

UK taxpayers 'ripped off' by rural broadband roll-out

September 26 2013



File picture shows farm buildings pictured near Otterburn in northeast England on July 8, 2010.

Taxpayers have been "ripped off" by the government's broadband roll-out in rural areas, the head of a powerful spending watchdog said as its damning report was released Thursday.

Senior Labour MP Margaret Hodge, [chairwoman](#) of the House of Commons Public Accounts Committee (PAC), said the awarding of all

26 rural broadband contracts to British Telecom (BT) had left the company in a "quasi-monopolistic position".

The PAC report said the Department for Culture, Media and Sport (DCMS) mismanaged the project, and BT was exploiting its dominant position by restricting access to cost and roll-out information.

"Too many people will not be able to access super-fast broadband because BT will have failed to deliver it to them," Hodge told BBC Radio 4.

"The taxpayer has been ripped off with £1.2 billion going to the shareholders of BT."

The tender process which began in 2011 drew criticism when just two service providers - BT and Fujitsu - were named as approved bidders, with Fujitsu eventually dropping out.

Hodge claimed BT was using its [dominant position](#) to keep details of local projects confidential, "preventing other suppliers from developing schemes aimed at reaching the remaining 10 percent of premises" still without broadband.

The report said that the remaining 18 contracts, due to be granted by 2017, are also likely to go to BT.



File photo taken on December 18 2012 shows fibre-optic internet cables in the sewers of Paris.

Hodge said [local authorities](#) are contributing over £230 million more to the programme than forecast in the department's business case, while BT is committing over £200 million less.

She said this, combined with the DCMS admitting the programme would be delivered two years later than planned, meant consumers were "getting a raw deal despite the generous public subsidy".

The report said the department accepted contract terms that were "overly generous" to BT but the government argued the tendering process had been fair, while a BT spokeswoman said it was "disturbed" by claims in the [report](#) which were "wrong".

She said the company had been "transparent from the start and willing to

invest when others have not.

"It is therefore mystifying that we are being criticised for accepting onerous terms in exchange for public subsidy - terms which drove others away. The taxpayer is undoubtedly getting value for money."

A DCMS spokesman said: "We disagree with the views expressed by the PAC which are at odds with the findings of the National Audit Office.

"They found our approach reduced the cost to the taxpayer and reduced risk."

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Citation: UK taxpayers 'ripped off' by rural broadband roll-out (2013, September 26) retrieved 23 May 2024 from <https://phys.org/news/2013-09-uk-taxpayers-ripped-rural-broadband.html>

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