



Gavin Patterson
Chief Executive Officer
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BT Centre, 81 Newgate Street
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12 August 2016

Dear Gavin,

Thank you for your letter of 9th August regarding the campaign to “Fix Britain’s Internet”. We welcome your commitment to engaging in a debate on broadband, which remains critical to the success and international competitiveness of our country, both today and in the future.

Within this debate there is some clear common ground. We all agree, and your letter acknowledges, that the service Openreach provides today is unacceptable and must improve. There are too many faults, delays and missed appointments. Worryingly, Ofcom has found that this is getting worse in some areas, not better. Consumers across the country know this only too well, and by creating this campaign we want to enable their voices to join those across business, other organisations and even the Government, who are demanding meaningful change.

Looking ahead, we do not appear to share the same level of ambition for the digital future of this nation. We, as a coalition of Openreach’s largest customers, agree with Ofcom’s assessment that a network that still relies heavily on copper, with limited plans to roll out fibre direct to the premise, will not meet Britain’s needs in the future. We believe that the UK is capable of funding, building and deploying a truly world-class national broadband network that can stand shoulder to shoulder with other world leaders, supported by strong retail competition driving better consumer outcomes.

Our concern is that none of this will happen if Openreach’s strategy and budget remains controlled by BT Group. Not only will fundamental challenges to rapidly improving service to customers today remain; but without reform we will limit our ambitions and hinder the industry’s ability to play a greater role in developing the broadband infrastructure we need for the future.

We have serious concerns that, in contrast to separation, more complex regulatory intervention will not deliver swift and meaningful change. In the coming weeks we will be responding to the new Ofcom proposals for Openreach reform. But we also want to ensure that our customers have a way to more directly express their views, and we hope that the campaign to Fix Britain’s Internet can play a role in helping them do so.

In relation to the campaign statements you ask us to reconsider, we have done so and address your specific points below.

Through taxpayer money and part of your bill, BT is paid billions to maintain the network but in rural areas nearly half of premises can't get speeds above 10Mbps.

We have used several Ofcom sources, all of which reflect the most recent Ofcom data. We consider these the most authoritative sources available, but would review the claim above as and when Ofcom publishes updated information.

The original figure is taken from the *Connected Nations Report December 2015*, published annually, and has since been restated in *Making communications work for everyone: Initial conclusions from the Strategic Review of Digital Communications, February 2016*. Both sources state that 48% of rural premises receive at most 10Mbps on standard copper¹.

With specific reference to BT's figure of 'roughly 4.2%' of households unable to achieve 10Mbps, Ofcom stated that: "Around 2.4 million, or 8% of premises in the UK are connected by lines that are unable to receive broadband speeds above 10Mbps²".

It is of course BT's prerogative to defend its role in the BDUK programme; however our statement makes no reference to 'misuse of Government funds'.

BT is spending billions on buying the rights for televised football rather than investing in Britain's broadband infrastructure

In the last auction, BT spent £960m on Premier League rights packages³ and £897m on Champions and Europa League packages⁴. This significantly increased its annualised spend on football rights, to more than £600m. In contrast, BT Group's public accounts show that over a ten year period – and a time when the UK's dependence on the network has clearly increased - Openreach's average capex has been held broadly flat at less than £1.1bn per annum. Ofcom also found that over roughly the same period, Openreach's regulated business made returns of around £17bn, of which around £4bn were 'excess returns'⁵.

Our companies represent Openreach's three largest independent purchasers of these products, so these costs are borne directly by our customers. If these returns have not been re-invested by Openreach into its network, it follows that they have been remitted to other parts of the BT Group or passed to shareholders.

Whilst we welcome the £1.4bn investment commitment to Openreach for this fiscal year, we note that such an increase has only occurred in the wake of potential regulatory intervention, close political scrutiny and significant negative media coverage.

BT has kept Openreach reliant on copper rather than investing in state of the art pure fibre. Copper is up to 100% slower and less reliable

You state that we have overlooked Openreach's investment in 'fibre broadband', which we assume to be a reference to investment in the FTTC copper/fibre hybrid product. This goes to the heart of our disagreement over the level of ambition we should have for Britain's broadband infrastructure. Although BT believes G.Fast is fit for the future, as your customers we simply do not.

That is why our statement is made in specific reference to pure fibre (or fibre to the premise). This important distinction is drawn frequently by the regulator in its *Initial conclusions from the Strategic Review of Digital Communications*, in which Ofcom concludes: "A major strategic shift will encourage the roll-out of new 'fibre to the premise' networks to homes and businesses, as an alternative to BT's planned innovation in copper-based technologies"⁶.

In the same document, Ofcom states: "The UK's communications sector needs significant investment to meet the needs of people and businesses and to avoid being left behind by our international competitors... We want to see the large-scale deployment of new ultrafast networks, such as fibre-to-the-premise"⁷.

Despite this, Ofcom data shows that deployment of pure fibre in the UK is below that in Turkey, Mexico and Poland (please see Annex)⁸. This is a wasted opportunity which risks Britain's future competitiveness, prosperity and quality of life.

You also reference BT's FTTP build programme to date of around 300,000 UK homes. Comparing this with BT's proposal in 2009 to serve nearly 10 times this number with FTTP by 2012⁹ illustrates most effectively our cause for concern. BT is now 'working up' proposals for the 'prospect' of 2m homes by 2020¹⁰. Whilst 99% of UK households served by Openreach continue to rely on copper for their broadband,¹¹ it is not unfair in our view to conclude that *'BT has kept Openreach reliant upon copper'*.

Finally, the statement that FTTP is 'up to 100x faster' than copper is based on existing market facts. As above, Ofcom's Connected Nations report states that 48% of rural premises are unable to receive speeds of 10Mbps on standard copper¹², 100 times less than Gigabit connections which are being delivered through FTTP today.

BT is paid to maintain the national network but even the regulator says it's not good enough

This statement refers to maintenance of the network, on which there is unfortunately ample evidence (both historic and current) of the regulator's opinion to justify the statement. For example:

- "Openreach's performance is a particular source of concern¹³."
- "we [are] concerned about the volume of faults on Openreach's copper network and about how quickly Openreach repairs them¹⁴."
- "We have concerns about Openreach's capacity to manage faults, as our ongoing monitoring indicates that the number of faults rose by 28% from 2013 to 3.2 million in 2015. This is a significant cause for concern if it reflects a worsening underlying trend in recent years¹⁵."

In short, the statements we have used are based on publicly available data from both Ofcom and BT, and we do not therefore consider that any of them are misleading.

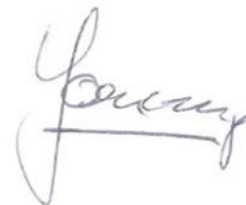
We have been – and will continue to – engage constructively in the debate about the future of Openreach, because together we contribute the largest portion of its revenue; are acting on behalf of the majority of broadband users in the UK; and are a clear and important source of competition in this market. The campaign to "Fix Britain's Internet" gives millions of Openreach customers an opportunity to express their views on this critical issue.



Stephen van Rooyen
CEO, UK and Ireland, Sky



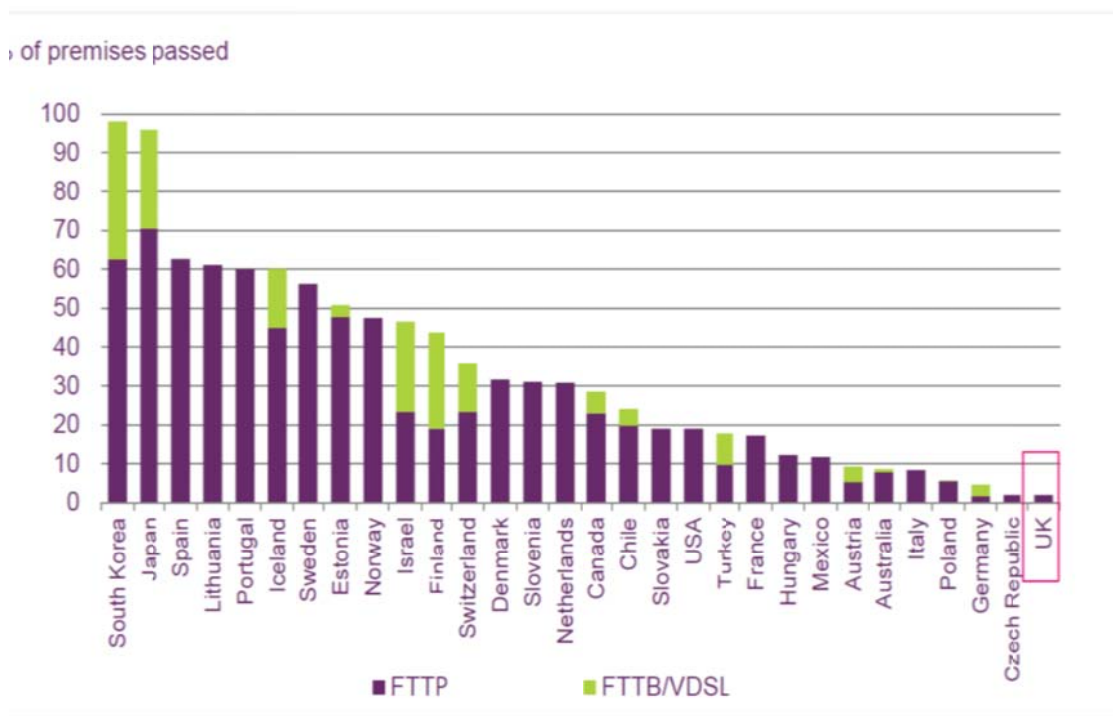
Dido Harding
CEO, TalkTalk



Jeroen Hoencamp
CEO, Vodafone UK

CC: Sharon White (CEO, Ofcom)
Karen Bradley (Secretary of State for Culture, Media and Sport)

Annex



¹ *Connected Nations 2015*, para 2.8

http://stakeholders.ofcom.org.uk/binaries/research/infrastructure/2015/downloads/connected_nations2015.pdf; and *Making communications work for everyone: Initial conclusions from the Strategic Review of Digital Communications*, para 1.4 <http://stakeholders.ofcom.org.uk/binaries/telecoms/policy/digital-comms-review/DCR-statement.pdf>

² *Connected Nations 2015*, para 2.7

³ <http://www.bbc.co.uk/news/business-31379128>

⁴ <http://www.bbc.co.uk/sport/football/24879138>

⁵ *Strategic Review of Digital Communications Discussion Document 2015*, paras 4.52, 4.55 and 4.70 http://stakeholders.ofcom.org.uk/binaries/consultations/dcr_discussion/summary/digital-comms-review.pdf

⁶ *Making communications work for everyone: Initial conclusions from the Strategic Review of Digital Communications*, 2016 para 1.1 and para 2.11

⁷ *Making communications work for everyone: Initial conclusions from the Strategic Review of Digital Communications*, 2016 para 1.18 and para 2.23

⁸ *Making communications work for everyone: Initial conclusions from the Strategic Review of Digital Communications*, 2016 figure 7.

⁹ At least 2.5m homes (25% of 10 million total roll out) which BT predicted in 2009 it would serve via FTTH, as reported in the Financial Times <https://www.ft.com/content/e3a70ac6-b441-11de-bec8-00144feab49a>

¹⁰ BT's Notification to Ofcom under section 89C of the Communications Act 2003 of 18 July 2016 at p. 8

¹¹ ONS reports total number of premises as 27 million.

<http://www.ons.gov.uk/peoplepopulationandcommunity/birthsdeathsandmarriages/families/bulletins/familiesandhouseholds/2015-11-05>. If BT passes 300,000 premises with its FTTP product, it follows that 26,700,000 households – 98.9% - cannot access FTTP and are therefore reliant on copper in some way.

¹² *Connected Nations 2015*, para 2.8

¹³ *Making communications work for everyone: Initial conclusions from the Strategic Review of Digital Communications*, 2016 heading para 5.12

¹⁴ *Making communications work for everyone: Initial conclusions from the Strategic Review of Digital Communications*, 2016 Section 5, summary box

¹⁵ *Making communications work for everyone: Initial conclusions from the Strategic Review of Digital Communications*, 2016 para 5.19