Openreach briefing: Delivering universal broadband coverage

We are providing a summary of the key elements of the voluntary offer made by BT to government to help Communications Providers and other interested parties understand what is proposed. We will endeavour to answer questions to the extent we are able within the constraints of competition law and normal commercial confidentiality requirements.

Summary

BT has made a voluntary offer to government to address the government’s universal service ambitions. Openreach is supporting this offer by providing the fixed network elements of the overall solution proposed by BT. Consumers and businesses would be able to request a fixed broadband service of 10 Mbps or more from any of the Communications Providers that choose to purchase services from Openreach.

The government will decide whether to accept BT’s offer based on what it will deliver to the UK, and by comparing it to a USO alternative. We believe that BT’s offer would allow the government to meet its goal of 100% of UK premises having access to broadband at minimum speeds of 10Mbps by 2020 by the following means:

- In 2020, 98.5% of premises would have access to a fixed broadband service, rising to 99% in 2022. Openreach would proactively build out its network to enable this.
- In 2020, an additional c.0.7% of premises would have access to a fixed wireless service rolled out and sold by BT.
- The c.0.8% of premises remaining in 2020 will be guided that satellite broadband services are available from satellite providers, or that an on demand fibre service will be available through Openreach. This would fall to 0.3% by the end of 2022 as the Openreach fixed network build is completed.

If accepted, the UBC offer would be legally binding on BT.

We are supportive of the voluntary offer because we believe it allows the government’s universal service ambitions to be achieved more quickly and efficiently than a statutory Universal Service Obligation (USO) approach. In particular the Universal Broadband Commitment (UBC) proposed by BT will allow for proactive network build to premises unable to receive 10Mbps broadband, rather than requiring reactive build in response to individual customer orders. As a result we consider the UBC to offer the quickest route to providing every home and business across the UK with access to decent broadband speeds.

The Government is considering BT’s offer as an alternative to a USO. They will decide on the best route to delivering universal broadband.

BT’s offer and Openreach’s role

There are two components to the solution proposed by BT – fixed network build to extend 10Mbps (or better) coverage to 99% of UK premises, with the remaining 1% covered by a combination of Fixed Wireless Broadband (FWB), on-demand fibre or satellite services.

If the UBC is accepted, the fixed connectivity elements of this offer would be delivered by Openreach. We would build out our Fibre-to-the-Cabinet (FTTC) and Fibre-to-the-Premises (FTTP) networks to reach
customers currently receiving <10Mbps. After the build, we expect most premises covered would be able to receive speeds in excess of 10Mbps. Helping sub-10Mbps premises would also provide an uplift in broadband performance for many neighbouring premises.

Openreach also proposes to offer an on-demand FTTP product to serve individual premises (or small clusters) in the UBC area. On request, we will provide a quote for the costs of building the network to the premises, and will go ahead if the CP is willing to pay those costs. Once built, CPs will be able to service end-customers with products from Openreach’s standard GEA FTTP portfolio.

BT has offered to make an affordable, fixed wireless broadband service available on demand to retail customers.

The fixed network and fixed wireless broadband service together would take 10Mbps coverage to 99.7%. Our on-demand fibre would be available to the most difficult to reach 0.3% of UK premises, alongside satellite broadband which is available from satellite providers.

Openreach’s fixed solutions will enable CPs to offer services with at least 10Mbps download and a minimum 1Mbps upload speeds, 50:1 contention, medium response time for latency and at least a 100Gb data cap. Separately, where BT’s fixed wireless broadband service is made available to end customers it will offer matching performance.

The Government is consulting on whether to adopt a USO and is seeking views on design of a legislated scheme. They have stated that they will consider this approach and BT’s offer in parallel until they take a decision on the best route for delivering universal broadband.

The costs of building the fixed network would be funded by BT and recovered through Wholesale Local Access (WLA) pricing. As a consequence the offer is conditional on Openreach being able to recover the costs of deployment through WLA prices. Ofcom is consulting on how it would amend its WLA charge controls should BT reach a clear and public agreement with government.

Key aspects of the UBC include:

1) Coverage

Our intention is to help the government achieve its ambition for at least 10Mbps broadband coverage across the UK. The areas for Openreach fixed deployment would aim to exclude areas in which competitor networks capable of 10Mbps exist or are planned. Subject to further discussion with DCMS and devolved authorities, it would also exclude areas where BDUK or other public funding is enabling network buildout. Our working estimate is that up to 750k premises may require intervention, which represents c.2.5% of relevant UK premises. Future public funding initiatives or further commercial build may reduce the volume of interventions required.

2) Timeline

Openreach expects that fixed connectivity solutions could be fully deployed to 99% of the UK by December 2022 with a richer FTTP mix, or alternatively by December 2021 if Long Reach VDSL (LR-VDSL) technology could be used reducing the volume of FTTP. We are grateful for CP’s responses to our recent LR-VDSL consultation, and acknowledge the commercial and migration challenges which CPs have highlighted. We will complete our evaluation of its feasibility in the autumn.

BT would make the Fixed Wireless solutions available ahead of this timeline.

3) Products

Openreach’s fixed line solutions will be available to all Communications Providers on an equal access basis (the same price for all CPs). Where we use FTTP or FTTC, we would offer the standard portfolio on standard wholesale terms and at standard wholesale prices.
The Fixed Wireless Broadband solution will be available from BT as a retail product sold directly to end customers.

4) Technology mix and costs

Openreach anticipates that the fixed solutions used to deliver the commitment would include FTTC and FTTP. FTTP is generally more expensive to deploy but is also more future proof than other technologies, and is the only solution capable of supporting 10Mbps in some areas. LR-VDSL technology is also a potential solution that may allow for quick deployment and relatively modest build costs. However LR-VDSL also carries significant migration and operational challenges and costs as reflected in CP responses to our recent LR-VDSL consultation.

The mix of technologies depends on the specific premises that require fixing; the conclusions from our LR-VDSL consultation; and operational deployment considerations.

Where we provide FTTP, end customers will be able to enjoy ultra-fast speeds; where we use FTTC or LR-VDSL we expect that most customers will have lines capable of supporting speeds in excess of 10Mbps. The network upgrades we propose will also increase line speeds for many customers who receive >10Mbps today.

BT has estimated that its UBC offer would cost between £450-£600m depending on technology mix and volumes.

5) Implementing the offer

The details of the offer still remain to be worked through with government. These will include appropriate arrangements for reporting and providing government with assurance that network build has been complete. We would also expect to agree a precise definition for the premises in scope and the change control process that would apply to these. Finally we would expect to review the commitment in the light of customer needs in due course.

6) Market impacts

We expect that by providing access to the fixed solutions on an equivalent basis to all CPs we will extend access for >10Mbps broadband to many communications providers that choose to purchase service from Openreach. We would seek to minimise overbuild of existing or planned network infrastructure capable of delivering 10Mbps.

We have consulted on the use of LR-VDSL technology with industry. We appreciate the potential issues raised by CPs, especially in relation to the risks of customer disruption and the operational complexity of migration. We will reflect these in our evaluation of whether LR-VDSL has a role to play in helping to deliver the fixed element of the UBC. We have provided Ofcom with details of our cost estimates to deliver the UBC to inform their ongoing consultation on the WLA.