

This is request submitted for consideration as a topic if not pre-topic as one input to the Digital Communications Review.

For the sake of informed decision making on the Future of UK Connectivity, the Bit Commons requests that the BT commercial investment numbers and BT offer of matched funding are re-stated given the changes and lessons learned to date. The Bit Commons asserts that if the record is based on accurate information then this could have a significant impact on the substance of the review. This will include decisions on network architecture, investment and market definitions.

The following provides the justification.

The BT claims of £2.5bn and the claim if £1bn matched funding are significantly out of date.

The data is available in Government reports and BT's documentation to help re-write these numbers.

First the £1bn claim of matched funding.

The first NAO report(July 2013) (Rural-Broadband_HC-535(1).pdf) shows on Figure 14, page 37 which suggest BT will invest no more that £356m, but does not state how and when this money is to be made available.

The Oxera report (May 2015) - available on <https://www.gov.uk/government/publications/the-uks-national-broadband-scheme-an-independent-evaluation> casts further doubt on this as in paragraph 3.88 bottom of page 44, it suggests BT capital contribution will be subject to a reconciliation process three years after each contract signing. You will also find in the first Public accounts committee hearing that said their capital would be self-certified.

Finally the Audit Wales report points to a capital investment of £26m for 727,000 premises or £35 per premise. If applied to all of the BDUK areas then, this would suggest no more than £210m contribution from BT, should the end of contract reconciliation process work. <http://www.audit.wales/publication/welsh-government-investment-next-generation-broadband-infrastructure>

If we research the state aid receipts in BT's published accounts you will quickly realise BT is charging 100% of costs until the reconciliation process. .

The consequences of this are that this £1bn is not available to Local Authorities or BDUK to plan the rollout, hence BT can request more money through the superfast extension projects without paying local authorities whether the initial capital contribution promised will materialise.

BT claim of £2.5bn

The second NAO report of January 2015 states in paragraph 3.7 that BT included excess modelled cost of 38%. This argument is then mitigated by saying the rollout will be more expensive while the reverse argument is deployed by Audit Scotland where it states cost become lower as many costs such as planning are paid early.

Further the reports shows the total average cabinet cost is £21,000 for cabinet, fibre path, and all other BT costs. It is safe to use a total average cost of £25,000.

Next see BT's application for unmetered power where they confirm the commercial programme is no more than 50,000 cabinets -(30,000 installed and 20,000 more to implement at the time of the application. (search for See BT doc UMSUG109_05A1.pdf see p5.)

Although BT claim they spend £2.5bn, this seems unlikely as BT rolled out in less challenging areas. 50k cabinets/fibre paths/ core / PMO x £25k = £1.25bn. £1.5bn is conservatively high not the £2.5bn claimed.

It can be from CEO Livingston statements to shareholders in q2 2013 (available on transcripts on BTplc.com) where he said the commercial rollout was 'comfortably' under £2.5bn as it was 18 months ahead of schedule. Further BT had largely dropped the more expensive FTTP elements from the programme. That statement was not developed but the attached BT slide shows reduced capital including only 'tens' for rural.

Importance of this Subject.

If we allow the myth that this infrastructure is as expensive as is currently stated, then it is likely to lead to poor policy making and deny many users the improvements in connectivity they crave. This includes SME's and many urban users. If the existing investments are restated accurately, policy makers will be presented with at least the option to drive for higher capacity networks with lower long run incremental cost. This options will not get the attention it deserves if we as an industry continue to use numbers which are significantly out of date and in my view both mis-leading and wrong. It may also contribute to more informed decisions on state aid and future Government interventions.

Come back if you need any points clarified.

Kind regards

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The Bit Commons