

**Regulatory Policy Institute
Competition Policy in Regulated Sectors**

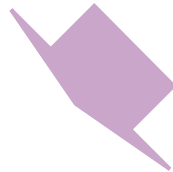
Openreach and the BT Undertakings

**Steve Unger
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16th February 2006**

**Enduring market power upstream
+ vertical integration**

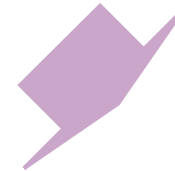


**Existing *ex ante* competition rules address price
discrimination, but not non-price discrimination**



Product equivalence

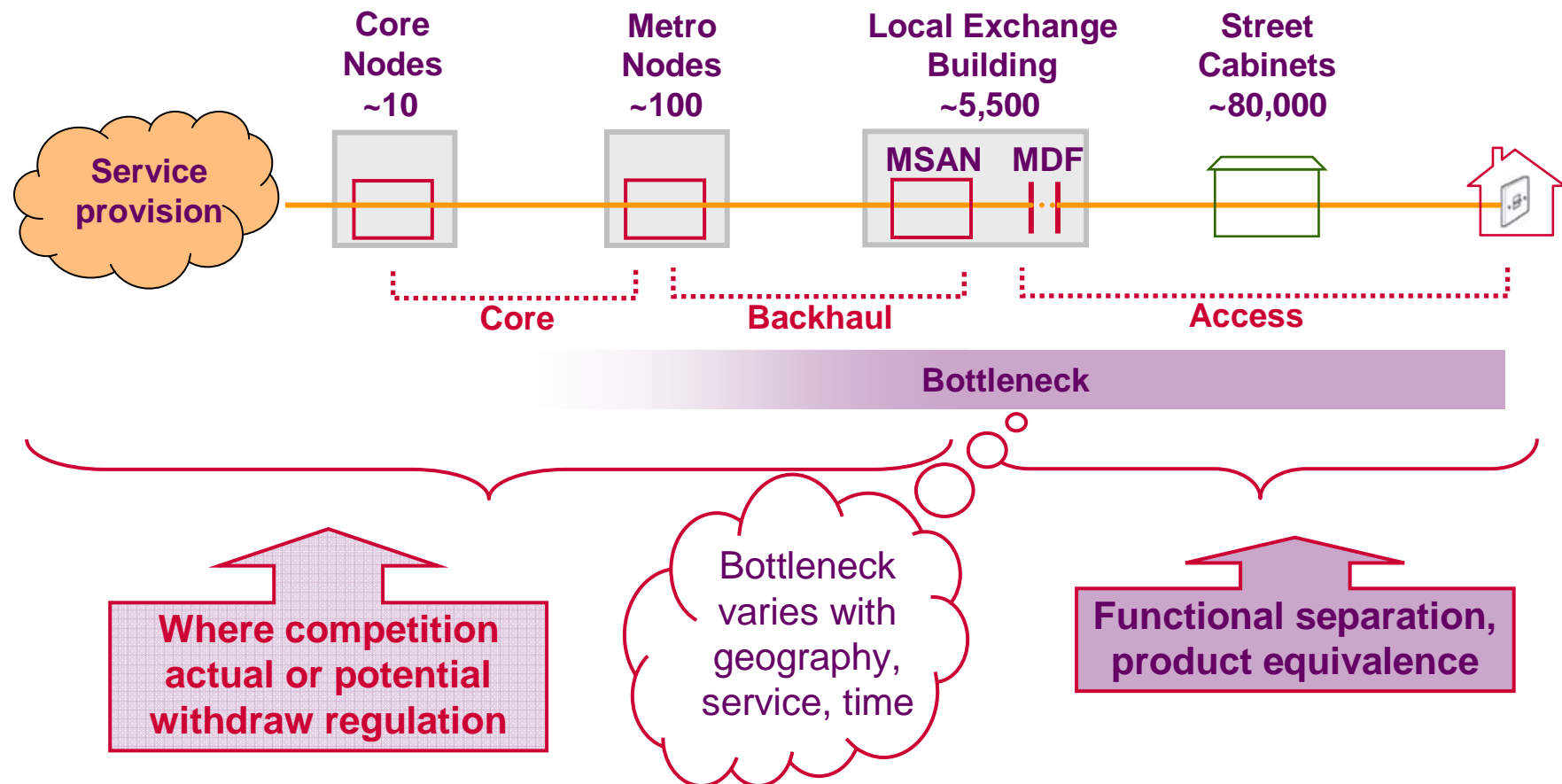
- Competing communications providers purchase identical products to those used by BT
- Reduces ability to discriminate



Functional Separation

- Functional separation of unit providing bottleneck products
- Various measures to reduce incentive to discriminate

Focussed regulation

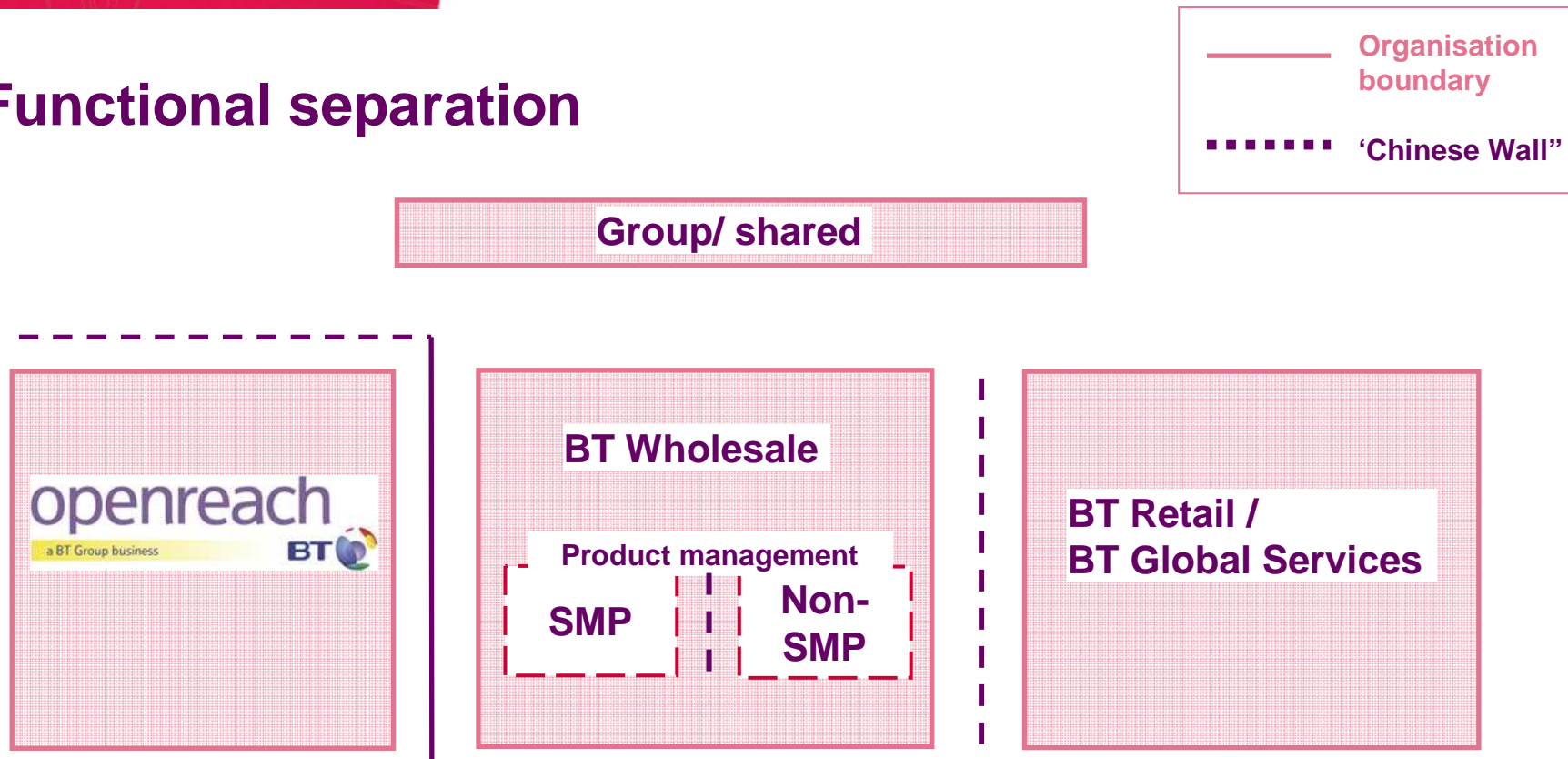


Product equivalence

	Voice Services	Broadband Services	Business Services
Openreach	Wholesale Line Rental	Unbundled copper loops	Ethernet access Ethernet backhaul Ethernet short distance
BT Wholesale SMP	Carrier Pre-selection	Basic bitstream services	SDH partial private circuits
BT Wholesale Non-SMP	End-to-end calls	Managed bitstream services	End-to-end private circuits
Retail	Calls and lines	Retail broadband	Retail private circuits

- Products to which full equivalence is applied are shown in bold

Functional separation



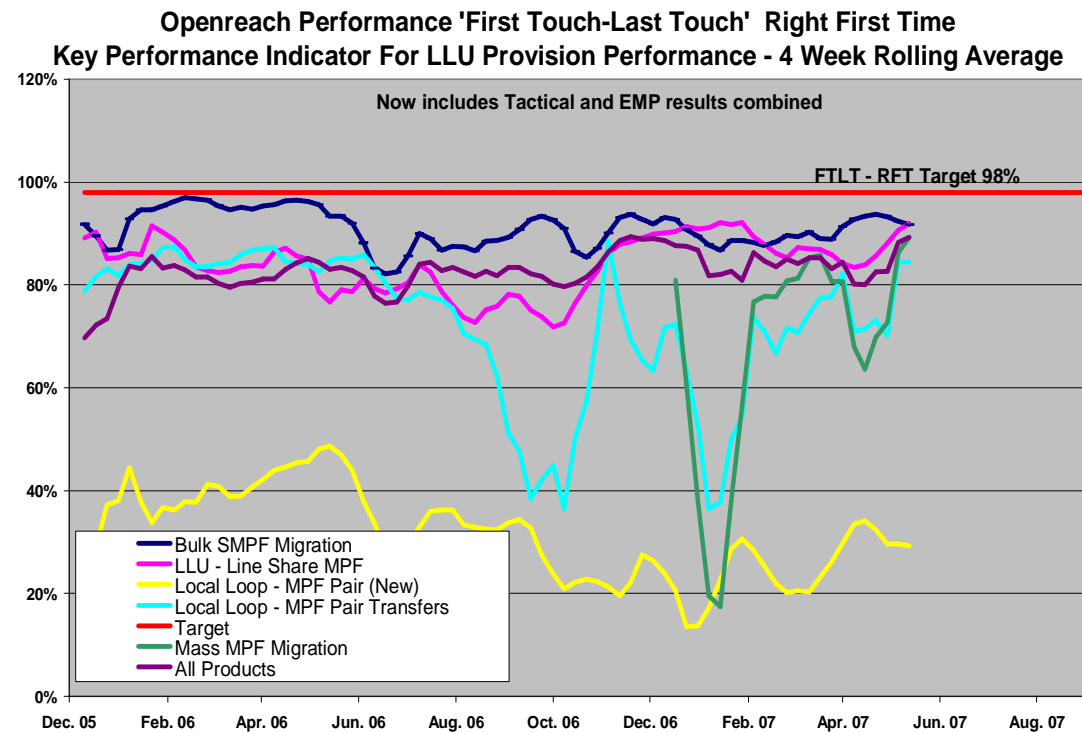
- Note: we are currently reviewing the impact of the Undertakings of the creation of two new group functions – BT Operate and BT Design. These will take over most of the network-related functions of BT Wholesale but will not result in any significant changes to the role of Openreach.

Current status

- Several key targets during the first half of 2007:
 - Wholesale line rental 'ready for service' on an equivalent basis
 - Local loop unbundling in use by all downstream bitstream services
 - Roadmap for ethernet product evolution
 - Openreach service performance showing sustained improvement
 - Roadmap for Openreach systems separation
- We stated last week that Ofcom will assess BT's progress in implementing the Undertakings as part of its next review, starting now. We expect to publish our conclusions this autumn.

Service performance

- Feedback on the Undertakings from altnets tends to focus on the service performance of Openreach
- The Undertakings dealt mainly with non-price discrimination, not upstream performance
- The same is true of structural separation
- Need more direct link between regulation of Openreach prices and service performance ?



Questions ?

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