Public Accounts Committee

Oral evidence: Rural Broadband: progress update, HC 925

Wednesday 28 January 2015

Ordered by the House of Commons to be published on Wednesday 25 January 2015

Watch the meeting: http://www.parliamentlive.tv/Main/Player.aspx?meetingId=17101

Members present: Margaret Hodge (Chair); Mr Richard Bacon; Meg Hillier; Mr Stewart Jackson; Dame Anne McGuire; Austin Mitchell; Stephen Phillips; John Pugh

Sir Amyas Morse, Comptroller and Auditor General, National Audit Office, Gabrielle Cohen, Executive Leader, National Audit Office, Paul Keane, Director, National Audit Office and Marius Gallaher, Alternate Treasury Officer of Accounts, were in attendance.

Witnesses: Andrew Field, Rural Broadband Lead, Broadband Delivery UK; Kim Mears, Managing Director, Infrastructure Delivery, Openreach; Sue Owen, Permanent Secretary, Department of Culture, Media and Sport; Chris Townsend, OBE, Chief Executive, Broadband Delivery UK; and Sean Williams, Director of Strategy, Policy and Portfolio BT Group

Q1 Chair: This is a short return session, but I do not think it is our last. I think we will probably come back to this issue again, whoever is on the Committee after the election. Let us start by saying that there does seem to have been some progress, which we acknowledge and welcome. That is good, but let me go, as is the wont of the Committee, to the issues that we think are still outstanding. I still get an endless stream of e-mails on this issue—surprise, surprise. They can e-mail me, which is a good thing, but those e-mails particularly focus on the view that, while you are heading to 90%, hidden in that figure are pockets of villages and really rural areas where access is much more limited. For example, you are probably going to hit 93% across Cumbria as a whole, but in the rural Eden district, one of Cumbria's six districts, you will probably hit only 60% to 70%.

We have had quite a lot of stuff from small businesses. They have sent us a case study of someone who runs a small business in Buckinghamshire. She says: "I live and run a small enterprise in the grounds of Claydon House, NT. It is in a very rural area not yet covered by the high-speed internet options. No matter which provider I go to that promises me speeds of 20 Mbps or more, the bottom line is I get barely 2 per cent of the promised speed owing to the archaic exchange that serves the villages in this area. Apparently, BT, who are responsible for this, do not think it is important enough to upgrade this area because we are remote." Given those two examples, is there not still cherry-picking going on? Are the really rural communities not getting the advantage that the £1.7 billion of public money was supposed to secure?

Sue Owen: Thank you, Chair. Perhaps I can start before passing on to Chris Townsend, who I do not think you have met yet. He is our new senior responsible owner for this programme. I am the accounting officer. I have to ensure value for money from this slug of taxpayers' money that we have been given. If we were to apply very strict value for money, we would always go for the next cheapest area to upgrade. We did that in the first phase and, as you rightly say, there were still going to be many areas that were not covered.

When we looked at how we would allocate the funds for the second phase, there was a very big debate in the Department with our Ministers at the time about whether we should go on strictly value-for-money grounds to the next cheapest cabinet or whether we should also look at exactly the point you are making—at equity. Should we be seeking to bring everybody up to a certain minimum? That is why we deviated a little bit in the second phase from strict value for money by saying that every local body must get up to 90%.

But there will be areas which are not covered within each local body. We do not have the money at the moment to go to 100%, and that is what we will be looking at for phase 3. While we are in the first two phases, there will be areas that are not up to 90% because they are the hardest to reach. Chris, I don't know if you would like to add to that.

Chris Townsend: I would. We are absolutely committed to getting to our 95% target by the end of 2017. We are on schedule to deliver 95% by the end of 2017. As Sue said, within that we are hoping to get every local body and every devolved administration up to a base level of 90%.

Q2 Chair: But do you accept the point that these people are making, which is that in using that broad definition of local area, you actually hide disadvantaged areas where a much greater number of people will not be able to access superfast broadband?

Chris Townsend: By definition, there will be 5% remaining that we still have to cover.

Q3 Chair: I understand; I am not saying that. Everyone thinks that 90% is great and that nine out of 10 people who live on one street will get superfast broadband, but that is not the case. If you live in a particularly remote village or community where BT decides that it is not profitable, even with £1.7 billion of public money, to put in superfast broadband, you don't get it. The examples we chose last time—I will come to two of them. One is farmers, all of whom are now expected to put in their subsidy claims online as of April this year. They are bound to be in this cohort of people where not everyone in a little community will be able to access superfast broadband.

Sue Owen: Chair, you are right; that is an issue. There will be areas in most local bodies where some people do not get up to 90%. We have an additional commitment, though, that there will be universal coverage at 2 megabits per second, which is not superfast by any means but is enough to do things like download iPlayer and do your rural payments return. Chris, perhaps you would like to say a bit more about that commitment.

Chris Townsend: Yes. We are absolutely committed to delivering the universal service commitment by the end of 2015. In 2010, it was estimated by Ofcom—

Q4 Mr Bacon: Would you clarify what the universal service commitment entails? It plainly does not entail 100%.

Chris Townsend: It entails providing access to 100%.

Q5 Mr Bacon: By the end of 2015?

Chair: At a certain speed.

Chris Townsend: No, the universal service commitment is for 2 megabits by the end of 2015. We are absolutely committed to providing that and that is our obligation. In 2010, it was estimated by Ofcom that the number of premises not covered by the universal service commitment was 11%. That reduced in the summer of last year to 3%. We estimate that, by the end of 2015, it will only be 1% of premises. We will have a plan that we will announce shortly that addresses that particular issue, but just to reiterate, we are absolutely committed to providing that universal service commitment by the end of 2015.

Q6 Stephen Phillips: On the universal service commitment, I represent a constituency in Lincolnshire that has some very remote communities and I have a lot of farmers who require broadband to file their single payment scheme claims, among other things. What I hear, despite what you tell me, is that although they are supposed to get 2 megabits, when the kids come home from school the capacity used across the network means that they get very much lower speeds than that. Are you guaranteeing that by the end of 2015, whatever time of the day, whether you are a farmer or someone trying to watch iPlayer or whatever, you will get 2 megabits?

Chris Townsend: The solution we are likely to offer will be a satellite solution where we can offer the remote and farming communities a 2 megabit service using satellite equipment. That is typically how it will be delivered. By the way, that commitment will be delivered through BT.

Q7 Stephen Phillips: When BDUK comes back with BT and the Department in the next Parliament, if I am fortunate to be here and on this Committee asking these questions, you will be able to say to me that everyone, whatever time of the day, will have at least 2 megabits. Is that right?

Chris Townsend: That is our commitment: that we will be providing a 2 megabit universal service.

Stephen Phillips: I have set you up there, Mr Townsend, so I expect you to follow through with that, particularly in rural Lincolnshire.

Mr Bacon: And in rural Norfolk. You simply cannot use iPlayer in rural Norfolk on a Friday night or Saturday night. You have to do it early on a Sunday morning; otherwise, you have not got a chance.

Q8 Chair: Can I move on to another issue, which is for both you and BT? The business community, and the small and medium-sized enterprise community in particular, have been vocal in the run-up to this hearing and you will have seen the Federation of Small Businesses survey. They all think that, for their businesses to succeed, it is really important to get access to superfast broadband. According to the FSB survey, only 16% of SMEs in rural areas have access to superfast broadband, half of SMEs are dissatisfied with the overall quality, and only 28% are satisfied with their upload speed. That is an incredibly depressing and abysmal picture. What will you do about it?

Andrew Field: That is the rationale for the programme, in many senses. One of our key priorities is to ensure that small businesses in rural areas get access to superfast broadband. The target that we have been set is to maximise the coverage as fast as we can, using the funding that we have got available.

We work with each of the local bodies to determine how the funding is deployed and the roll-out is carried out. Many of the local bodies have actually prioritised delivery to business communities, certainly those local bodies which have used European funding as part of their funding for the programme. We have also asked all the local bodies to prioritise access to businesses in enterprise zones, but as SMEs are spread across the country and across the rural communities in all areas, inevitably—as you said earlier, Chair—there will be communities or pockets of areas remaining within the final 5% and 10% which have not yet got superfast broadband, which do include pockets of SMEs.

Q9 Chair: I have to say, Mr Field, given what I just read out, that is a nonsensical answer. I said—I will read it again—only 16% of SMEs in rural areas, according to the survey carried out by the FSB, have access to superfast broadband. If what you said was true, that figure would not be so low. And half are dissatisfied.

Let me go on, because this is part of the general accusation that Meg Hillier raised at one of our previous hearings about how BT chooses to roll out the programme. The FSB also tells us that, for example, business parks are deliberately left out. I can give you a case study that it provided to me from Buckinghamshire. This is a man who works and lives in Pitstone. He says that the broadband is slow "despite saying I have 6 megabit speed on BT." This stops him from working online, using cloud-based software and recommending that his clients use these products. This is despite living and working on a brand new development with an industrial estate opposite with many small and medium-sized businesses.

We have discussed this before and you have not satisfied me on it. I think the reason is that you and BT get more money out of leased lines. It is in your interests to prioritise residential over businesses because you make your money on leased lines. You in BDUK are not being vigilant enough to fulfil the objective that you have set yourself. It is jolly irritating to come back to our third session on this issue and find that nothing much has changed in that area.

Sean Williams: Would you like me to respond to that? There are three points. We support the objectives of getting superfast broadband to as many small and medium-sized businesses as possible. I support what Andrew said about that being an important objective in the programme.

The second point is that, in truth, there is no reference to leased lines in the model that we create for the deployment of superfast broadband. It is just about what it will cost and which customers—business or residential—will subscribe to it. The third point is that we agree our deployment with the local authority, so we respond to their requirements. For example, as Andrew said, often when they are taking European funding, coverage of small businesses is a particular priority. That has been the case in Cornwall and Northern Ireland, where covering small businesses is a particularly high priority among the priorities they set themselves. So, for three reasons we are very aligned with BDUK in trying to get to as many small businesses as possible.

I would like to take this chance to introduce Kim Mears who is with me today.

Kim Mears: Hi. I am Kim Mears, the MD of infrastructure delivery. I am responsible for rolling out fibre across the UK.

Q10 Chair: Okay. Bluntly, it just does not ring true. You sit there and tell me it is a priority. You tell me that you do not pursue a policy that goes for a leased line. You are now telling us it is all the local authorities, and of course we do not have them here. They are being blamed in their absence. It does not ring true, if you are as low as 16% having access to superfast broadband, if you have half of rural SME's dissatisfied with the quality, and if there are two thirds dissatisfied with upload speeds. You are not delivering your intent, either of you.

Let me say one thing about local authorities. Local authorities do this once; you guys do this all the time. You are passing the buck to them. Your job is to make sure they do it right; your job is to deliver. I find it irritating that you feel that you can say it is local authorities. I just don't believe it or buy that explanation.

Sean Williams: It is very high priority for us.

Q11 Mr Bacon: Can I just check something? We have five minutes or so. Going from my left to right, could you say whether you live in a rural or urban area?

Andrew Field: I live in a rural area.

Q12 Mr Bacon: What kind? A very small village or a large market town?

Andrew Field: I live on the edge of a medium-sized village.

Q13 Mr Bacon: How many people are there in the village?

Andrew Field: There are probably about 2,000 residents.

Mr Bacon: Two thousand is large by our standards in Norfolk.

Chris Townsend: I live in Wimbledon village.

Q14 Mr Bacon: I agree it is a village, but you mean SW19.

Chris Townsend: Correct.

Q15 Mr Bacon: I think the residents like to think of themselves as special and I am sure they are. Sadly, Mr Hammond is not with us today and I am sure he would agree.

Sue Owen: I live in Penge, SE26, and am a customer of Virgin.

Sean Williams: I live near Victoria station.

Q16 Mr Bacon: You live near Victoria station. What is the connection like there? I bet they give you an especially good one, don't they?

Sean Williams: No, they don't.

Q17 Mr Bacon: Don't they? Don't you have any pull inside BT?

Sean Williams: Not for that kind of thing, I'm afraid.

Kim Mears: I live just outside Croydon.

Q18 Mr Bacon: Right. So one or two have a bit of rural experience. This is what I would like to know. Mr Field and Mr Townsend were saying how it was all-important. The purpose of spending taxpayers' money on this is because it has benefits of social cohesion, and also economic ones. I would like to pursue what the Chair was asking about small businesses in rural areas. We all know that small businesses, when they succeed, create more jobs than any other kind of business. I have lots of small businesses in my very rural area, many of which struggle with this issue. What economic impact assessment have you done as a Department—this is a question for DCMS and BDUK—on the cost-benefit of this expenditure, including the public subsidy? What work have you done on that?

Sue Owen: We have undertaken an impact assessment, which shows that the return on every £1 spent is up to 20 times the amount spent.

Q19 Mr Bacon: That is very interesting—I will stop you there—because 20 is very high for a cost-benefit ratio. The A11, which we are pleased to say was dualled and opened just a few weeks ago, had a cost-benefit ratio of over 20. When we looked at HS2, they struggled really hard to get the cost-benefit ratio up to 2. It was more like 1.5 or 1.75. If you make some heroic assumptions, you get it to 2.1. Yours is 10 times better than that. So when you argue with the Treasury for money, your case for arguing for resources to do more of this should also be 10 times better.

Sue Owen: Well, of course, as we move out to the more hard-to-reach areas, the return per £1 spent will be lower, because we need more money to get there, but we are keen to get to the last 5%, and that is why Chris has some pilots out there for looking at how much it would cost. We still do not know how much it will cost to get to the last 5% of premises in the country, but we hope to have a handle on that soon.

Q20 Mr Bacon: In getting to your 20:1 number, what assumptions do you make about business growth resulting from faster broadband?

Andrew Field: A lot of the economic impact behind that figure is about small business growth, particularly about businesses being able to interact quickly, efficiently and easily with customers, suppliers, work force, staff, mobile access, and all those sorts of things.

Q21 Mr Bacon: Sue Owen was making the point about the cost getting higher, and the benefit per £1 spent getting lower, but as you go further out, you get more growth as a result, so the less that point remains significant. Is that true? You could end up with some quite big growth in very rural areas if this worked properly.

Sue Owen: We could.

Q22 Mr Bacon: And lots more jobs.

Sue Owen: And lots more jobs. We are keen to get to that last 5%, once we know what the right technology is. We know it is not the current fibre-to-cabinet technology. It is likely to be other technologies. I think we have one of these pilots in Exmoor already up and running.

Chris Townsend: Yes, we do, in Luxborough. It went live last week.

Q23 Mr Bacon: Tell us about how that worked. It is different, is it?

Chris Townsend: It is a satellite system that provides up to 30 megabits via a wi-fi distribution network within the village. We have potentially 250 premises within Luxborough that could be connected to a superfast broadband network using a wi-fi system, downloading the capacity from satellite.

Chair: You have not actually answered the SME point. I will let Meg come in, because she has a statutory instrument Committee to go to, but I want you to come back to me on the finding of the FSB survey that you are not meeting your intent. Think about that one.

Q24 Meg Hillier: Chair, may I have a quick bite now, and I will come back after the vote? Just for the record, what is the base level of speed for downloading and uploading on superfast broadband?

Chris Townsend: Our definition is 24 megabits or greater.

Q25 Meg Hillier: Is that upload as well as download?

Andrew Field: Download.

Q26 Meg Hillier: What about upload?

Andrew Field: We have not got a definition of an upload speed. The technology that can deliver 24 megabits or above in terms of download speeds will also deliver significantly better upload speeds, but the demand is much more for the download than it is for the upload.

Q27 Meg Hillier: But the upload is pretty important for a lot of those businesses we were just talking about.

Andrew Field: It is.

Q28 Meg Hillier: In my constituency, people say that uploading is their big problem, even in Shoreditch. The Chair did not want me to mention Shoreditch, because we are talking about rural today, but it is a real issue. So you have no figure at all for upload?

Andrew Field: On the capacity to deliver the definition that we have set, similar definitions apply across the rest of Europe, although the European definition is 30 megabits per second. Either way, the definition is usually conventionally set at a download speed, not at an upload speed.

Q29 Meg Hillier: Okay. May I strongly suggest to the Department that looking at the upload speed is pretty important—well, vital—for businesses? In a way, it lets people off the hook, as the download speed is, in some ways, the easier bit. The upload speed is the big problem when you are trying to send something to another business.

On the advertising campaign, what made you think that people's awareness was the problem with take-up, rather than price? Has Chris Townsend been here long enough to answer that question?

Chris Townsend: Yes, certainly. The market research that we conducted in October last year demonstrated very clearly that there was low awareness of the availability of superfast broadband and its benefits across the whole country, yet it is available to 78% of the UK at this point in time. We decided that there was a dual benefit to running an advertising campaign—an information-based campaign. First, there were the huge economic and social benefits to people signing up to superfast broadband, which we have already discussed. Over and above that, within BDUK's BT contract, we have a clawback mechanism whereby for every 10% that we go above 20%—so, if we go from 20% take-up to 30%—£120 million is returned to the programme for reinvestment. If we get to 40%, it is £240 million, and if we get to 50%, it is £360 million. That is an incredible incentive and a very good ROI for us.

Q30 Meg Hillier: Have you analysed how well that advertising campaign has worked?

Chris Townsend: It is working really well so far. We have had more than 400,000 hits on our website in four weeks and 110,000 people have looked at our postcode checker. That is way above our expectations at this point in time.

Q31 Mr Bacon: Sorry; when you say 40% and 50%, you mean penetration—market take-up.

Chris Townsend: Yes.

Q32 Chair: Can we get back to the point about SMEs? Your intent is to do it, but the FSB is telling us that you are not.

Chris Townsend: I spend a lot of time travelling around the country meeting and talking to the chief execs of local bodies and devolved Administrations, and their project leads, and without question, every single one of them is absolutely committed to providing superfast broadband to SMEs. In some counties, such as Durham, Northumberland and Cumbria, more than 90% of employment is through SMEs, micro-businesses and the self-employed working at home, so it is an absolutely paramount commitment for everyone. We are as committed as anyone else.

Q33 Chair: So are you at least monitoring it? All I can do is quote to you the FSB survey. I have no idea how valid the figures are, but it puts up a red flag to me. At the very least, having expressed the intent, you should both be able to come back to us and say whether or not it is true.

Chris Townsend: You raise a very good point and I think it is a good opportunity for us to go away and do our own research. I do not recognise the figures—that is not the feedback I am getting from the local bodies around the UK.

Q34 Mr Bacon: I declare an interest in that one of my constituents is a national vice-chairman of the FSB. I have noticed in the past few years that it has become increasingly active in a whole range of policy spaces and is producing an increasing number of high-quality documents. You should take what it says seriously—perhaps sit down with them, if you haven't already. Have you not yet done that?

Chris Townsend: I haven't entered into a dialogue—

Mr Bacon: They are people worth talking to, so I would encourage that.

Q35 Dame Anne McGuire: I want to ask about the situation with the devolved Administrations, particularly in Scotland. When pushed, I have found the responses from both BT and Openreach to be reasonably positive. Like other colleagues, I have significant rural communities in my constituency, and they are feeling increasingly frustrated. One area is home to one of Scotland's top restaurants, and they have to travel about 10 miles down the road to their shop to access good broadband. To those people and communities, it sometimes seems that there is an almost impenetrable bureaucracy. To whom do we go to try to get the basic information? Frankly, they should not have to come to their Member of Parliament to unlock the code; they should be able to have those relationships. In view of the fact that you said you have all these discussions with the devolved Administrations, Mr Townsend, perhaps you could update us as to the situation in Scotland.

Chris Townsend: The devolved Administrations technically own the project and its detail, and the detail of the roll-out, so if anyone has a local inquiry, they should go to their local project lead as a first point of call. All the details are published on the internet. All these organisations have their own postcode checkers and detailed maps of roll-out, so if someone is looking for roll-out information or information on when superfast broadband will be available, that is available now. If they want further information, they should go to those project leads.

Q36 Dame Anne McGuire: But sometimes the information that is presented is so woolly that it is difficult to work out what the exact timetable will be. I have one village where, thanks to a discussion facilitated by myself, they now have a clearer idea, but until fairly recently, that was almost impossible to find out. One third of the village was going to be connected and the other two thirds were saying, “What on earth is happening to us?” The communication issue exacerbates the feeling of frustration because rural communities just don’t have a scooby what is going to happen.

Andrew Field: There are two projects managed in Scotland. One is for the highlands and islands, which is managed by the Highlands and Islands Enterprise agency, and the other covers what is called the rest of Scotland, and that is managed by the Scottish Government. The Scottish Government did actually improve their website before Christmas. They have published a new map and postcode checker, so it should be possible for residents across Scotland to use those to find out what the plans are for deployment in their area.

Q37 Dame Anne McGuire: But that is a recent development.

Andrew Field: That is a recent development—in December—but the two projects together will get the whole of Scotland up to a 90% coverage level by the end of 2016.

Q38 Dame Anne McGuire: But, for my other colleagues, there are still no guarantees on some of the more remote areas. I appreciate the point about the landscape—some of the topography and so on is really quite difficult, and these are quite challenging situations—but that does not help businesses that are trying to make a living.

Chris Townsend: Just to put it in perspective, that last 5% covers 70% of the UK land mass, so it is extremely challenging.

Q39 Dame Anne McGuire: Yes, but does Scotland not cover 60% of the UK land mass?

Sean Williams: Would it help to say a bit about how we make the information public?

Kim Mears: The information is refreshed every two weeks. That information, obviously, will say where we are going and what the timeline will be. I am on both Scottish boards—for the highlands and islands and for the rest of Scotland. The important part, though, when it comes to some of the very remote communities, is actually going out and talking. We are doing lots of parish and town hall meetings at which we can sit down with local residents and say what all this really means and when it will be coming. It is, when it gets to that 5%, about the uncertainty. There is also the timeline—nobody wants to be last and they want to know when they can expect this. It is about making information available on the website, but also about lots of local engagement taking place.

Dame Anne McGuire: I don’t think it’s just about where you are in the queue; I think it’s about an expectation of not being so far behind that you feel positively disadvantaged if you happen to live in a remote—and sometimes not so remote—rural community.

Q40 Mr Bacon: On that point—I know the Chairman wants to come in on cost, as do I—let us say that I am an alternative provider who wants to find out where BT isn’t going. It is the old question of where the 90% is and where the 10% is. I understand that, from the postcode checker, you can often find out—although it varies; it is not equally good everywhere—whether your postcode will be covered. Maps are also increasingly available, although not consistently. Let us say that I want to put forward a business case to investors to do work in an area where I know BT is not going to be doing work. I was interested that you said the information would be "refreshed every two weeks". If I am an alternative provider who has come up with this business case, and I suddenly look at the postcode checker on the website on the 14th day, after the information has been "refreshed", just after I have put my business case in to the investors, am I likely to find that the area I was proposing, because it was not going to be covered by BT, is, magically, suddenly going to be covered by BT? Am I not rather up a gum tree?

Kim Mears: No, and the reason why is that if you go back to phase 1, we have a contract that covers a certain area. We are very clear in that area about all the properties that are covered—literally to a postcode level.

Q41 Mr Bacon: But I am not talking about phase 1; I am talking about what comes later.

Sean Williams: Maybe I could add something. We are just going through a process of what are called "open market reviews" in relation to the phase 2 process. An open market review involves everybody declaring where their network is and, therefore, where all the white areas are. That information is readily available in all counties after the OMR.

Andrew Field: Can I just add to that as well? You are right that deployment plans can change during the delivery of the existing contracts. Where it is proposed that new areas are brought into the scope of the projects, we work with the local bodies. We recommend—and this is what they are doing—that they then undertake a consultation on the areas that it is proposed should be brought into the project before that goes ahead. That is specifically to allow any other provider to register if it already has plans for that area. If it does, the area will not be brought into the main project.

Mr Bacon: Okay.

Q42 Chair: I have an example of where there has been double funding, really, because you haven't done that properly. It is one of the people who wrote to us—Cybermoor. In this area, one provider, Cybermoor, got money from the rural development programme and used the money to build a fibred home network. Then along comes BT and installs with part of the £1.7 billion.

Andrew Field: Cybermoor is a project that we are working with as one of the market testing projects.

Q43 Chair: But it is duplication of subsidy, isn't it? There is a bit going to one and then a bit going to another.

Andrew Field: In that particular case, Cybermoor had developed a project over the past two or three years with support from DEFRA and other funders—I don't know who they were—and at the same time Cumbria county council was developing a proposal for its project, which was eventually contracted with BT. Cumbria county council undertook a public consultation on its roll-out plans and did not get a response from Cybermoor.[1] As a result, Cumbria effectively mapped that area as available for coverage by the Cumbria BT project. That is what has happened.

Now that we know that that is the position, there are a couple of things. First, Cumbria county council is just going through the process again before it goes ahead with its second-phase project. Because we know about this situation, and about another couple of small providers—particularly in Cumbria, where there are a number of these small projects—we are being very clear about the need to map those areas properly to make sure they are excluded from the second-phase project. We are also working with Cybermoor in Northumberland on a further project that is being supported by BDUK as one of our market testing projects.

Q44 Chair: So it does happen, but you are trying to get on top of it.

Andrew Field: We are certainly trying absolutely to avoid it.

Q45 Mr Bacon: I was just looking for a paragraph that I could not find previously and wanted to pursue involving Connecting Devon and Somerset. This is an e-mail from Mr Graham Long, an Upottery parish councillor, who is on the Blackdown Hills management group and the member for Otter and West parishes. He says this about Connecting Devon and Somerset—CD&S—"Members of the CD&S board, set up to provide leadership and oversight of CD&S projects, have for more than a year been promising taxpayers that the phase 2 of the SEP programme would be awarded through an open market tendering process, but a document released in the last few days by Connecting Devon and Somerset makes it clear that it will be a closed tendering process, with BT the only company allowed to submit a bid (please see attached e-mail to Chris Townsend of BDUK)." Why?

Andrew Field: The Devon and Somerset project is a very large project. After we announced the phase 2 funding allocations, the project team was taking forward proposals for an open procurement process, as described. It undertook a supplier engagement activity before Christmas and reviewed the market propositions. Following that analysis, it has come to the conclusion that the best way to manage the bulk of the procurement for its phase 2 project is to go through another framework procurement process with BT. It has also kept aside part of its funding for an open procurement process that it will run for the national parks in Dartmoor and Exmoor. That decision has been taken by the Devon and Somerset project team, with its elected members, based on the conclusions that it has come to following its market engagement process.

Q46 Dame Anne McGuire: May I go back to follow on, to a certain extent, from Richard's question? On this 5% or 10% that might be causing some of the difficulties in the roll-out, is there any attempt to engage with other providers? I am not talking about the providers that might go on the website and spot an opportunity; I am talking about a proactive partnership with other providers in areas where BT cannot fulfil the commitment to 99.9% of roll-out. I am thinking of some of the

---

[1] The Committee was subsequently contacted by Cybermoor who said:

"1) We were not made aware of a formal consultation.

2) We sent maps of our planned coverage area to the County Council 9/5/12 (for which we received e-mail acknowledgement) and kept them informed of progress through regular phone calls and meetings.

3) At no stage during this process was a formal consultation mentioned.

4) There is no evidence of a consultation being carried out for Phase 1 in Cumbria on the County Council or any other public sector website.

5) The Cybermoor fibre network was largely completed before BT started their work."

initiatives, such as one in a village in my patch, where a major provider—I think it was Vodafone, but I might be wrong—provided a wi-fi connection on the side of the village hall. That is not using the sort of technology that BT is using but, frankly, it provided a real service to that remote village at the end of a long road. I am wondering if there is any proactive engagement to look at providing solutions by working with others, if BT cannot supply a solution.

Chris Townsend: If I may answer that question, that is exactly what we are doing at the moment for phase 3. So we have 5% left after phases 1 and 2, and we have eight market testing pilots up and running at this point in time, which are testing different technologies. These eight pilots are with very small organisations, testing new technologies, new commercial models and new operational delivery models.

None of the pilots involve BT; they involve a combination of satellite, wi-fi systems, and hybrid wi-fi and satellite, and some are in very remote areas. As Andrew just mentioned, Cybermoor is being tested in Northumberland. Avanti is a very advanced low-cost satellite system, which is now delivering 30 Mb down, and is being tested in remote parts of Scotland and Northern Ireland. I was in Northern Ireland two weeks ago talking to the team there about that particular test. A number of these tests are being implemented at the moment. As I mentioned earlier, we have the test on Exmoor, in Luxborough, going live last week with a satellite dish servicing a community of 250 premises.

These are very exciting developments. We are very positive about them and we are hoping that the results will allow us to start rolling out those new technologies from late this year.

Q47 Dame Anne McGuire: So you are testing new technologies.

Chris Townsend: We are testing new technologies.

Dame Anne McGuire: But are you testing any of the technologies that are already there? I used a particular example of a village in my patch that is now getting broadband thanks to another provider, so the technology is obviously there. Are you going for a totally innovative approach, or are you looking at partners where the technology currently exists? It is commendable to look at innovation, but it is whether there are quicker fixes out there.

Chris Townsend: There are three elements to it: the technology; the commercial model; and the operational model. Even if we find that there is a technology that works really well for a village such as Luxborough, how do you scale that and how do you roll it out? The last 5% accounts for 1.5 million premises, so how do we cover those 1.5 million premises with these new technologies? All these companies are very small organisations—typically SMEs with turnovers of less than £1 million per annum—so how do you scale it up without destroying their own business? That is what we are working on at the moment.

Dame Anne McGuire: That is really the hub of my question. I appreciate the support given to innovative, small companies to take part in this big project, but are you looking at partnerships with what might be rivals in the industry to use existing technology to provide the service to some of the more remote communities?

Chris Townsend: Yes—

Q48 Mr Bacon: A very quick question. Do you know where the 1.5 million houses are?

Chris Townsend: Yes, we do, we know the postcodes.

Q49 Mr Bacon: Will you send the Committee a breakdown showing which are in each of our constituencies? We often get things sent to us on a constituency basis.

Andrew Field: I think we can say what is the remaining percentage coverage that is part of the final 5% in each of your constituencies. We can do that, yes.

Q50 Mr Bacon: I would like to know about the people in my constituency. I am sure colleagues such as Mr Phillips would be the same—how many people in his constituency are in this 5%, and who they are and where they are?

Andrew Field: Yes, we can do that. Obviously it is subject to the outcome of the second-round procurements and further commercial development and deployment, but we can certainly provide that information.

Q51 Chair: I have to say that BT did refuse to give one MP information. I found in my notes that there was an MP who asked a question about who was getting it in his constituency. Does that ring a bell with you? He was refused the data. I can't find it. I will come back to it, because I definitely have a note somewhere. I will come back to it before the end of the hearing.

We will move on to costs and things, so I will ask one final question now. There is this allegation that BT is not going forward with things such as business parks because it makes more money out of leased lines. I would like you to look at it and write to us about that before we come back to it, if that is all right with you, because I think it is quite important. ***Sue Owen:*** *indicated assent.*

Chris Townsend: *indicated assent.*

Q52 Chair: Now let's go to transparency and costs, because this Committee has been on that. Sue, the last time you were here, we asked you, when you got to phase 2, to ensure that we had much more transparency around the costs, and you have not done that. I would like you to explain to us why not.

Just to put it into context, our particular concern is that this is not a competition. We have not created a competitive market; you've got a monopoly provider here. I think in that situation more than others, the experience of this Committee, with all its concern for value for money, is that transparency and openness about costs is absolutely imperative, because you will never satisfy us that you have got value for money unless we are able to see it, and you won't satisfy the local authorities or taxpayers.

Sue Owen: Okay. You pressed us very hard at the last hearing about the non-disclosure clauses and we tried very hard to negotiate with BT on that one, but BT would not do that without opening up the whole negotiation again. For us, that risked further delay and it also jeopardised the bits of the contract that are really very good, such as the clawback mechanism that we have talked about earlier—

Q53 Chair: You mean you were blackmailed on that, were you?

Sue Owen: No, I'm saying that the taxpayer at the moment shares the upside risk but bears none of the downside risk—

Q54 Chair: So they said that, if you want openness, we are going to take away the sharing of profits. Is that what they said to you?

Sue Owen: No. Chris, when he came in April—

Q55 Chair: If I can take away the bureaucratic language, it sounds to me that that is what they're saying.

Sue Owen: He looked forensically at the BT contract. So, as you know, we then sought assurances in other ways. We have our milestone to cash process, which has been commended as best practice by the Major Projects Authority. We know that BDUK gets all the local data, and that helps the local bodies to assess whether they are being ripped off or not by BT locally.

Q56 Chair: Sue, I understand that and it looks good, but I want to get back to my point. We have a monopoly provider here; we have £1.7 billion worth of public money being expended to a purpose; and I think we're asking for a very simple thing. We don't ask it just of BT; we ask it of Atos, G4S and all those companies that are providing services. They are all willing to do it, ironically; BT is not. So I want a last word and then I will go to BT and give Sean Williams a chance to answer. It is completely incomprehensible to me, and wrong, that there should not be absolute transparency over the costs, so that we can all see whether or not there is value.

Sue Owen: Well, I have to say that I think the bottom line for us in DCMS is that it was probably never possible for us on our own to change that. That would be a broader issue with the Cabinet Office and the Government in their relationship with BT—

Q57 Chair: You negotiate the contract.

Sue Owen: No. The contracts are negotiated locally by the local bodies.

Chair: That is rubbish.

Q58 Mr Bacon: Could you just repeat it, because I didn't hear it?

Sue Owen: The contracts are individually negotiated locally.

Q59 Chair: There's only one. Have you ever told anybody not to use BT?

Chris Townsend: No, all the local authorities—

Q60 Chair: No. Okay. So don't let's pretend that they can choose and compete with everyone else. They all have to use BT. Now, BT, tell us why on earth you can't be open?

Sean Williams: On the particular question of openness, the framework provides that all the costs in the BDUK programme are consistent with the costs in BT's commercial programme. The reason that transparency of the cost structure is a problem is because it reveals the entire cost structure of BT's commercial programme, which is not publicly funded at all. There was a readily available alternative in which the contract would provide no such guarantee. In that case, the costs in the BDUK contract could have been made available more transparently but, on the other hand, it wouldn't necessarily have been consistent with BT's own cost structure. I don't think that would have benefited the BDUK programme, because you couldn't be sure that all the efficiencies that we gain in spending our own money are automatically transferred to the BDUK contracts. I think it was rightly felt by BDUK that it was better to have the consistency and live with the transparency issues, rather than have full transparency and no consistency.

Q61 Chair: The problem, Mr Williams, is that we don't know whether you are telling the truth.

Sean Williams: Those are the facts of the contract.

Q62 Chair: Let me develop the argument, and then you can come back. When we looked at this last time, the only evidence we had was the cost of putting up these cabinets in Northern Ireland. The evidence was that it cost some £13,000 or £14,000 to put up each cabinet in Northern Ireland. You came to us with a cost of £28,000 per cabinet. Somehow you say that that is consistent with your private commercial costs. I just think, "Crumbs! What are you charging me? Would I get it for less if I were in Northern Ireland?" You have now got the cost down to £21,000, which is of course better than it was—it is a good thing to have got it down—but we haven't a clue here, and we will keep coming back to this because we want a common link. We haven't a clue whether it is value for money and, until we get proper transparency, I don't know whether I can believe you when you tell me that you are charging the same. The evidence suggests that you are charging too much.

Sean Williams: The evidence does not say that. The Atkins report, which was independently prepared for BDUK, shows that we are actually 20% less than what the inefficient operators—

Q63 Chair: The Atkins report measures a very little bit.

Sean Williams: That is the first thing. The second thing is that we have to provide full transparency on every single cost that we incur and, furthermore, if our costs come in less than the estimate, the public purse gets 100% of the benefit. If the costs come in over our estimate, we get 100% of the costs.

Q64 Chair: The one thing you have achieved is that you have come in a bit lower—

Sean Williams: It is a heads you win, tails we lose contract in relation to costs.

Q65 Chair: If G4S do a contract with a Government Department or a Government service with a similar commercial model as they do for their private clients, I see no reason for Serco or any of these things. They don't have a problem saying, "If we do business with the public sector, we accept that in taking the taxpayer's pound"—which you are doing—"there are different standards of accountability and transparency that we have to meet." It isn't acceptable, Mr Williams, for you to keep coming to us and telling us that you refuse to do it. You are sitting in a local authority and pretending that they have a chance of controlling it, but they are entering a one-off contract on this, and you guys know a bit more. You don't share that with the local authorities. We have no idea where there is value here. We have no idea.

Chris Townsend: Can I just make an additional point? Each of the local authorities has 100% visibility on all the costs and every single invoice that is presented by BT.

Q66 Chair: Invoices, yes, but that doesn't tell you everything.

Chris Townsend: We see all of that information, too. They have that information on a bilateral basis with BT.

Q67 Mr Bacon: What work do you do to compare the costs in different areas?

Chris Townsend: That is exactly what I am coming to. Not only do they have the visibility with BT project by project, we have visibility across all 44 projects. We analyse the data in a huge amount of detail. We have very complex analytics in which we look at the costs for cabinets, software and people, as well as the PMO costs. We share that information with each local authority so that they can benchmark the costs that they are achieving for their particular project against all the other benchmarks, which we have, too.

Q68 Mr Bacon: That is on the basis of contractual obligations that they have entered locally with BT on the basis, frankly, of relatively limited expertise. I don't blame Mr Williams, who is helping to run a commercial organisation and is trying to do the best he can for his shareholders, even though he is taking the Queen's shilling—whether having a contract that said he had to be consistent with BT's commercial activities was the right criterion is another matter, because perhaps you might have said that it had to be different or better than that.

I am slightly concerned that the Department, much earlier on, didn't negotiate a better deal in the first place. I very much welcome your involvement in joining BDUK, Mr Townsend, because I think that is a big improvement. You have an outstanding track record from what you did with the Olympics, and it is great to see you doing such an important project. My concern goes back to how the negotiation started in the first place and how the Department was able to sit there and say, "Do you know what? We'll leave these local authorities to get on with the negotiation and we'll collect a bit of data afterwards and then tell them perhaps what they should have done." More "should-cost" work should have been going on earlier. The Chair mentioned Ireland. I still can't figure out what I suspect to be the case, which is why for the £1.7 billion that we are now going to spend, we couldn't have got a lot further, had more bang for our buck and been even further ahead than we are now. That is the difficulty that we wrestle with.

Sean Williams: There is probably more information we can share in relation to the milestone-to-cash process that would be of interest to the Committee.

Kim Mears: Milestone to cash is a really detailed process. It is at structure level. It covers the length of the network that we are building, down to component parts. The sign-off by each of the local bodies is really rigorous.

Q69 Chair: There are two things here. First, you are a monopoly, and secondly, why can't they see the information? It is not good enough—to put it bluntly—however brilliant you are, Mr Townsend, for you to see it. You are not signing the contract; they are. It's public money. If you're saying that you are willing to have all this—

Sean Williams: We give them 100%.

Q70 Chair: You give them the invoices. That's what they get. They just have to look at the invoices and see whether they make sense; and if you are sitting as a local authority officer, it is really hard without any comparative—

Kim Mears: The data below is not at invoice level, so it is not a case of saying, "Here's an invoice for £100. Pay us." It goes down to individual component parts in the building of the network. That allows them to do analysis month on month and quarter on quarter of how far we have covered and what we have spent, down to structure and network components. Also included is project management. If you go back to the National Audit Office Report, the feedback from the Report was that it is absolutely a best-in-class process that we have developed with BDUK and the local bodies around tracking spend and then obviously compliance against—

Paul Keane: It was the Major Projects Authority rather than the NAO. Sorry.

Q71 Chair: We are concerned that the terms of the contract, because you have ended up being the only provider, are not best value. Let me just say that it was Steve Webb who wanted the figures. He actually wanted the number of people who were getting superfast speed, and you have refused to give it to him.

Sean Williams: I will take the case and make sure we look at it.

Q72 Meg Hillier: Going back to the issue, I echo what Mr Bacon said, Mr Townsend, about the original contract and I, too, welcome your input—hopefully we will see some results—but I have some very interesting evidence from colleagues around the country. Our colleague from Penrith and The Border highlighted an example of where a very local project has worked; it was really too small for BT to take on. Councillor Libby Bateman has given some examples. I just want to put some of these points to you, because they highlight some of the challenges for the smaller organisations against the giant that is BT and Openreach.

One problem is that the RCBF funding is claimed in arrears. That creates a cash-flow problem, because the intervention rate is capped at 50%. They have found solutions to a lot of things, but these are issues more generally. There are other cash-flow issues. If the project slips, that can cause challenges. Councillor Bateman highlights the fact that public procurement is challenging for community projects. The parish council worked hard and was given procurement support by BDUK—she does acknowledge that—and DEFRA. Nevertheless, for a small parish council, that is very challenging. And of course procurement is lengthy and has caused huge delays in the delivery of the project. It is currently 18 months behind schedule. But it has been pretty successful, and it is worth highlighting some of the things that good local schemes can deliver. That is interesting when you are comparing costs.

They managed to get the landowners to donate the land access—waive the wayleaves—which saved them an awful lot of money. They have also managed to reduce the capitalised costs for wayleaves in installation terms. I will not go into all the detail, but the total cost of the project is just over £88,000, and that is providing 15 km of fibre to serve 58 properties, which gives you an idea of the scale. You can probably do the maths more quickly than the rest of us as to whether it is good value, but that is the sort of project where alternative technologies, alternative methods of delivery, are needed, presumably, because I don't know, Mr Williams, whether that is something that BT would have ever got to—58 properties 15 km from the nearest—

Andrew Field: This is one of the projects that we have supported with DEFRA through the rural community broadband fund. I recognise the points you made. This is a complicated process for local communities to follow through.

Q73 Meg Hillier: Are you using this as an example to make it easier for the rest?

Andrew Field: It is a requirement of EU procurement and state aid rules that a competitive procurement is undertaken and that the area is properly mapped to avoid overbuild and all those sorts of problem. The project that you are referring to was very successful and has delivered coverage to those 57 premises. The solution was actually implemented by BT through a local contract run by the local community, but the cost per premises passed is actually pretty high, even with all that local community input. That is just an example of the challenges in very remote rural areas.

Q74 Meg Hillier: They are putting £6,000 of their own money into that.

Andrew Field: Yes. It is a very good project, but it is difficult and quite demanding for local communities to deliver.

Q75 Meg Hillier: Going back to the original contract, isn't one of the problems that the whole contract was designed so that only BT could win it in the first place? That means that BT and Openreach are in the best position to take the low-hanging fruit. Leaving projects like this to have these complex negotiations means that it has to ultimately be done with BT because the infrastructure is ultimately owned by Openreach—again, it is not quite the same company, but you know what I mean. This was a very determined group of people, but it is really challenging; not everyone will have the capacity to deliver it. What will happen to the other examples? This was Fell End. What about the Fell Ends around the country?

Andrew Field: There are other projects around the country which have done similar things, and they have not all used BT as the supplier. But in a sense, what you are talking about are the challenges of delivering to remote communities in the most challenging parts of the country.

Q76 Meg Hillier: Was that not the whole point of this programme—that that was always the challenge? The low-hanging fruit was relatively easy and could have potentially been done through a normal commercial project.

Andrew Field: The programme is going to the areas where the commercial sector was not going without public support.

Q77 Meg Hillier: It seems to me that the low-hanging fruit was taken, but let's leave that to one side for a minute. I want to raise another point for my colleague in Wales. I want to pick up on what Richard Bacon said earlier about the Rural Payments Agency—it is not directly your responsibility, but if you cannot answer this, you can take it away. I should declare an interest: my brother-in-law is a farmer in Lincolnshire—not that he has raised this with me himself. I don't think he is Stephen Phillips's constituent. There are farmers who do not have access to the internet and who will have to use an agent to submit the application for them. There is an extra cost to that. What is the advice of Government to those farmers who cannot do that? Are they supposed to use an agent? You may not be able to answer that directly; I recognise that it is not your responsibility.

Chris Townsend: I mentioned earlier that we are absolutely committed to fulfilling the universal service commitment, which is a 2 megabits solution. That will provide them with the access they need.

Q78 Meg Hillier: I will not revisit old ground, as we covered the speeds still being a problem. Can I just add one other, general point? I am hearing from my colleague Richard Burden that there is a real feeling in suburban Birmingham that, because the rural areas are getting the focus of this fund and there is the SuperConnected Cities fund, there is a bit of a squeeze on suburban areas. What is the Department's plan? I will resist raising Shoreditch again, but there are similar access issues in my urban constituency. This is particularly about suburban areas which are not quite rural but are not super-connected cities either.

Chris Townsend: BDUK is, by definition, resolving the roll-out issues within the rural areas that are within city areas. That is up to the commercial roll-out programme by BT and Openreach. However, we have our city voucher scheme which we launched a year ago and which is turning out to be a great success. We are on schedule to deliver our target of 10,000 vouchers for 10,000 SMEs by March this year, which includes, I should say, 517 vouchers in Shoreditch—in Tech City.

Q79 Meg Hillier: Yes, I know. We have been pushing it hard.

Chris Townsend: That has turned out to be a great success.

Meg Hillier: It has taken a while.

Q80 Chair: So your spend is up? Are you spending to programme?

Chris Townsend: This is a different programme; it is the city voucher scheme.

Q81 Chair: I know, but are you spending to programme?

Chris Townsend: Yes.

Q82 Chair: The rural businesses were asking why they cannot access that scheme.

Chris Townsend: Because this is a specific city scheme, tailor-made to 22 cities.

Q83 Meg Hillier: It seems to me that all these workarounds identify some of the problem—perhaps we risk drifting into policy, but really it is about the original procurement and how Government and the UK see broadband. It should be seen as another key part of our infrastructure, not just an add-on. The voucher model is a bit of a sticking plaster. We had to pay for the advertising on the rural—everything is piecing together what should have been more of a strategic plan. Sue Owen, perhaps you could answer the question about what is happening with suburban areas.

Sue Owen: State-aid rules mean that we cannot subsidise the roll-out in these kinds of area. It would be a concern to us if BT were focusing on our programme at the expense of their own commercial roll-out in the city areas. Perhaps my colleagues would like to talk about that.

Sean Williams: Only to say that we are stretching every sinew to deploy to as many premises in rural and city areas as we can. Kim, would you like to elaborate?

Kim Mears: To add to that, we made the commercial commitment, which was to two thirds of the UK; we will meet that commitment. Over and above that, we have committed a further £50 million of spend over the next three years, which will be allocated across cities and further new sites.

Q84 Mr Bacon: I'd just like to return to the question of the benefit-to-cost ratio. You said that it was 20 times cost. To return to what Meg Hillier said about it being a utility and potentially having transformational effects on where people can live, my suspicion is that the transformational effects and benefits may be even greater than anticipated. Look at the land area of the country and how little is taken up by houses, even though 85% of people say that they would like to live in a village because they are much more socially cohesive. I think the benefits could be even higher than estimated.

You have £1.7 billion to spend—some of it yourselves and some through local government—and you are getting a benefit-to-cost ratio of 20. Based on present numbers, HS2 is spending £42.6 billion if you exclude the rolling stock, although that will probably go up further; its benefit-to-cost ratio is, if you are careful, 1.75 or 2:1. You benefit-to-cost ratio is 20:1, which is 10 times that of HS2; yet, it is getting 25 times more money than you. I asked Philip Rutnam, the permanent secretary for the Department for Transport, whether they had looked at the benefit to cost ratio of putting broadband absolutely everywhere as an alternative to investing in HS2, because he said that they looked at lots of alternatives. Admittedly, I had to ask him the question eight times, and I discovered that somebody has put it on YouTube because he finally said, “No.” They had not looked at it. The fact is HS2 has 25 times more money than you even though your benefit-to-cost ratio is 10 times higher. This is a policy question. Should you not be doing a rather better job in negotiating with the Treasury?

Sue Owen: That is an issue for the Treasury.

Q85 Mr Bacon: It is an issue for your Department in arguing with them, isn’t it?

Sue Owen: It is something that we will be actively bidding for in the Budget and in the spending review to cover that last 5%.

Q86 Chair: Of course you will actively go for it. The interesting question is: is there is anybody in Government doing that comparison?

Sue Owen: That is a job for the Treasury.

Q87 Mr Bacon: It is a job for the Treasury? What—to do the comparison between broadband and HS2?

Sue Owen: It is because the Treasury makes allocation decisions.

Q88 Mr Bacon: Surely you have to make your case, do you not?

Sue Owen: We make our case very strongly.

Marius Gallaher: We certainly want to hear the case from both sides—the Department for Transport and DCMS. We will look at the cost benefit of either system and make a judgment.

Q89 Chair: It is the comparison. You are looking at them in silos.

Sue Owen: I will certainly take your advice on this in the Budget and the spending review. The benefit-to-cost ratio of the last 5% will be nothing like as high as that but I hazard—

Q90 Mr Bacon: That is if you choose at it in that way. If you look at the whole programme, we are all happy to pay a certain amount—x plus 5%—so that that one lonely farm gets broadband as well. That is called being one community. You should really look at the benefit-to-cost ratio of the 100%. That is the way to look at it.

Sue Owen: That is an excellent way to look at it. We will certainly be bidding to the Treasury.

Q91 Chair: My final question to you is back to the monopoly position of BT. We just do not have a competitive market. Are you getting Ofcom to investigate that and to request a review of the Competition and Markets Authority to boost competition?

Sue Owen: You are right that the issue is whether BT uses its dominant market position fairly and does not abuse that power at the retail end of the market. Ofcom has announced that it is doing a margin squeeze test, I think, in the next few months. Is that right, Sean?

Sean Williams: Just to be completely clear, BT has been found to be not margin squeezing twice by Ofcom under two sets of law, but the product that Openreach sells is regulated by Ofcom to ensure that it is provided to every retail provider on exactly the same terms, whether that retailer is BT, TalkTalk, Sky or any one of 140 competitors in the retail market.

Q92 Chair: Thank you for that; but, Sue, are you asking Ofcom—

Sue Owen: I don't need to ask Ofcom. They have already made the decision to look into it.

Sean Williams: We were reviewed last year and we will be reviewed again in 2016 and 2017.

Q93 Mr Bacon: Can I just check; are any of you expecting to lose your jobs in early May?

Andrew Field: I am not.

Chris Townsend: I hope not. No, I have got a job to do.

Sue Owen: I have a five-year contract.

Sean Williams: You will have to ask Gavin Patterson.

Kim Mears: I hope not. I have just been promoted into my job.

Q94 Mr Bacon: So you all have greater job security than we have. I just want to make this point. We will have to check with the British people on 7 May whether we still have a job. You all have greater job security than us; you also get paid a great deal—I don't think there is any of you who does not get paid more than we do. So in the words of Arnold Schwarzenegger, if we are back, we will be back to this issue.

Chair: Absolutely. We will come back, and the reason we will come back is you still have to convince us this is value for money.