

openreach

a BT Group business



Openreach and Functional Separation: The UK model

Innovative Regulations for Competition in the BB Market

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7 June 2008

Functional Separation – the UK Model

Key elements of BT's Undertakings

- Establishment of “functionally separate” business unit: Openreach
- Focus on key access and backhaul bottlenecks
- Provision on an equivalence of inputs (Eoi) basis
- Transparency, information sharing constraints and duty of confidentiality
- Clear separation between upstream and downstream divisions: operational separation, systems separation, asset register split and accounting separation
- Independent oversight and enforcement
- Next Generation Networks to be implemented in an “equivalent” manner

Equivalence of Input

- Same products & services
- Same time-scales, Ts and Cs, incl. price
- Same systems & processes
- Same reliability & performance
- Same commercial information
- Subject only to trivial or agreed differences

Openreach: An Overview

3.2 million customer visits per year
14 million jobs a year

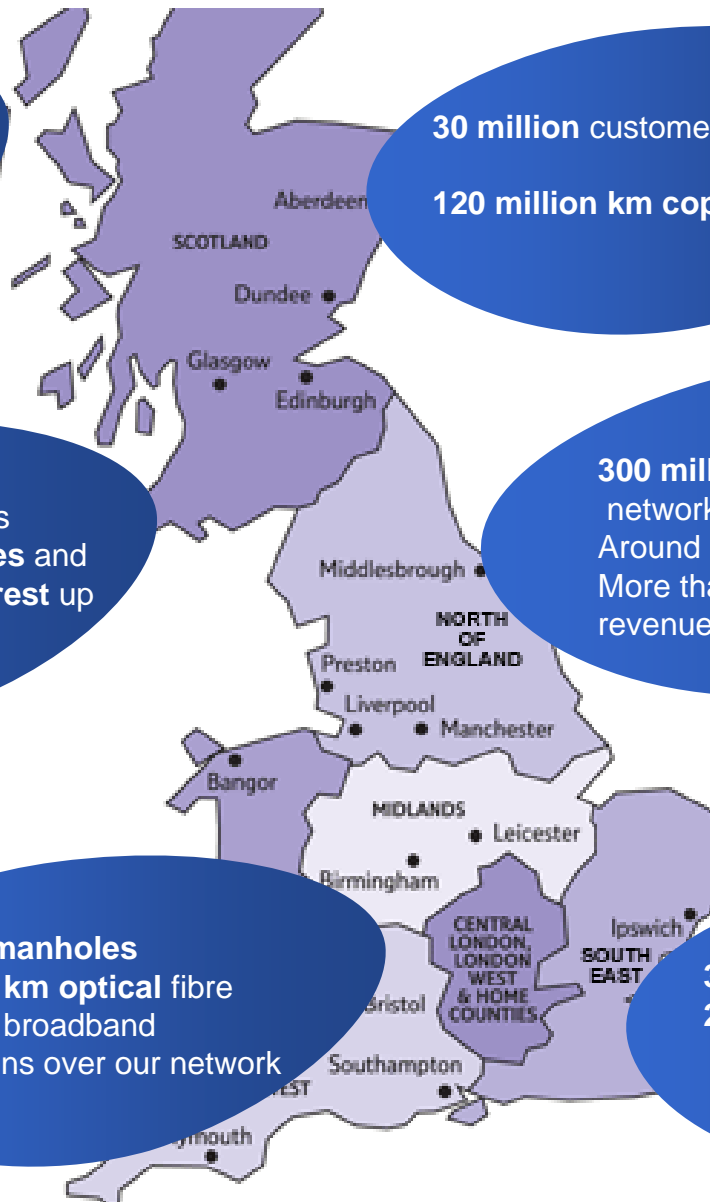
30 million customer lines
120 million km copper access

Each day openreach visits **11,500 homes and offices** and climbs the **height of Everest** up our poles

300 million calls a day across our network
Around **£11 billion** assets
More than **£5 billion** revenues

200,000 manholes
2 million km optical fibre
9 million broadband connections over our network

30,000 people
22,000 vans



BT's Undertakings: A new era of regulation

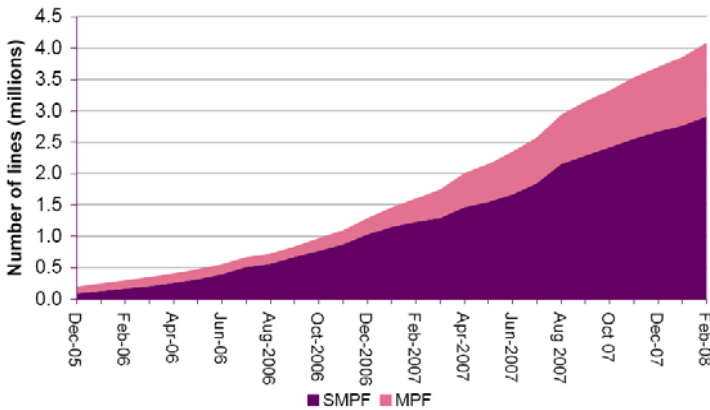
- Increased clarity
- Regulation focused on enduring bottlenecks
- Provides foundation for reduced retail regulation
- Creates incentives to invest and innovate
- Enables infrastructure-based competition: benefiting the UK consumer and UK economy

Creating a climate of confidence for infrastructure competition, investment and innovation

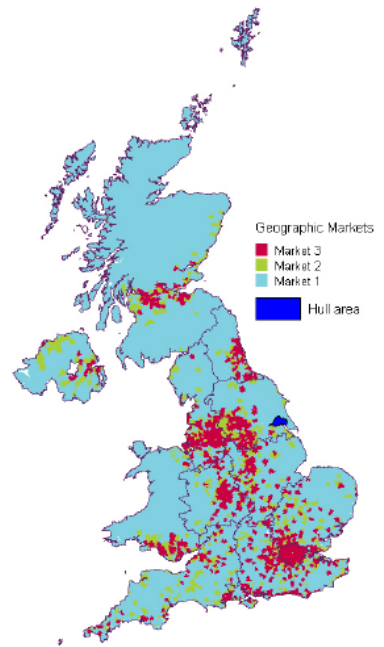
Driving Growth in UK BB Market

- Over 4m LLU lines: 3m shared access, 1m fully unbundled
- Nearly 1800 unbundled exchanges
- Nearly 70% of UK has choice of 4 or more BB network providers
- Ofcom has just deregulated BB markets covering nearly 70% of population
- Average headline BB speed now 4.6Mb

Figure 3.1 Growth in MPF and SMPF lines since December 2005



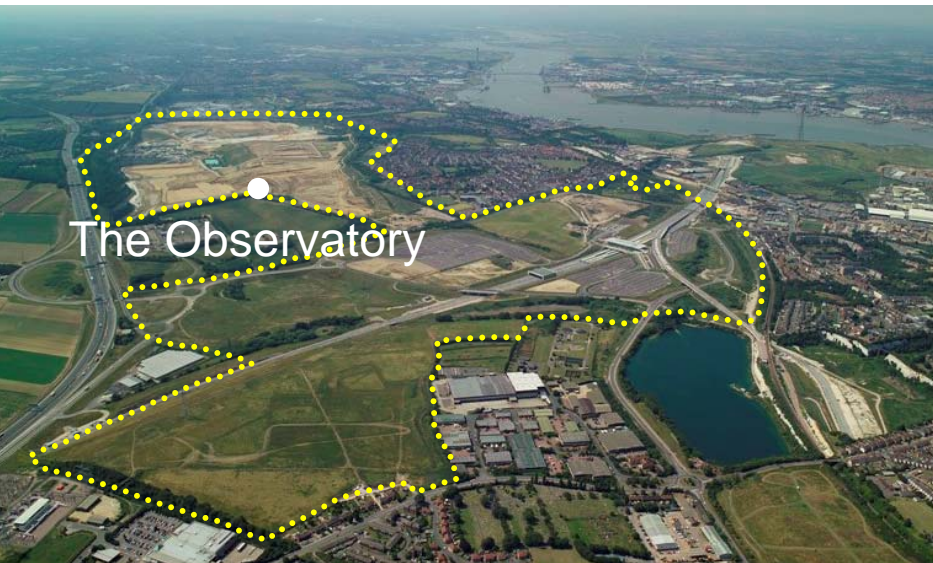
Wholesale Broadband Access Markets – 21 May 2008



Openreach and NGA

- NGA raises many important economic, policy and regulatory questions, it is important debate is customer/demand led
- We are actively engaged with industry, Ofcom and Government to ensure momentum is maintained in this important debate
- Where we offer NGA services, we will do so on a wholesale equivalent basis and believe other network operators should do the same
- We already offer wholesale fibre based access and backhaul services and continue to develop our portfolio
- 2008 will see our NGA trials moving out of our labs and into the market – Ethernet backhaul Direct, Ebbsfleet, etc

Example of transformation - Ebbsfleet



Ebbsfleet Valley will be a new community for the 21st century at the forefront of ICT technology providing a new paradigm of business and community connectivity that will promote value, enhance user experience and actively contribute to economic, environmental, social sustainability

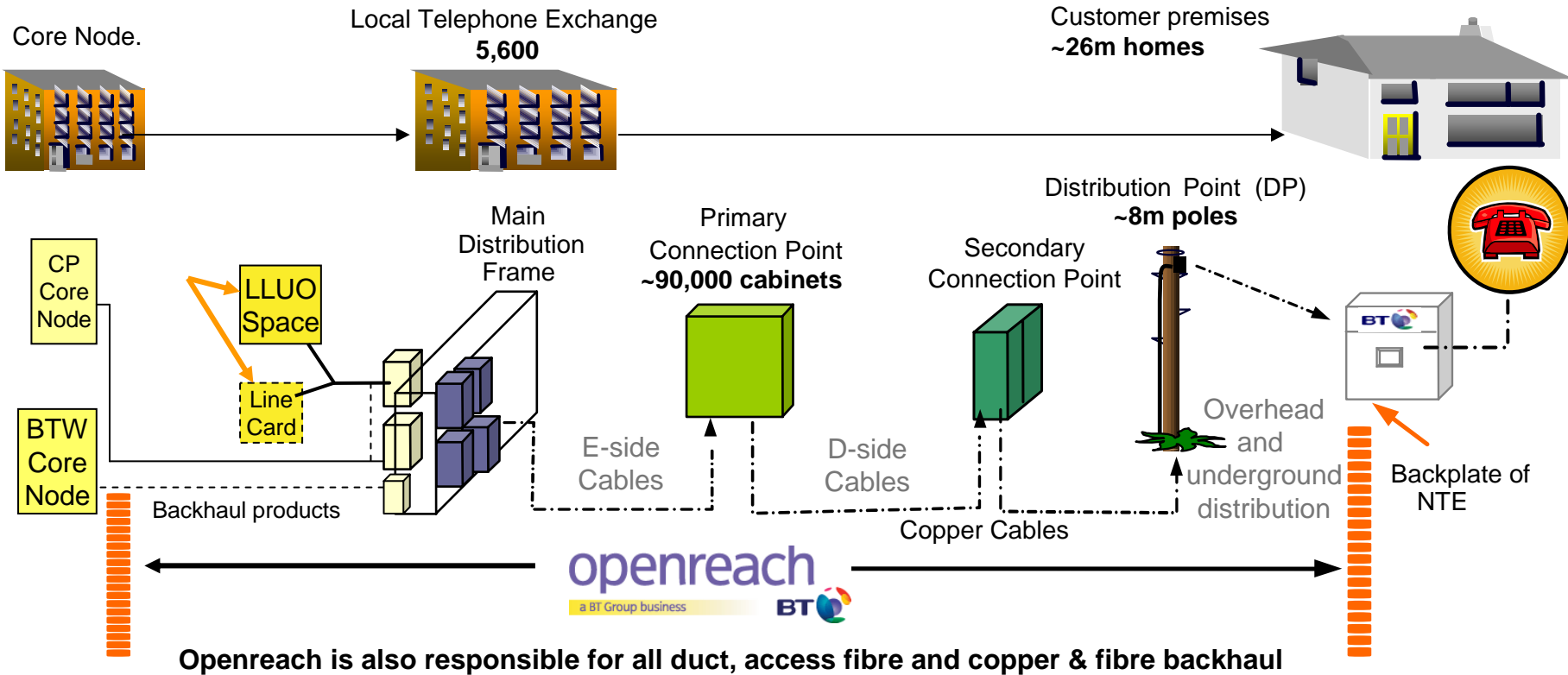


Openreach is working with the developer and UK Communications Providers to deliver a fibre-only infrastructure to this new community

'Images Courtesy of Land Securities'

Thank you

Scale and scope of Openreach



Regulated asset value
£ 9.6 billion

Demarcation Points