



A few home truths about BT's delivery of Britain's Rural Broadband Programme.

BT Fiction

BT evidence to the House of Lords Communications select Committee, June 12th 2012

'We are willing to spend a further £1 billion (in addition to the £2.5bn) or so of BT's capital to match Government funding to do that, to roll it out into the final third, and to get as far as we possibly can into the final third....'

BBC Radio 4, December 13th and 16th 2012
'Like hand crafted carpentry, that's what fibre is like. It's (you know) billions of pounds, it is not a few thousands!

'If you want to just fibre an exchange it is a few million pounds. Each individual street cabinet that is fibred is £100,000.' Ex CEO Openreach

In July 2013, at the first Public Account Committee hearings, BT claim the BDUK Framework prices reflect all of BT efficiencies from the commercial rollout.
MD BT Group

July 2013, Lord Livingstone ex BT CEO, and now a trade Minister repeats claim on BBC Today of BT's £2.5bn investment in Broadband.

On Dec 9th 2015 at the CMS Select Committee Inquiry on Broadband two BT Managing Directors are on record claimed FTTC (Fibre to the cabinet) cost £500 per premise passed.

The Emerging Facts

In July, 2013 the first National Audit Office (NAO) report on BDUK broadband contracts found reference to a possible capital contribution of £357m.

In the autumn of 2015, Local Authorities were anticipating the payment of a BT capital contribution but had no evidence of it.

The only evidence of any capital payment in BT's accounts are references to capital accruals now owed to BDUK, suggesting contributions have yet to be made and were not available when planning the phase 1 or indeed phase 2 BDUK rollout.

In January 2015, the second NAO report on the rural Broadband programme reported that to September 2014, the total average cost of a street cabinet and fibre was £21,000 each.

As of September 2015, BT had reported some £690m in state aid receipts for delivery no more than 17,500 cabinets and a fraction of FTTP. The total billed per cabinet delivered vis BDUK is more than £15,000 each above the total average cost identified by the NAO. The monies remain in BT's accounts.

This is at odds with the revelation that BT's commercial investment amounted to some 50,000 cabinets. With each street cabinet and fibre path costing no more than £20,000, BT's capital investment was unlikely to reach £1bn of the £3bn claimed.

The accepted rule of thumb is that 200 premises passed per cabinet in the rural programme the total average cost of c £21,000 translates to a cost of £105 per premise passed, of which under the state aid rules for gap funding model BT would pay the first £65. State aid rules do not as yet appear to have applied in this case.

The state (central and local) has so far paid BT to January 2016 £750m for 4m premises passed by c20,000 cabinets, or some £187 in subsidy per premise passed.

As of December 9th, 2015 at £500 per premise passed, BT executives continue to tell Parliament a cabinet and fibre path costs £100,000 where the NAO can only find £21,000 of costs reported in Chapter 3 of their January 2015 report to PAC.

The BT Fiction and emerging facts can be found in two NAO reports, three PAC hearings, the current CMS Select Committee Inquiry on Broadband. The monies now owed to BDUK is referenced in BT published quarterly accounts. The BT NGA investment numbers are in various BT PR statements and used by BT Group, Government and Ofcom in their publications, but no actual numbers are published in BT's accounts on NGA capital or its composition.