From: mike kiely <mikekiely02@gmail.com>

Date: Thu, Feb 17, 2022 at 11:27 AM

Subject: Broadband hearings - Wednesday 16th Feb

To: <Committee.Economy@niassembly.gov.uk>, Shane Campbell <shane@icban.com>

Dear Committee Members.

I listened to the Broadband - Stratum review on Feb 16th. If the Committee would find it useful, perhaps the following questions could be put to DfE and Fibrus as part of the Committees follow up.

I wrote the UK's original UK Broadband plan in 2010-11 for DCMS and reported BT inflating its costs in advance of the original BDUK Framework. This was to cost me my job. Some 38% inflation of bid prices was eventually confirmed by the NAO in 2015.

I also wrote two reports for ICBAN (Fibre at a crossroads reports) which informed the decision to request funding from the accumulating Capital Deferral in BT's accounts. The latter arose from the scrutiny from 9 select committees inquiries on Rural Broadband. These efforts informed the decision to request funding for stratum, although the budget of £165m was close to double what I estimated was needed.

It is good to see the progress made so far. The following questions come to mind.

1.) What is the accumulated public spend to date against budget? What is the cost per premise passed against the budget set?

2.) What is the unit contribution by Fibrus to date and how is this evidenced in the project process? One would expect to see Fibrus making a direct contribution of £500-£600 per premise passed. (i.e - £46m/79000) = £ 582- If they are copying BT then half of this will be 10 years of capitalised operational costs, but the other half should be visible. How much fibrus investment per premise has been evidenced so far?

2a) For the additional 8,000 premises, why has Fibrus investment dropped to £2m or £250 a premise passed, less than half per premise of the original contract? (Could BT have bid for this?)

3.) How are any excesses accounted for and re-used?

4.) What is the fibrus per premises contribution for incremental costs? Is this visible on the invoices? How is it tracked?

5.) What is the current take-up rate versus the business case?

6.) What are the clawback or profit share arrangements? Is this based on the wholesale price or total revenue to Fibrus?

7.) Fibrus appear to confirm there was a uniform wholesale price, but Fibrus have confirmed non uniform retail prices for rural. The former is a requirement, the latter is a decision of Fibrus. The decision not to offer the same discounts to rural customers is a first for the UK.

8.) Of the total build cost to date, what are payments to BT for accessing their infrastructure?

9.) Of the 250,000 poles references - ~3 per premise connected, how many are re-using BT infrastructure and how many are new Fibrus poles?

Other comments:

8.) On network provision - incremental provision of capacity is cheap so any holding back is nonsensical, given the size of the budget. Most of the costs are in the labour and planning not the kit. Additional provision is not costly, re-planning and re-doing work is very costly.

I hope this is useful to the committee.

This article I wrote on the NI contract has 3,180 views. It may be of interest to your committee. It is on linkedIn but copied below.

Your sincerely

Mike Kiely

ex BT ex BDUK and Founder of The Bit Commons.

Published in LInkedIN https://www.linkedin.com/in/mike-kiely-2912696a/recent-activity/shares/

The second report into rural Broadband by Northern Ireland Audit failed to answer the obvious question. https://lnkd.in/d3Q67-f9 How did a start-up with no network of its own beat the national incumbent, BT to a £165m subsidy for 79,000 premises where BT had already received £70-£80m of subsidies to create fibre paths adjacent to these areas?

NI audit correctly concluded much of the subsidy was not needed as on learning they were about to lose the contract, BT informed DfE that 20% of the premises were already within Openreach's commercial plan, with more to come. But that does not answer the question. As B-USO provider BT could recover up to £3,000 a customer but this is ignored.

The gaming of these very same costs in earlier rounds of funding and the with-holding of investment led to the further separation of Openreach in 2016-17. The subsequent commitment to full fibre seemed clear, especially in Northern Ireland. So why would BT repeat the 2012 mis-representations in a 2018-19 bid process, given all the fibre paths were already subsidised and all re-usable when pushing fibre further? BT could also lean on their B-USO status and recover £3,000 a customer using a national cost recovery formula?

The report highlights the bids were pretty much identical with Fibrus confident enough to not offer 100% coverage using the old BT Group trick of holding out for more subsidy. This is not too surprising as Fibrus used ex-BT 'relationship directors' and ex BDUK employees in the process and would only need to offer a little more investment to win the means to bill all they can against the £165m pot.

BT hold that any mis-representation in their coverage plans was as normal as losing £165m subsidy to a start-up with no network.

BDUK/DfE defined some principle that mis-representations described as 'lines in the sand' should not get in the way of letting a contract for national infrastructure upgrades.

NI Audit seem placated by DfE use of consultants and the promise of clawback. Process beats common sense much of the time and it does so here, but continual mis-representation reduces trust and that leads to odd outcomes.

The recent Ofcom review of the Broadband-Universal Service Obligation made clear Ofcom is not interested in reviewing the status of BT's capital participation in these projects and so BT Group remain free to do as they please, and NI audit is blind on what is owed by BT.

NI audit did not comment on the need for a procurement process when BT was already sitting on so much clawback or its status of B-USO provider. Neither do they comment on why BDUK and BT refused to answer questions from NI MPs on the re-use of clawback at several EFRA select committee inquiries. The latter drove local councillors to request that Broadband be included in an election deal.

What should be clear to Fibrus is that they are unlikely to need £165m, perhaps half of this given they are investing £46m. The excess can fund a hospital wing, or a few primary schools.