

# Separating wholesale from retail supply of communications services

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# Competition-based arguments for separation



## Investment-based arguments for separation



## ‘The eight degrees of separation’

		Models of separation
1	Accounting separation	Separate financial reporting
2	Creation of a wholesale division	Separate wholesale division
3	Virtual separation	Services offered to internal and external customers on equal terms
4	Functional separation	Physical separation of business and processes (location, staff, etc)
5	Functional separation with local incentives	Separate governance and different management incentives
6	Functional separation with independent governance	Divisional Board with independent non-exec members
7	Legal separation	Separate legal entity within the wider Group
8	Structural separation	No significant common ownership

## Our current proposal for Openreach

**Establishing Openreach as a legally separate,  
wholly-owned subsidiary of BT Group**

**Governed  
by an  
Openreach  
Board**

**With its  
own  
purpose  
and  
directors'  
duties**

**A greater  
ability to  
determine  
its own  
strategy**

**Control  
over key  
resources,  
within a  
budget  
envelope  
set by BT**

**More  
effective  
consultation  
with its  
customers**

## There are various routes to separation

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**Regulatory  
'sticks'**

**Regulatory  
'carrots'**

**Public  
funding**

**Commercial  
drivers**

# 1. Regulatory ‘stick and carrot’



## **BT / Openreach, 2006: functional separation**

Voluntary separation agreed with regulator in lieu of a reference to the competition authority.



## **Telia Company / Skanova, 2008: legal separation**

Voluntary, unilateral separation against the backdrop of a potential regulator-imposed separation.

## 2. Public funding



**Singapore, Singtel / CityNet, 2008: structural separation retaining common ownership**

Government-funded FTTH roll-out required separation.



**New Zealand, Spark / Chorus, 2011: structural separation**

The government's UFB-initiative required separation.



**Australia, Telstra / NBN, 2012: structural separation**

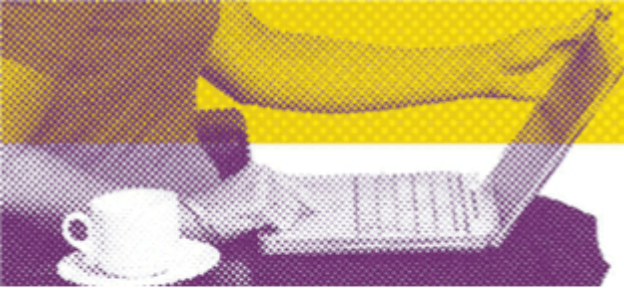
The government's NBN programme required separation.



## 3. Commercial factors



**Czech Republic, CETIN / O2 CZ 2015**  
Voluntary separation for commercial reasons.



# Questions ?