenges of 2020, as people have relied increasingly on being able to connect more - and more reliably - from home, the importance of these fibre networks has become even more apparent.
- 4.3 During the year, we have been pleased to see BT increase its full-fibre rollout ambitions to reach 20 million premises²³ and provide Openreach with the investment required to continue delivering its FTTP deployment at scale and pace across the UK. We acknowledge the significant contribution this will make in supporting national broadband ambitions.
- 4.4 As well as continuing its own fibre build programmes, we expect Openreach to be engaging constructively with customers to build commercial relationships and trust.
- 4.5 Although outcomes are not driven exclusively by Openreach, its interaction with customers has the potential to contribute to – or frustrate - industry progress in fibre build. In this context, we welcome the continued efforts and investment of industry to build products, services and networks that enhance fibre connectivity for consumers.
- 4.6 In the remainder of this section, we have reflected in more detail on the progress made in delivering positive outcomes for consumers and industry.

Customer outcomes

- 4.7 In July 2017, we explained that we would track Openreach’s performance on consumer outcomes. The table below sets out this information updated for this monitoring period.

²³ [2019/20 financial results & events](#). BT, 7 May 2020.

Figure 2: Table showing UK fibre availability, broadband connectivity and Openreach quality of service

Widespread availability of fibre broadband		July 2017	Nov 2018	March 2019	March 2020
 Metrics	Number of premises passed by Openreach Fibre To The Cabinet (FTTC) products	26m	27m	27.5m	28m
	Number of premises passed by Openreach G.Fast	Pilot deployment	1.3m	2m	2.8m
	Number of premises passed by Openreach Fibre To The Premises (FTTP)	345,000	682,000	1.2m	2.6m
Decent broadband connectivity for everyone					
 Metrics	Proportion of premises unable to receive a download speed of at least 10Mbit/s	5%	3%	2%	2%*
	Proportion of SMEs unable to receive a download speed of at least 10Mbit/s	8%	7%	4%	5%**
A step change in quality of service					
 Metrics	Proportion of Openreach installations on time	93%	95%	94%	94%
	Proportion of Openreach repairs within agreed time	83%	84%	87%	84%***
	Average first available Openreach appointment	8 working days	7 working days	7 working days	7 working days
	Proportion of Openreach appointments missed	2%	2%	2%	2%

* While this is the same rounded percentage reported last year, the number of premises has reduced to 590,000 (from 610,000).
 ** Following a change in Ofcom methodology, this figure now relates to all commercial premises rather than just SMEs as was previously reported.
 *** This figure represents an average proportion for 2019/20

Decent broadband for everyone

- 4.8 The table above notes that earlier this year, the number of business and residential premises unable to receive decent²⁴ broadband (from a ‘fixed-line’ service) was 590,000. As noted in our latest Connected Nations update, we expect the growing availability of Fixed Wireless Access (FWA) will further reduce the number of premises unable to get a decent broadband connection.²⁵
- 4.9 The broadband universal service obligation (USO) was launched on 20 March 2020 giving homes and businesses the right to request an upgraded connection if they cannot get decent broadband.
- 4.10 Customers can request a USO connection from BT²⁶ if they cannot currently receive affordable decent broadband services. BT must assess the costs and provide the connection if this is less than £3,400. If it is more than this amount, BT must provide the connection if the customer is willing to pay the excess amount.
- 4.11 BT Consumer “soft launched” the Broadband USO service in March 2020, given customer engagement and operational activities were limited by the circumstances of COVID-19 restrictions.

²⁴ A download speed of at least 10Mbit/s and upload of 1Mbit/s.

²⁵ In December 2019, we estimated that - after including FWA networks - the number of properties unable to get decent broadband was around 189,000. See: [Connected Nations update: Summer 2020](#). Ofcom, 10 Sept 2020.

²⁶ BT is the USO ‘designated provider’, except for in the Hull area where KCOM is the designated provider.

- 4.12 We have been concerned by reports of customers being quoted very high amounts for USO connections – particularly where those costs could potentially be shared with other local properties. As such, we recently launched an investigation into the way BT calculates some of these costs.²⁷

Availability of fibre broadband

- 4.13 Availability of full-fibre broadband in the UK continues to improve at a rapid pace, with over 4.2 million homes (14%)²⁸ now able to access full-fibre services. At the time of our last monitoring report, the figure stood at 7%.
- 4.14 This is a result of increased rollout both from the expansion of existing broadband networks, including Openreach, as well as alternative network providers (alt nets) building entirely new fibre networks.
- 4.15 As at March 2020, Openreach had built full-fibre connections out to 2.6 million premises – this is a notable increase from the 1.2 million noted in our 2019 Annual Monitoring Report. And with the support of BT investment, Openreach continued to reach on average 32,000 new premises with full fibre each week²⁹ with a target to pass 4.5 million homes by March 2021.³⁰
- 4.16 In May 2020, BT Group announced its ambition to build a full-fibre network to 20 million premises by the mid-to-late 2020s. We welcome this £12 billion BT investment decision and the progress Openreach is making on fibre deployment. However, recognising there is still some way to go for BT’s stated ambitions of reaching 20 million premises to be realised, we will continue to monitor how the investment needed is delivered.
- 4.17 As well as Openreach build, we have seen significant fibre broadband deployment in the UK by other network providers. Over the last year alternative providers have continued to roll-out their own networks to an estimated 1.2 million premises.³¹ In recent years, several new providers have emerged and committed to building more fibre networks.
- 4.18 We continue to see ‘superfast’ broadband (of at least 30 Mbit/s) reaching residential homes across the UK with coverage levels currently at 95%. We recognise that growth beyond this is likely to be slower, as it will be focused on the harder to reach areas.
- 4.19 Coverage for all business premises, both large and small, is also slowly increasing but - at 86% - is lower than residential coverage.³² This may be due in part to lower availability in business parks, due to costs involved in rolling out the relevant technology to these areas

²⁷ [Investigation into BT's compliance with its obligations as a broadband universal service provider](#). Ofcom, 15 October 2020.

²⁸ The level of full-fibre build varies across the UK – with Northern Ireland having the highest proportion of premises able to access full-fibre (49%) compared to 13% in both Scotland and England. The figure for Wales is 15%.

²⁹ [Financial results: Results for the full year to 31 March 2020](#). BT Group plc, 7 May 2020.

³⁰ [Trading update: Results for the three months to 30 June 2020](#). BT Group plc, 31 July 2020.

³¹ [Metrics for the UK independent network sector](#). INCA Point Topic report, April 2020.

³² [Worksheet containing main tables on fixed network coverage](#). Ofcom, 10 Sept 2020.

and the alternative use of ‘leased lines’ for data networking, particularly by larger enterprises.³³

Quality of service

- 4.20 The quality of service provided by Openreach to its customers has improved markedly in recent years, which has been reflected in feedback it has received from providers across its Ethernet and copper/fibre products.
- 4.21 However, 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.
- 4.22 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 customers.
- 4.23 Whilst Openreach achieved all of Ofcom’s 42 quality of service standards in 2019/20 for voice and broadband services, it narrowly missed three of its five ethernet targets.³⁴ We understand the impact of Covid-19 has presented challenges for Openreach regarding quality of service standards and will continue to take a pragmatic approach to determining the need for enforcement action.
- 4.24 Compliance with regulatory obligations continues to be important. We are currently engaging with Openreach on this matter and considering whether further action is required.

Industry outcomes

- 4.25 To help industry participants invest and operate with confidence, Openreach must continue to show that it is committed to engaging constructively with all its customers to support to the development of UK networks.
- 4.26 We continue to focus our monitoring on Openreach’s deployment of fibre, as well as the critical role it plays in the provision of access to duct and pole infrastructure to other providers.

Access to BT’s physical infrastructure

- 4.27 The UK telecoms networks rely on physical infrastructure, such as underground ducts and telegraph poles to connect high capacity fibre lines.
- 4.28 The provision of access to ducts and poles (DPA) by Openreach via its Physical Infrastructure Access (PIA) product is an important component for fibre network

³³ [Connected Nations 2019 UK report](#). Page 4. Ofcom, 20 December and re-issued on 18 March 2020.

³⁴ [OBARCC Commitments Compliance Report 2020](#). Page 3. OBARCC, 2 July 2020.

deployment by competing network providers as it can make it faster, cheaper and easier to build new high capacity connections for homes and businesses. As such, we view the opening of BT's duct and pole network to all potential network competitors, as central to Ofcom's objective of promoting greater investment and competition in fibre networks.³⁵

- 4.29 We are therefore closely monitoring the implementation of further improvements to the PIA product, paying particular attention to Openreach's handling of DPA customers' confidential data, and its ability to demonstrate 'no undue discrimination'.³⁶
- 4.30 We note that there has been considerable interest in DPA, with more than 90 providers to-date having registered with Openreach as PIA customers, and approximately half of those currently building PIA-based full-fibre networks. Orders for both duct and pole-based PIA continue to increase despite the challenges caused by Covid-19 with order volumes over the past 12 months³⁷ covering over 12,000 km of duct and over 50,000 poles.
- 4.31 Alongside the increase in demand, we have seen Openreach maintaining elements of performance, for example a 99.9% rate this year for validating network adjustments within the 5-day target specified in Service Level Agreements. We have also seen Openreach taking specific steps this year to make progress, such as increasing the space for equipment at the top of poles and increasing the number of aerial cables allowed.
- 4.32 We welcome this progress and note the Openreach Executive's strong commitment to making PIA work. Ofcom has also maintained a productive relationship with Openreach over this period, with initiatives such as the development of the 'no undue discrimination' KPIs being particularly notable.
- 4.33 Since our last report, the ongoing programme of work to develop and enhance PIA has continued, with initiatives being well-resourced and while much has been achieved, there have been 'growing pains' in the implementation. There is consensus that more needs to be done going forward to ensure it is effective. We note that:
- a. Openreach has made efforts to engage with network providers and listen to their concerns over the year and has constructively progressed outstanding issues.
 - b. Some network providers have felt that progress on certain issues - for example process improvements and addressing inventory records issues - has been slower than they might have expected.
 - c. Some network providers do not always feel that they are receiving fair and equal treatment, particularly, in relation to using Openreach's ducts without a

³⁵ [2019 PIMR and BCMR Statement: Volume 1](#). Para 1.7. Ofcom, 28 June 2019.

³⁶ In this context, we interpret no undue discrimination as requiring strict equivalence in respect of all processes and sub-products that contribute to the supply and consumption of network access, with discrimination permitted only in cases where BT demonstrates that a difference in respect of a specific process step or sub-product is justified. See paragraph 4.80 of this report.

³⁷ 12 months to September 2020

time, cost or complexity disadvantage compared to Openreach itself.³⁸ Ofcom has been working with Openreach and industry to agree the priorities for further attention and action to address these operational issues around implementation.³⁹

- d. Some concerns have been raised with Ofcom and the OMU about how Openreach uses the data provided to it under the PIA process. While the complaints do not indicate any wrongdoing on the part of Openreach they show that further work is required to ensure confidence amongst network providers.
- e. Openreach continues to engage with its PIA customers and provides updates at regular roundtable meetings of industry CEOs, chaired by Ofcom.

4.34 We expect Openreach to continue engaging constructively with providers to ensure they can gain access at the scale and pace necessary to support the deployment of multiple, fast fibre networks for UK consumers.

4.35 We note that such engagement and collaboration might benefit from Openreach further enhancing communication about its internal processes to help demonstrate there is a 'level playing field'.⁴⁰ We expect that as Openreach establishes new processes or platforms that contribute to the supply and consumption of network access, that these are designed and implemented from the outset such that they are equivalent.

4.36 We will continue to closely monitor progress and expect to see notable progress in the 'industrialisation' and uptake of PIA, and network providers' confidence in the product and associated processes by the time of our next report.

Competing fibre networks

4.37 While we welcome the increased fibre investment from BT and the continued deployment of fibre by Openreach, network competition is central to Ofcom's strategy to promote further investment in fast and reliable fibre connections.

4.38 Over the last year, other independent network providers have continued to roll-out their own networks to an estimated 1.2 million premises.⁴¹ These alternative network providers (or sometimes known as 'altnets') have also been successful in securing funds from investors to ensure further build and in addition the UK Government has pledged £5bn for

³⁸ [Cityfibre's non-confidential response to WFTMR Consultation](#), paragraph 5.49. City Fibre, 22 May 2020; this analysis is supported by other providers, such as [Hyperoptic's non-confidential response to WFTMR Consultation](#) discussing 'Cost of non-equivalence'. page 8. Hyperoptic, 30 June 2020.

³⁹ We are also aware of particular implementation challenges of PIA in Scotland, where a higher proportion of telegraph poles in private back gardens can be a barrier to their use.

⁴⁰ We require Openreach to produce an Internal Reference Offer that will require it to set out its internal processes to some degree. This will allow Ofcom and telecoms providers to identify any differences in process.

⁴¹ [Metrics for the UK independent network sector](#). INCA Point Topic report, April 2020.

fibre roll-out. We continue to welcome and encourage this investment contributing to ever-improving fibre connections across the UK.⁴²

- 4.39 It is important to acknowledge that in a competitive industry, there will at times be direct competing build in the same geographical areas. While this might lead to commercial challenges where multiple providers find themselves deploying in the same locations, a coincidence of rollout locations does not itself present a clear case for concern.
- 4.40 However, we recognise that where their footprints overlap with Openreach's build, providers expect reassurance that this is a result of fair competition.
- 4.41 Some providers have contacted us about how the timing of Openreach fibre deployment in some specific locations coincides with their own deployment plans and the possibility that such Openreach build decisions may have been informed by Openreach inappropriately using data provided under the PIA process.
- 4.42 These instances were investigated by Openreach through its internal governance functions. And, after looking ourselves into these instances, and more broadly at Openreach's fibre build processes, we concluded there was no evidence in these cases to suggest that there had been any misuse of PIA data to inform any Openreach build decisions and that in each case Openreach could explain the rationale for the deployment decisions, in line with its planning processes.
- 4.43 However, it has on some occasions not been straightforward to quickly audit and evidence the validity of Openreach build decisions and we will continue to work with Openreach to ensure they continue to make tangible progress on embedding documentation practices that further transparency, clarity and trust.
- 4.44 In the context of the concerns raised, we have been engaging with Openreach to understand its forward plans to further strengthen the governance around its fibre build programmes and create clearer audit trails of build decisions. In doing so, we hope that Openreach will be able to develop increased levels of trust with providers – and, where appropriate, engage directly with them to explain and evidence its rationale for conflicting build.
- 4.45 Openreach is also taking further action to strengthen system controls to protect data provided by Network Providers in the PIA process and thereby provide further reassurance that such confidential information is handled appropriately.
- 4.46 Openreach voluntarily publishes its forward build plans for the 'Fibre First Towns, Cities and Boroughs' programme that delivers most of its fibre build. Details of this programme and the 'Rural Market Towns and Villages Build Programme' are now published on the Openreach website⁴³. This transparency is intended to support providers when taking

⁴² The Scottish Government's "Reaching 100% programme" (or 'R100'), also commits £600m to delivering 100% superfast broadband across Scotland. Two out of the three R100 contracts (in South and Central Scotland) have been awarded to Openreach, with a final decision on the third North Lot expected soon. In Northern Ireland the £165m investment in broadband, led by the Department of Economy, is expected to be awarded soon.

⁴³ [Openreach website - Our transparency.](#)

Delivering a more independent Openreach

commercial decisions about the level of competition they might expect in a given area. Based on stakeholder feedback, we have also encouraged Openreach to consider the transparency of its smaller fibre build programmes.

- 4.47 This will continue to be a key area of focus for our monitoring in the year ahead and we stand ready to probe further where needed any allegations of Openreach behaviour that undermines the Commitments.

5. Looking ahead

- 5.1 Investment in the UK's telecoms infrastructure is needed to meet growing and future demand for ultrafast broadband. Future broadband networks should provide choice, value and quality. Ofcom's approach to achieving that has been through encouraging competition between different networks.
- 5.2 Next year, Ofcom will publish its decision statement on the Wholesale Fixed Telecoms Market Review (WFTMR) 2021-26, setting out the detailed plans for regulation from April 2021 of the fixed telecoms markets that underpin broadband, mobile and business connections.⁴⁴
- 5.3 The Openreach Monitoring Unit will continue its monitoring programme and issue a third annual report in 2021. We will continue to monitor the architecture, governance and processes of BT and Openreach and the behaviours of their people, to ensure changes made to strengthen and safeguard Openreach independence are embedded.
- 5.4 Throughout our monitoring, we will continue to reflect on whether embedded structures and processes are supporting the institutionalisation of the Commitments, making the changes sustainable. We continue to recognise the positive impact of key personnel across the BT and Openreach leadership teams who have driven the change and progress to date. By ensuring that a Commitments culture is hardwired into both organisations, we expect them to be more resilient to change and lessen the reliance on the dedicated efforts of key personnel.
- 5.5 Our monitoring of BT's interaction with Openreach going forward will be particularly focused on how decisions are reached on issues of real significance to the industry, such as, Openreach's wholesale pricing of fibre services. We will also continue to monitor how BT Group and Openreach resolve any substantial internal tensions, and the mechanisms through which decisions involving BT Group, acting as a parent company, are made and that these are documented with appropriate levels of transparency and governance.
- 5.6 After the WFTMR regulation comes into effect, we will reflect on the appropriate timing during the course of the review period for us to conduct a broader strategic review on whether the Commitments and the legal separation of Openreach in 2017 are delivering the outcomes intended by the Strategic Review of Digital Communications.⁴⁵
- 5.7 Going forward, it will be important to the success of the Commitments that they remain relevant and can be dynamically adjusted where appropriate. BT must notify Ofcom in advance of any variations or exemptions to the Commitments it wishes to make.
- 5.8 We will continue to engage with BT to understand any such changes, considering the implications they might have for Openreach independence. It is critical that there is

⁴⁴ [Ofcom website](#).

⁴⁵ Ofcom conducted this review in 2016 and subsequently set out its conclusions and strategy for enabling the future widespread availability of competing fibre networks in the UK. See: [Initial conclusions from the Strategic Review of Digital Communications](#). Ofcom, 25 February 2016.

appropriate transparency of any changes to the Commitments for stakeholders to allow for their feedback and maintain confidence in the Commitments' ability to safeguard Openreach independence. We expect BT to carefully consider the impact of any changes on the industry and, as it has in the past, ensure stakeholders are engaged with appropriate transparency on any proposals which might impact Openreach's independence.

- 5.9 Where stakeholders have concerns about specific aspects of Openreach service, they should continue to contact BT or Openreach directly in the first instance. If there are specific concerns that relate to compliance with the Commitments, stakeholders are invited to contact the BT and/or Openreach assurance functions directly via cao@bt.com (BT)⁴⁶ or commitments.monitoring.office@openreach.co.uk (Openreach)⁴⁷.
- 5.10 However, we remain open to hearing from stakeholders who wish to share information or comments directly with Ofcom by contacting OMU@ofcom.org.uk.

⁴⁶ [Commitments Assurance Office](#).

⁴⁷ [Commitments Monitoring Office](#).