16 May 2016

Dear Sharon,

10 Point Plan for a Better Openreach

We are an industry coalition comprising Sky, TalkTalk, Vodafone, the Independent Networks Cooperative Association (INCA) and the Federation of Communication Services (FCS). Together we represent the interests of the majority of consumers and businesses that rely on Openreach, serving millions of broadband customers and spending billions each year on the national network. We represent the builders and operators of the UK's next generation digital networks, as well as companies which deliver communications solutions to hundreds and thousands of organisations both big and small.

In February, Ofcom's Digital Communications Review concluded that reforming Openreach is critical to improving Britain's telecoms market. Although it stated that separation of Openreach from BT Group is *"the cleanest and most clear-cut long-term solution"*, Ofcom indicated that it would first explore other options that might deliver the necessary changes with less disruption. Ofcom is therefore considering how to create a more independent and customer-centric Openreach within BT Group. We are pleased that Ofcom is committed to an open, transparent and inclusive approach to this reform process, rather than a closed door negotiation with BT. We are therefore writing to set out our vision of how Ofcom can deliver its objectives.

We agree with Ofcom's conclusion that the status quo cannot be allowed to continue over the next ten years given the critical importance of the UK's digital communications infrastructure. The national network has to be able to deliver the world class connectivity that Britain needs, enabling a dynamic market where all industry players can invest and compete on a level playing field. We also agree with the UK Government when it stated that "*the current relationship between BT and Openreach will not deliver the country's needs for more competition, better innovation and better service*", and note that it urged Ofcom to take "*whatever action is needed*" to achieve this.

In light of this, we are publishing this coalition's '10 Point Plan for a Better Openreach', a programme which, if implemented in full, should deliver on Ofcom's vision. This plan contains a series of proposals aimed at reforming Openreach. It reflects best practice as outlined in the UK Corporate Governance Code and the proposals have also been drawn from a number of proven approaches in other UK sectors including the energy, civil aviation

and water markets, as well as elsewhere around the world. Our proposals are grouped into three broad areas:

**Reforming Openreach's governance so it can act independently:**
Giving Openreach clear purpose and accountability by:

1) Establishing Openreach as a legally separate company
2) Creating an independent Openreach Board
3) Creating an independent body to oversee the transition and act as an adjudicator

**Giving Openreach the tools it needs to succeed:**
Creating a confident and ambitious Openreach that has the autonomy to plan for the future by:

4) Giving Openreach full control and ownership of its assets
5) Ensuring Openreach has its own standalone corporate identity and brand
6) Allowing Openreach to be financially independent and make its own investment decisions

**Creating an Openreach that delivers for all:**
Making sure that Openreach serves the whole market fairly to improve choice, value and quality for its customers by:

7) Providing all Openreach services on the same basis, no matter the customer
8) Ensuring that Openreach consults with all of its customers about its future strategy and proposed investments
9) Introducing competition to Openreach by making BT Consumer's procurement truly contestable
10) Ensuring that Openreach does not inhibit investment by independent network operators

If implemented in full, these reforms should deliver the step-change in effectiveness that customers need and remove barriers to a competitive market. The measures we have proposed are not controversial or drastic, but reflect arrangements which are commonplace for large listed companies. Our proposals are straightforward, simple, and can be achieved quickly and cost effectively.

We are committed to helping Ofcom achieve its goal of a more independent and responsive Openreach to the benefit of consumers. Reform is crucial to delivering the improved digital connectivity Britain needs. We believe that our plan is a vital step in achieving that vision.

Yours sincerely,

**Jeremy Darroch, Group CEO, Sky**

**Dido Harding, CEO, TalkTalk**

**Jeroen Hoencamp, CEO, Vodafone UK**

**Malcolm Corbett, CEO, Independent Networks Cooperative Association**

**Chris Pateman, CEO, Federation of Communication Services**