

BT Ordered By Ofcom To Split Legally From Openreach

Openreach is a subdivision of BT which runs the UK's broadband infrastructure. All broadband providers (Sky, Talk-Talk) are charged by Openreach for access to the infrastructure which they claim to be too expensive and are not responsive to their demands.

Ofcom has been concerned over BT's ability to favour its retail business when making investment decisions in Openreach i.e. not investing enough money in the UK's broadband infrastructure. If Openreach was split from BT it would become a distinct company with its own board with no affiliation with BT and would have control over its own budget and have to treat all its customers (i.e. other broadband providers) equally.

BT has been in negotiations since July of this year in order to try and address Ofcom's concerns however Ofcom believe that they have not voluntarily addressed the competition concerns. BT dispute this by saying that its proposals were "fair and reasonable". The Regulator is now preparing a formal notification to the European Commission to start the process of separating the two business. Having said this, the negotiations between Ofcom and BT still continue in order to try and resolve this situation voluntarily.

The proposed action of Ofcom has been supported by The Department for Culture, Media and Sport which said Openreach "needs to offer genuine fair and equal access to the country's telecoms infrastructure to BT's competitors".

Julian Ireland, a Litigation specialist at leading and award-winning regional law firm Pictons says "Clearly it appears all concerned parties are in support of the proposed split however at the moment BT have not gone far enough. The fact that Ofcom have referred the matter to the European Commission will increase the pressure on BT to split the two companies or come up with a proposal that is acceptable to everyone. We will just have to wait and see".