Openreach Establishment – An Overview

Introduction

On 21 January 2006 British Telecommunications plc ("BT") established a separate line of business/division within BT called Openreach. Openreach was established in accordance with section 5.1 of the Undertakings given by BT to Ofcom pursuant to the Enterprise Act 2002, and accepted by Ofcom on 22 September 2005 ("the Undertakings").

Terms defined in the Undertakings have, unless the context otherwise requires, the same meaning where they are used in this document.

Under section 5.2 of the Undertakings, BT is required, by 22 February 2006, to satisfy Ofcom that it has established Openreach (referred to as "AS" in the Undertakings) in accordance with section 5.1 mentioned above.

The purpose of this document is to describe and evidence the establishment of Openreach and thereby discharge the performance by BT of its obligations in section 5.2 of the Undertakings.
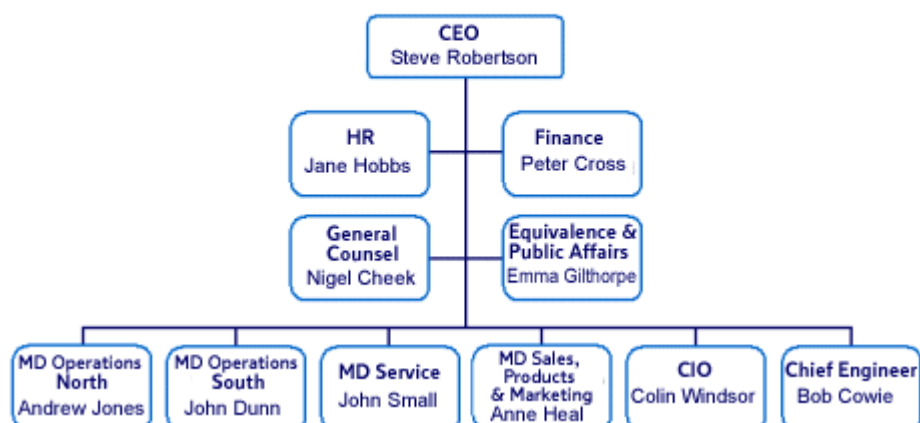
The establishment of Openreach was a programme managed project which included activities such as appointing a CEO, creating a new organisational structure to operate and control the defined asset set and deliver prescribed products and services, finding separate accommodation for the Openreach Headquarter Management Team, developing a governance and reporting structure, developing a new brand and putting in place new incentive remuneration arrangements for BT employees working for Openreach, to reflect solely Openreach business objectives. These areas are summarised below and further detail is provided in the attached Annex which individually identifies the particular relevant sections in the Undertakings and demonstrates how BT has met each specific requirement.

Organisation

The Openreach organisation was designed and in place by 21 January 2006. The organisation, to an extent, mirrors the approach taken in other telcos - for example the HR, Finance, General Counsel and CIO functions. There are also other teams that are specifically pertinent to the activities undertaken by Openreach, such as Operations and Service. As with any organisational structure, it is subject to review and change in the future.

Openreach is able to draw upon support services from other parts of BT, in accordance with and subject to the relevant sections of the Undertakings. The organisation of Openreach to "layer two level" is shown below. A copy of the Openreach organisation chart to "layer three" is provided in the attachment in response to section 5.14 of the Undertakings. Certain of the functions and activities are described below.

openreach leadership team

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                    ┌──────────────────┐
                    │       CEO        │
                    │  Steve Robertson │
                    └──────────────────┘
          ┌──────────────────┐   ┌──────────────────┐
          │       HR         │   │     Finance      │
          │   Jane Hobbs     │   │   Peter Cross    │
          └──────────────────┘   └──────────────────┘
          ┌──────────────────┐   ┌──────────────────┐
          │    General       │   │  Equivalence &   │
          │    Counsel       │   │  Public Affairs  │
          │   Nigel Cheek    │   │  Emma Gilthorpe  │
          └──────────────────┘   └──────────────────┘
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MD Operations North	MD Operations South	MD Service	MD Sales, Products & Marketing	CIO	Chief Engineer
Andrew Jones	John Dunn	John Small	Anne Heal	Colin Windsor	Bob Cowie

Openreach is an important line of business within BT, responsible for maintaining, repairing and developing one of the UK's most important assets – what is metaphorically called the "first mile" of the network, which links every home and every business in the country to the main network and the networks of our Communications Provider (CPs) customers.

The role of Openreach is to deliver Openreach products on an open and even handed basis to any and all Communications Providers, including BT's own "downstream" divisions, (BT Wholesale, BT Retail and BT Global Services), in accordance with the Undertakings and the commitment to the industry which the Undertakings represent.

Openreach has also been created to deliver a step improvement in the performance of our access network to deliver improvement in the quality and reliability of the services we deliver to our customers.

The Operational teams within Openreach are split between two Managing Directors covering North and South geographical areas. The North region covers everything in England, Scotland and Wales from above Bristol to the Wash and the South region includes everything below that imaginary boundary. Each geographic area is responsible for providing a reliable access network using operational teams which combine field service, planning and engineering functions.

The two main geographic areas are further sub–divided into a total of 10 regions, providing the ability to link planning, build, service and maintain functions under a single management organisation at local level. The Openreach business plans also include their commercial targets plus responsibility for the efficient delivery and maintenance of all BT's external plant and infrastructure and associated health and safety requirements. The service strategy, the customer service relationships and supporting programmes for Openreach are managed by the Managing Director, Service.

The Channel management and sales organisation has been established as an integral part of Openreach. Unless customers have opted to be channel managed by other parts of BT (BT Retail, BT Global Services or BT Wholesale), the customer relationship for the services outlined below is with Openreach. Order placement, fault reporting and complaint management is carried out through Openreach.

As of establishment, a variety of day-to-day interfaces with Openreach were made available to customers. Some of these capabilities are being further developed, as described below.

General customer interfaces

Many requests or inquiries can directly be made online or by telephone. For example:

- Orders for WLR, LLU, WES and BES can be raised online, by email and/or by telephone on an 0800 number
- The Address Matching service can be accessed online, by email and by telephone on an 0800 number
- WLR faults can be reported online
- LLU faults can be reported online and by email
- WES and BES faults can be reported online and by telephone on an 0800 number
- Complaints can be raised via SMCs or online
- The systems support helpdesk can be accessed online, by email and/or by telephone on an 0800 number
- Migration services are accessed by email and by telephone.

Customers can also interface directly with Steve Robertson's Executive Team (many customers have met this team during customer events over the weeks and months prior to the launch of Openreach) as well as with other Openreach functions such as Equivalence & Public Affairs or the Legal, Regulatory & Commercial team.

Openreach's Service organisation

This is a newly formed organisation that brings together the Service Management Centres from BT Wholesale Markets, the Provision of Service Units from BT Retail, customer satisfaction reporting & analysis, operational planning, business improvement and project management people from various units across BT Group into one cohesive team. The SMCs and PSUs (now called Service Management Provision) were 'lifted and shifted' into Openreach and are therefore fully in place and operational. Customers have relevant contact details in their Customer Service Plans.

Product management teams

Customers regularly interface with the product management teams, which were moved into Openreach.

This includes ongoing discussions of product developments which began well before January 2006 (e.g. WLR3), but also more recent discussions such as those on the development of Wholesale End-to-End Ethernet Service products and in mid-February, an external CP has indicated to the relevant product General Manager that they want to initiate development of TILLAP and TILLBP products.

Account management (Customer Business Management or CBM)

The Openreach CBM is intended to enhance CPs customer experience, and its role is therefore to provide a value-added relationship and business management team to act as an additional interface for customers.

Recruitment for the CBM team started with the appointment of Dave Newbold who started with Openreach on December 12, 2005. Since late December, the organisation's objectives, principles and structure have been re-shaped to align with customers' feedback and desires. The whole ethos of the team has moved from 'Sales' to 'Relationship and Business Management'.

The CBM team has been sized at 57 people in total, and the current headcount is 20 people. Internal adverts have been placed for a range of General Manager and Business Manager level roles within the team. Interviews for these roles have been ongoing since January 2006.

Transition planning

Openreach's key concern has been to ensure minimal disruption to customers as a result of the creation of Openreach. Therefore customers who have elected to be account managed by Openreach are being transitioned to Openreach account managers on a rolling basis once their account managers have been appointed. To minimise disruption and ensure that customers have as seamless a transition as possible, customers have been advised that during the build of the CBM team, they should continue to use their existing BT account managers until their Openreach account manager is appointed (the majority of Openreach customers who have chosen to be account managed by Openreach going forward were previously account managed through the BT Wholesale channel).

CBM Recruitment plan

The recruitment plan includes three stages:

- Initial Lift and Shift – 18 people were 'lifted and shifted' across to Openreach, namely the WLR desk-based Commercial Management. This team handles the establishment of WLR customers and reactive telephone queries, plus some elements of LLU establishment.

- Core Team Build - this is defined as having at least three General Manager (out of a total of five roles) and five to ten Business Manager

(out of a total of 15 roles) positions filled. This milestone represents approximately 50% of full complement, and it is intended to be completed by the end of March.

- Full complement – this is defined as having the rest of the complement in place and is expected to be completed in the weeks after Core Team Build. The aim is to accomplish this as rapidly as possible, balanced against the need and desire to get "the right people" in place who will embrace the Openreach values.

As of February 16, 2006, the recruitment status for the Core Team Build was:

- Two General Managers are due to start on February 20, 2006, with a third one starting on March 1, 2006.
- Final interviews for the two remaining General Managers are scheduled for the end of February/first week of March – these two posts are currently filled by persons functioning as "acting General Managers".
- Six Business Managers and one Systems Engineer have been identified for 'lift and shift' from BT Wholesale Markets. The target transfer date is March 1, 2006.
- Interviews for the nine remaining Business Manager roles are scheduled for completion by mid-March.
- Remaining Business Operations, Systems engineers and Bid manager role interviews are scheduled to be completed by mid-April.

Openreach has also been engaged in proactive discussions with its stakeholders.

The Openreach product portfolio currently consists of Wholesale Line Rental (analogue, ISDN2 and ISDN30), Extension Services (WES/BES), Local Loop Services (SMPF/MPF, and Associated Services) and will include other products predominately based on physical and transmission access/backhaul assets as they are developed.

The team responsible for understanding the future direction of the industry, in terms of network technology and engineering, and translating this into a strategic and forward thinking network plan supporting innovation of products and services is led by the Openreach Chief Engineer.

The delivery of equivalence is core to the success of Openreach, and the Director, Equivalence & Public Affairs is responsible for ensuring that Openreach treats all its Communications Provider customers in a fair and equal way. Compliance with those Undertakings which Openreach is obliged to perform and indeed with all other regulatory obligations is also managed from within this unit.

A primary objective has been to construct an appropriate organisational framework for Openreach, building the necessary layers of the organisation and getting it populated quickly and effectively with the right amount and

appropriately skilled resource. The organisational design was implemented through a mixture of 'lift and shift' and an appointments process. Where jobs in the new organisation were the same as in the old organisation a "lift and shift" process has been used. For new or different jobs, BT's appointments process has been used – this has ensured that job selection has been fair, transparent and focussed on minimising disruption.

Once the top three layers of management were in place, the individuals concerned have been tasked with driving forward their respective parts of the organisation, identifying the necessary roles and responsibilities within the overall organisational design framework to deliver the product portfolio, manage the assets and maintain service.

Governance

Openreach has been established as a separate division within BT.

The "line of reporting" from Openreach has been established in accordance with sections 5.24 and 5.25 of the Undertakings. In particular, and unlike BT's other lines of business, Steve Robertson, the Openreach CEO, reports directly the BT Group plc CEO and is not a member of the BT Group Operating Committee. The other BT line of business CEOs are all members of the Operating Committee.

Openreach will separately present financial results in the regulatory financial statements from the start of 2006/07 and these regulatory statements will reconcile with Openreach information shown in BT's annual report and accounts. Devolved financial authority (pricing and capital/opex expenditure) and budgets are already in place for the period 21 January to 31 March 2006.

People

On 1 November 2005, approximately 25,000 field engineers and managers (drawn from BT Retail and BT Wholesale and then in the BT Wholesale, Access Operations & Planning Unit) were migrated into a new organisation structure and provided with a new Organisational Unit Code, which identified them as a separate unit, distinct from either BT Wholesale or BT Retail. During the Christmas period all Openreach employees were provided with new email addresses, tagged as "xx@openreach.co.uk" and it was agreed that new objectives would be in place by 1 April 2006.

Although no changes have been made to employment contracts (Openreach is not a separate legal entity and employees remain employees of BT), Openreach has been established with its own Line of Business Scorecard reflecting not only financial, safety and service related targets but also the requirements of Equivalence, thereby incentivising employees to deliver against these.

The revised incentive arrangements used by Openreach for its employees will ensure that bonus payments referable to Q4 2005/06 are based on the performance of the Openreach scorecard alone.

BT has confirmed that the Openreach Headquarters is at Mayfair Telephone exchange. Within the Mayfair Telephone exchange, access to the 4th floor, where the CEO and his London based Direct Reports are located is security controlled with access being authorised personally by the CEO Business Manager.

The establishment of Openreach required whole areas, functions and people to be transferred from one part of the business to another. To enable this process, resourcing principles were agreed to be applied in identifying the individuals who should transfer with the work function into the new Division and those functions and people who were to remain within either BT Wholesale or BT Retail. Responsibility for carrying out these procedures was given to 'Dissolve and Build' managers, who in turn appointed 'work package owners' with operational knowledge of the individual function or units involved.

The Dissolve and Build managers were responsible in most cases for the appointment process down to layer 4 (CEO being layer 1), where the principle of 'lift and shift' applied. Lift and shift principles usually applied where the entirety of a 'group' or 'function' were to transfer to the Access Service Division.

Focus Groups

Preparing to communicate and help people understand what was to become BT's Code of Practice was an important activity in the late Summer of 2005.

Focus groups were held with people from all parts of the company.

Focus groups achieved the following:

- Established how much people absorbed - understood - about the then proposed new Undertakings;
- Brought people up to speed with what had happened thus far, and what it meant for BT, the industry and our customers;
- Explained the behavioural changes that would be required;
- Got people involved in thinking through what the changes would mean for the work they did;
- Worked through how the language about BT's Undertakings could be made less complicated for communication purposes; and
- Brainstormed typical 'scenarios' that people might find themselves in where they would have to think twice before they acted.

Communications

External Mass Market Launch Communications Plan

An external communications programme to inform the mass market of the creation of Openreach began with the publication of the first Openreach media profile on 22 September 2005. The number one priority of the campaign was the need to avoid and minimise any possible public and media confusion created by the launch of Openreach as a BT division, and to make sure that Great Britain, business and consumers alike, continued to open their doors to the Openreach field service force, working on behalf of Communications Providers.

Key priorities of the campaign were to:

- raise awareness of the existence of Openreach and the reason for its creation;
- reassure people that they can trust Openreach engineers, and continue to give them access to their homes and offices;
- make BT employees working in Openreach feel proud of their role; and
- minimise public and media confusion.

The primary target audience of the campaign was UK consumers and SMEs. Key messages for this sector included awareness of the Openreach name, and core activities - for example, Openreach is a new part of BT that installs and repairs the local communications network on behalf of the UK's communications companies. For other target audiences such as industry watchers, media and opinion formers, the creation of Openreach as part of the BT Group fulfilled our legal obligations and commitment to Equivalence. For Communications Providers, the creation of Openreach would provide them with the opportunity to innovate and deliver more services and products that would in the long term enhance the overall user experience.

Communications Strategy

A key strategic goal of the campaign was to send a clear message to the media that the creation of Openreach was an Ofcom/BT/industry initiative, not just a piece of re-branding by BT. In keeping with BT's committed aims of openness, transparency and fairness, a joint working group with Communications Providers was created to discuss the campaign proposals and progress. A cross section of CPs and other stakeholders were represented at this working group including Thus, One-Tel, Cable & Wireless, Wanadoo, Telewest, BT Retail, Ofcom and the Federation of Communication Suppliers.

As a result of the industry marketing group, Openreach produced a copy boilerplate for use by Communications Providers in their own marketing activity to explain what Openreach is and does. We changed the copy a number of times based on customer feedback, and attached is one such version.

Openreach Roadshows

We also held a series of Openreach roadshows. 700 delegates attended the London launch event at Old Billingsgate in London. Steve Robertson, CEO Openreach, talked to the delegates about the new 'Revolution'.

Delegates then boarded a fleet of buses and toured part of London Docklands, presentations were made on the buses, explaining the role of change, innovation and investment in the regeneration and rejuvenation of the areas they were passing through. Each bus toured a host presenter.
The delegate buses split into two groups and each group visited each of two venues in turn. 350 delegates went initially to the iMax cinema where they viewed "The Two Mikes"- the film gave two contrasting views of the future, one if Openreach embraced change wholeheartedly and one if it did not.

The other 350 delegates visited the Design Museum where the delegates visited the permanent exhibition followed by a bespoke exhibition produced to explain the importance of identity and brand positioning. The exhibition demonstrated both the strategic and design process for developing the new Openreach identity and also revealed the new corporate clothing and workwear including a life size vehicle livery display. The delegate groups re-boarded the buses and went to the other venue so that by lunchtime they had all participated in both experiences. Finally, they all returned to Old Billingsgate, for a presentation given by Steve Robertson, CEO Openreach.

Regional Rollout

Following the London event 4 regional rollout days took place in major cities in the UK using the same model. A main venue, a tour of regenerated areas in the city, a cinema and an iconic design venue were utilised. There were two events on each of the four days, each event attended by approximately 500 delegates. The event model required a small amount of re-design each time to accommodate the different venues and some re-scripting to fit each of the various regional 'rejuvenation' stories. Steve Robertson, CEO Openreach, attended and presented at all these events. The locations were Cardiff, Liverpool, Edinburgh and Birmingham.

Breakfast meetings

54 Breakfast events were held across the UK in a 6 week period. 5500 people were seen including nearly all of the management population plus some of the team members in their teams. Attendance rates were over 80% and feedback responses have been received from 35% of all attendees.

Over 1800 questions were received all of which have been dealt with.

The aim was to provide people with more information about Openreach to help them see how they will play a role in the future success of the business.

Overview of media activity

Numerous mediums were used as part of this communications programme these included:

- Outdoor Advertising - to raise awareness of the existence of Openreach and its role.

- Press Advertising - provide reassurance, thereby reinforcing trust, by giving more detail on Openreach.

Openreach 6$ Poster.pdf	Openreach 96$ Poster.pdf	Openreach 48$ Poster.pdf	Openreach Trade Press.pdf	Consumer 2 297x210.pdf
Consumer Launch 297x210.pdf	Consumer 3 297x210.pdf			

- PR / Media relations – to raise awareness and understanding, create interest and give more detailed information that will create trust.

- Web - providing further information for customers and CPs with marketing and operational collateral. The site was initially for CPs, but information for end-users was included to support the launch on January 11th.

- Stakeholder Packs **-** (CPs, Ofcom, and Industry watchers) were mailed out to key audiences, detailing the campaign launch, marketing collateral, a 'making of' DVD, and contact information for follow up materials.

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The Communication plan continues to roll out scheduled activities until the end of February 2006.

Internal Communications

An internal communications programme was launched to inform BT employees in Openreach of the new organisational structure, Code of Practice and provide guidance on the new operating model. Communication was delivered by a range of media and copies of the Code Practice with explanatory guidance were sent to each individual employee. 98% of people in Openreach have registered to say they have received and read the booklet. A specific 'key messages' document was produced for the engineering community which explained in very practical terms the need for Equivalence and how this manifested itself in daily working practices. This was accompanied by explanatory articles in BT Today, webcasts, emails and newsletters updates and reminders.

This activity has culminated in the mandatory completion of an on-line training module, compiled by BT Group Compliance for managers and non operational team members. To date 99% of this audience in Openreach have successfully completed this module. Specific telephone based training for the engineering community has been produced and is being rolled out for completion by the 31 March 2006 to ensure that those employees that are field based can readily access an appropriate training module.

Branding

Openreach launched its own distinct brand in January 2006. The branding extends to the engineering vehicles, corporate clothing, letter headed papers and employee identification cards.

a) Vehicles
On vehicles and clothing this new branding will be phased in over the next 5 years. The current plan, which may be subject to change, is as follows:

- In Jan, Feb and March 06, 700 vans per month in new livery.
- April –Dec 06 - 7000 new liveries
- Jan – Dec 07 - 8100 new liveries
- Jan – Dec 08 - 4290 new liveries
- Jan Dec 09 - 550 new liveries

The majority of the changing of the brand on vehicles is achieved as a result of new liveried vehicles coming into service, with some in-life re-liverying. The figures vary because of existing manufacture and supply contracts. The total change-out will eventually top-out at 22,550 units.

b) Employee workwear
The plan is for a complete change-out within 3 years. The programme ramps up from April 06, culminating in Spring 09. Essentially a re-badging of BT existing garment types, the Openreach range will be rolled out alongside that of BT Retail, and use existing logistics, suppliers and contracts.

c) Security badging
New badge issue commenced December 2005, and should be complete for all Openreach employees during Q4 of 2005/06.

d) Stationery
Headed paper, compliment slips and envelopes stock was held and available from Jan 11 2006. Business cards have also available from the same date.

e) Billing
Reformatting and re-badging of electronic and paper billing templates was completed during January 2006. The roll-out is dependent on operational and financial logistics during 2006.

f) URL
www.openreach.co.uk - this '.co.uk' URL was secured, and the business-to-business trading portal went 'live' on 11 January 2006.

g) End-consumer communications and electronic and printed communications
This activity has been ongoing from January 2006. Openreach-badged engineers' 'drop-cards' were available from January 2006.

h) End-consumer awareness Openreach advertising
In January 2006, Openreach began a 3 month advertising campaign in the national press and on posters and commercial radio. Follow up activity is dependent on tracking and measurement of effectiveness.

i) Internal communications
Brand roll-out across defined channels started from 11 January 2006.

j) Openreach-badged press releases
This commenced from 11 January 2006.