

Written evidence submitted by Openreach

1. Openreach is continuing to accelerate the pace and scale of our nationwide full fibre deployment. We have set out plans – as part of a £15 billion commercial investment – to deliver full fibre to 25 million homes and businesses by December 2026. Depending on our ability to attract further funding, we want to continue our deployment beyond this point – bringing the benefits of full fibre to even greater numbers of consumers.
2. Delivering this transformative investment will go a significant way to meeting the Government's objective of reaching 85% of the country with gigabit capable networks by 2025. We are currently building at a weekly run rate of c.40,000 premises, and are continuing to accelerate to meet our longer term objectives.
3. In May 2021 we announced that we would increase our commercial deployment in harder to reach areas by 3 million premises (the vast majority of which are in what Ofcom classifies as Area 3), building on our previous industry-leading commitment, made in June 2020, to build to 3.2 million premises in harder to reach communities. This means we have publicly committed to building full fibre to at least 6.2 million premises in harder to reach areas as part of our commercial delivery. This balanced build approach means we are not just building full fibre in urban areas, but are helping to level up the UK by delivering full fibre to communities across the country.
4. Our commitment to deliver full fibre to at least 6.2 million premises in harder to reach areas as part of our commercial investment is clearly a positive intervention for rural communities across the UK. Ofcom calculates there are c.9.5 million in Area 3 which means our commercial build will cover a significant percentage of the hardest to reach premises. This is relevant to the wider public interest, as our commercial investment reduces the number of areas where there is likely to be a market failure and consequently areas which may require public subsidy as part of the Project Gigabit programme. Therefore, our commercial investment will deliver better value for the taxpayer by ensure public funds are targeted towards the areas of most need.
5. No other operator is building, or currently plans to build, full fibre at anything like the scale that we have set out under our commercial plans - or has the same track record of delivering in challenging rural locations as we do.
6. Our FTTP plans build on our successful partnership with DCMS and BDUK to deliver the previous superfast upgrade, which brought superfast connectivity to over 97% of the country. Our innovative Community Fibre Partnership programme (which utilises DCMS gigabit vouchers) has also helped deliver FTTP to over 180,000 homes in some of the most isolated communities in the country. We also work with the designated Universal Service Provider (BT Group) to provide fixed line connections to some USO-eligible premises and are delivering the R100 contracts across Scotland.

7. Our commercial deployment is therefore helping to meet the Government's targets, deliver for urban and rural communities across the UK, and support better value for the taxpayer.

Wider market context

8. Ofcom's regulatory approach has sought to promote competition and investment in gigabit-capable networks as a means of bringing faster, better broadband to people across the UK and in support of the Government's objectives - and the evidence to date shows this approach is clearly working.
9. In recent years the market has been characterised by growing numbers of alternative network providers (altnets) emerging. These altnets have secured significant amounts of private funding to support their deployment - including from overseas investors and sovereign wealth funds. Many of these altnets are also making use of our passive infrastructure (e.g. our underground ducts and overhead poles) to drive down the costs of their deployment. Some altnets are building primarily in urban areas (such as CityFibre and Hyperoptic) where there may already be gigabit capable networks present or being planned, whereas others are focussing efforts in more rural areas.
10. This network-based competition is good for consumers - offering a wider choice of network providers and retail options. It is also helping accelerate the deployment of full fibre and to bring the benefits of full fibre to a wider range of communities than would have otherwise been possible, and has kept broadband costs to the end users amongst the lowest in Europe.
11. Network based competition does not necessarily mean that there will be overlap between competing networks. There are roughly 32 million premises in the UK. Considering that our current plans are to pass 25 million homes by December 2026 and we typically achieve 75-80% coverage in any given area, this means that we anticipate having a full fibre presence in almost every community in the UK meaning that overlap between competing networks is inevitable. Depending on securing further funding, it is possible that we would go further than our planned 25 million footprint in future, meaning the benefits of competition could be extended even further. Commercial deployment at this scale is necessary if the Government's full fibre targets are to be met.
12. In agreement with DCMS, we publish a list of exchanges we intend to build in, which we have updated regularly since 2019. This information can be found [here](#). We publish details of each exchange we plan to build in as part of our major build programmes - which captures the significant majority of all our commercial deployment. We do not publish details about some smaller programmes where it is not logistically feasible for us to do so. For example, these smaller programmes include our delivery of FTTP to new housing developments, in-fill for some newer housing developments (known as retro new sites) and deployments to meet our universal service obligations (USO).
13. Publication of this information - and our wider footprint selection - follows a robust and audited process to ensure that we maximise commercial opportunities while also being fully compliant with competition law and all our other legal obligations. We assess a number of different factors to decide where full fibre deployment offers the best chance of a commercial return, including for example anticipated costs of build and projected take-up of services. We do not target overbuild of competitor networks - indeed where there is limited competitor overlap we may anticipate higher take-up of our services.¹ Equally, where we anticipate lower costs to build, even if there is competitor overlap we

¹ Our knowledge about competitor network presence is based on publicly available information.

may still consider we have good prospects of a commercial return. As above, this aligns with Ofcom and DCMS's overarching strategy to promote competition and investment in gigabit capable networks to deliver better outcomes for UK consumers and businesses.

14. We are therefore confident that we compete fairly, while also delivering full fibre to a growing number of communities across the country.

Supporting consumers

15. Alongside our accelerating deployment of full fibre, we have been seeking to drive further take-up of full fibre services. One way in which we can do this is through supporting our customers (e.g. retail providers like Sky, TalkTalk, Zen and BT) to encourage more consumers to take up full fibre. We have aimed to do this through a new pricing offer – referred to as 'Equinox'. This proposal means that where a retail provider chooses to buy broadband and voice from Openreach, it agrees that a minimum proportion of those orders will be for full fibre - where that's available - then we'll offer a connection and rental discount against our standard prices. They remain free to place as much or as little business with other providers as they see fit, and this won't impact the discount they get from us.
16. Equinox also offers uniform rental pricing across all areas of the UK, meaning that customers in rural areas pay the same wholesale rental price as those in urban areas (note retail pricing is a decision for Openreach's customers). This is consistent with the Government's levelling up agenda and ensures that consumers and businesses across the UK can benefit from competitively priced gigabit services.
17. Equinox offers provides great value broadband to our very broad and diverse range of retail providers, and as a result access to the best products for end-customers. Ofcom reviewed this process, and has concluded that our Equinox Offer doesn't present competition concerns and will deliver better consumer outcomes.²
18. In concluding their review of Equinox, Ofcom found that:
 - a. **Citizens and consumers:** *Our conclusion is that the Equinox Offer is consistent with promoting investment in gigabit-capable networks by Openreach and other operators and promoting network-based competition, ultimately delivering better consumer outcomes.*
 - b. **Altnets:** *As a result of the Equinox Offer, altnets are likely to face stronger competition from Openreach. However, we conclude that the Order Mix Targets and forecasting requirements do not create a potential barrier to using altnets and that the New-to-network Discounts do not raise concerns in terms of targeting or their impact on altnet build. As a result, our conclusion is that the Equinox Offer is consistent with network-based competition.*
 - c. **ISPs:** *We consider that ISPs are likely to benefit from network-based competition. As explained above, we conclude that ISPs will continue to be free to use altnets where they wish to do so.*
 - d. **Openreach:** *We consider that not preventing Openreach from introducing the Equinox Offer allows it to engage in network-based competition, without compromising our objective of promoting investment in gigabit-capable networks.*

² Ofcom, Statement: Openreach proposed FTTP offer starting 1 October 2021, September 2021. Available [here](#)

19. We agree with this assessment.
20. Further, our network underpinned the overnight shift to home working during the lockdown, and enabled millions of families to access employment and education, as well as to remain connected to loved ones. Our engineers were designated as key workers and continued to keep the nation connected throughout the lockdown, where we saw significantly increased traffic over our network.
21. The pandemic did however demonstrate the importance of making sure everyone could receive these benefits. As a result, we were proud to launch an offer to reduce barriers to those who might be offline because of affordability concerns through waiving connection fees for anyone offline in receipt of Universal Credit with no other earnings. This could potentially help up to 1 million low income households get online. The offer builds on existing social tariffs which are already offered by a number of different retail providers.

Supporting the deployment

22. There are a number of areas where we continue to engage with DCMS and other Departments. Addressing different deployment barriers remains critical to support the sector to deliver at both pace and scale.
23. We anticipate DCMS setting out proposals to reform the Electronic Communications Code (ECC) in coming weeks. This reform could help operators with the process of securing wayleaves to access blocks of flats and to cross land. We estimate that up to 1.5 million flats may not be accessible owing to challenges operators face in securing wayleaves. The success of our rural deployment – and Project Gigabit – will both also depend on how easily we and other network builders can negotiate wayleaves with landowners.
24. Strong reforms would therefore benefit operators in both urban and rural areas. In particular, where we have copper infrastructure in place, we believe we can upgrade this with minimal visual impact or burden on the landowner and that reforms should be delivered to enable us to do so. Primary legislation will be required (as part of the Product Security and Telecommunications Infrastructure Bill), so we urge the Government to take these measures forwards as a priority. Delays to these reforms will only serve to make delivering the 2025 target more challenging.
25. In July 2019, DCMS confirmed their intent to ensure that all new build properties were delivered with gigabit capable infrastructure. While our commercial efforts have ensured that the significant majority of new builds are now contracted with full fibre, there are too many new builds which remain on copper based networks. Earlier this year, DCMS said amendments to building regulations would come into effect in spring 2022, following a technical consultation. We do not yet have clarity on when the technical consultation will be launched, but hope that this measure is progressed as soon as possible.
26. DfT are also considering measures to reduce bureaucracy around streetworks. One measure being considered is to introduce a new flexi permit to cover a number of minor and standard works in a limited area for a limited period of time. This would reduce the volume of permits which operators would need to apply for, and enable a more efficient build through reducing the amount of time we have to stop work while waiting for streetwork permits to be granted. It is positive to see DfT

consider this measure, and we hope it is introduced as quickly as possible so as to allow operators to benefit from this change.

27. Business rates remain a significant concern for operators – and upcoming revaluations add significant uncertainty and unpredictability into our future rates liability. In order to maintain investment, it is important that HMT take forward measures to reduce this uncertainty. One approach would be for Government to drive greater predictability and affordability, protecting fibre investment, by modifying the ‘Plant & Machinery’ regulations to treat fibre for telecoms network operators as “tools of the trade” so fibre becomes a tenant asset and fibre infrastructure providers are not penalised for fibre investments.
28. We continue to engage constructively with BDUK on the framework for Project Gigabit, and look forward to seeing the final framework for delivery. In the meantime, we’re continuing to deliver full fibre across the country – bringing the benefits of world class connectivity to communities in both urban and rural areas.

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