

Welsh Affairs Committee

Oral evidence: [Broadband and mobile connectivity in Wales](#), HC 1005

Thursday 3 December 2020

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Members present: Stephen Crabb (Chair); Tonia Antoniazzi; Simon Baynes; Virginia Crosbie; Geraint Davies; Ruth Jones; Ben Lake; Rob Roberts; Beth Winter.

Questions 1 - 51

Witnesses

I: Richard Wainer, Policy and Public Affairs Director, Networks, BT Group; Kim Mears OBE, Managing Director, Strategic Infrastructure Development, Openreach; and Mike Dugine, Digital Business Officer, Wrexham and Flintshire County Borough Councils.

II: Selina Chadha, Director, Network and Communications Group, Ofcom; and Elinor Williams, Regulatory Affairs Manager (Wales), Ofcom.

Written evidence from witnesses:

– [BT Group](#)

Examination of Witnesses

Witnesses: Richard Wainer, Kim Mears and Mike Dugine.

Q1 Chair: Good morning and welcome to this session of the Welsh Affairs Committee, where we are looking at the state of play when it comes to the quality of mobile phone and broadband connections across Wales. I am delighted that we have been joined this morning by a distinguished panel: Richard Wainer from BT Group, Kim Mears OBE from Openreach, and Mike Dugine from Wrexham and Flintshire Borough Councils, where they have been exploring some of the recent innovations around broadband connection.

I will start with a couple of general opening questions, and then I will bring in members of the Committee. If I could encourage everyone to be concise in their questions and answers, that will allow us to get through all the material that we want to. I will start by asking particularly Richard and Kim, how far are we from a moment when everyone in Wales who wants and needs access to good quality, reliable broadband can get it? Is that something that you would expect to see in our working lifetimes, or is it much nearer than that?

Kim Mears: Hi, I am Kim Mears. I am the managing director for strategic infrastructure development at Openreach. I will try to make it very short, but we have to look back as well as forward. If you go back to 2014, 44% of Wales had superfast connectivity. For everyone's benefit, what we mean by that is 30 Mbps and above. That would be good enough to work from home, stream TV and so on.

Today, 95.5% of Welsh homes and businesses can get superfast connectivity or ultrafast connectivity, 100 Mbps and above. If you look at where we are in respect of ultrafast, 100 Mbps and above, we are ahead of certainly Scotland, at just under 18%, and just behind England. Everybody needs great connectivity, there is no doubt about that. Covid has shown us that more than ever before. We have come a long way together, and it is together from an Openreach perspective. We have built and co-funded over 770,000 homes and businesses, using partnership on the superfast programme with Welsh Government, but there is more to be done.

As we go through the questions, I am more than happy to pull out some of the other things we are doing alongside our commercial and our rural build as we go forward. We have come a long way, but there is another programme under way today that will take us even further.

Q2 Chair: Richard, from an industry perspective, those of you who are working inside the field, is there an expectation that we will reach 100% in any reasonable timeframe so that everyone in Wales who wants access to decent broadband can get it, or will it always be high 90% because there will always be groups of people, because of their location or for other factors, who just will not ever be able to get it?



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Richard Wainer: I think that ambition is in reach. If you look at current stats, and Kim gave a good overview in terms of where Wales is at the moment, and if you are looking specifically at availability of decent broadband—Ofcom defines decent as at least 10 Mbps or above; that is a speed that provides connectivity to allow usual household activities on the internet, checking e-mails and multiple TV streams—about 50,000 premises in Wales currently do not have access to at least a 10 Mbps fixed line. However, the majority of those, over 30,000, have that access over 4G broadband, so our 4G fixed wireless access product.

It leaves around 18,000 premises in Wales that do not have access to that decent level of connectivity. Clearly the USO is there to provide that safety net for those households who do not have access at the moment. We are working to make that as successful as possible. Across the UK we have already initiated build to over 4,000 premises. As I said, we have worked very closely with Ofcom to ensure it is comfortable that our 4G product can offer reliable, affordable and unlimited connectivity for those without a fixed line. That leaves the final 18,000 premises in Wales. These, to be honest, are some of the most expensive premises in the country to connect, and they often sit well above the USO cost threshold. I am sure we will get into a bit more of a discussion around the USO later.

The challenges there will need a different approach for those premises in terms of technology, where I think mobile and satellite may play a greater role, but also in terms of public policy, potentially looking at different models other than a single universal service provider. Of course, public funding is going to play an incredibly important role and, the extent to which that funding will be truly outside-in, we are very keen to work with Government and Ofcom to find a way through that.

One final point: a lot of the work being done now through the Superfast Cymru scheme is focused on delivering full fibre. Clearly we want to move from a situation where people in Wales can access decent connectivity to having world-class connectivity as far as possible. Full fibre is the gold standard for that. Openreach is building at a rapid pace. BT Group, across the UK, has committed funding to help Openreach get to 20 million premises by the mid to late 2020s, but if we are going to hit that ubiquitous level of coverage, we are going to need a lot more support from Government and, indeed, the regulator.

Q3 **Chair:** Before bringing in other colleagues, can I ask about the impact of Covid? You touched on it in your answer, Kim, and of course there has been an extraordinary shift in the labour market, people working at home by necessity, and the expectation among many industry groups is that will continue when hopefully Covid is long behind us. That is just a permanent shift that seems to be taking place. Of course during these periods of lockdown, with families indoors and people not able to go to the pub, everyone is watching Netflix. How much has that changed the demand profile for quality broadband in Wales, or is it creating further



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opportunities because you have greater demand? Are there locations that were previously uncommercial for you, which because of these shifts are now being brought onstream as commercially attractive?

Kim Mears: I will try to make sure I answer the Covid point. What we have seen through Covid is a huge demand on our network, and it has held up incredibly well. Going back to what Richard was describing, we are also moving from superfast connectivity, 30 Mbps and above, to a place where we are talking about gigabit connectivity, our full-fibre programme.

To bring out the Covid point, we have announced from Openreach—with the spend of BT Group, the parent—a £12 billion investment to deliver 20 million homes between now and the late 2020s. That work has started in Wales. We have announced our fibre cities, from Cardiff to Swansea to Barry and now Newport being announced. We have also announced that what makes us different in Openreach is 120 rural locations, so we are not just going to be an urban full-fibre builder; we are also going to be a rural full-fibre builder.

Coming back to Covid, why is that important? More than ever before, we are seeing demand, through the website, and a call for very, very good connectivity. Another way we are seeing that come through is through our Community Fibre Partnerships. This is where we co-fund using both Westminster rural gigabit vouchers and Welsh Government vouchers to make sure we can deliver gigabit connectivity into some of those very hard-to-reach areas. Historically, demand for these schemes in Wales was very low. That has picked up over the last nine or 10 months. Yes, there is demand. The network has held up incredibly well but, now more than ever before, there is the call for not just decent but great connectivity.

Richard Wainer: Since the first national lockdown, we have seen an uptick in demand for our full-fibre services. BT Consumer provides full fibre at retail level wherever Openreach has built. In the last half of this year, we have seen quite a significant uptick in demand because full fibre can provide that. Obviously it increases speed, but it also has greater reliability, which people increasingly need.

Q4 **Chair:** Mike, forgive me, I have not come to you yet. Before I move on to bring in my colleagues, Mike, is there anything you would like to add to bring a bit of colour from your part of north Wales?

Mike Dugine: Potentially, yes. Everything that has been said obviously sounds great, but you are going to have people sitting at home who are seeing this and screaming, "Yes, but what about us?" Some of the rural areas that we work with have been completely forgotten. I have been working with communities who were promised back in 2016 that they would have full fibre by Christmas. There have been letters from people quite high up the chain who have promised these things. The Ceiriog



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Valley in Wrexham is only just getting full fibre, and that has taken nearly four or five years to get it.

I think the USO has worked once, again in the Ceiriog Valley in Wrexham, north Wales. It is very good when it works, but it is the only time I can see that it has worked, which is very frustrating. Obviously you mentioned it there, and we are probably going to dive into the costs of the USO at some point, as they are extortionate. I am sure we will cover that one.

Q5 Virginia Crosbie: Good morning, everybody, from Ynys Môn, Anglesey. I want to dig a little deeper. Why does there appear to be better progress with broadband than mobile connectivity? Could I ask that question to Kim, then Richard and Mike, please?

Kim Mears: If you do not mind, I would love to move the question across to Richard. I build fixed networks. I do not build mobile networks, so I would not have the data.

Virginia Crosbie: I am just interested in your view before I go to Richard.

Kim Mears: What I would say, and maybe it is an ill-informed view, is that one of the biggest breakthroughs from a personal point of view is the sharing of the rural networks. It was a great coming together of industry to say, "How do we solve a very difficult problem?" That was a significant step forward.

Richard Wainer: It is fair to say that there has been some quite significant and rapid improvement in 4G coverage in Wales. If you look four or five years back to 2016, just over a quarter of Wales by landmass, by geography, could access 4G connectivity from at least one provider. We are now up at 90%, so that is quite a significant shift. That, to be honest, has been driven quite significantly by the work that EE, part of BT Group, has been doing. We have been very focused on that rural coverage leadership, so EE coverage is now available across about 82% of Wales, which is the leading coverage across the industry.

Over the last three years we have built an additional 75 masts in some of the hardest-to-reach places in Wales to deliver 4G coverage, often where there was no mobile coverage before. Clearly we need to go further, because there are still large parts of Wales without decent mobile coverage. As Kim noted, the key initiative is the Shared Rural Network, which is quite unique, and certainly the first time that the four major UK mobile operators have come together at such scale to work with the UK Government to pull together a programme that will drive coverage in Wales up to 95% from at least one operator and to 80% from all four operators, addressing not only the total not-spots, but addressing what we call partial not-spots as well, where there might be coverage from one, two or three, but perhaps not all four. It is a pretty comprehensive



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programme. It will take time to deliver, but we are cracking on with it now.

Q6 **Virginia Crosbie:** Mike, how do you see the relationship between them working together? How do you see that relationship on the ground?

Mike Dugine: It is frustrating for us. Obviously things take time, and I totally appreciate what Richard is saying. I agree with everything he just said. The frustrating part is the time it is going to take. There are new masts popping up everywhere all over Wales, which is good, but we do not know about them, even if they are powered or if a provider—BT or EE—is going to be able to use that mast. We are being told that they are, but the question is when. Some of these areas do not have broadband and do not have a mobile signal. They have absolutely nothing.

There is a conversation in one village about removing the telephone boxes as well. If you take those away, God forbid there was a fire at home or anything like that because people would never be able to contact anybody to let them know. Relationships have to be tightknit, and there has to be open communication, hopefully to try to move things a little quicker.

Richard Wainer: Mike referenced some masts that perhaps do not have power or backhaul connectivity. He is probably referring to some of the 93 masts that the Home Office is building as part of its extended area service programme to support the new emergency services network. These are masts that EE, as the emergency services network provider, will go on to provide not only coverage for the emergency services, but invariably commercial coverage as well.

None of those masts currently has the necessary connections back into the network, or possibly power, to enable us to provide that coverage yet. We are very keen to work with the Home Office and DCMS to get those online as soon as possible so that we can deliver coverage to those residents in those places that are suffering from poor coverage, but currently that is not being progressed.

Virginia Crosbie: Thank you for that clarification, Richard.

Q7 **Chair:** Before I bring in Geraint Davies, Richard, can I come back to that answer you just gave? The fact that there is a lack of power and capability in these masts at the moment, is that just an oversight on the part of Government? Is that a design flaw in the system? I do not understand the problem.

Richard Wainer: This is a Home Office project, and it is focused on delivering the emergency services network, so its focus is delivering coverage to the blue lights. That ESN is not likely to come onstream for a few years yet, so I think that budget is not available yet, or decisions have been made that it does not want to incur those operational costs for us to be able to deliver that commercial coverage ahead of ESN being switched on. Our argument is let's take more of a cross-Government view



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here. The infrastructure is there in many cases. There is a little work to do to connect those sites, but they are relatively easy wins, we believe, to deliver coverage pretty quickly.

- Q8 **Chair:** To be absolutely clear, for a non-technical person like myself, the idea is that EE would piggyback on the infrastructure that the Home Office is helping to fund for the emergency services network and, because there is a delay to that, EE cannot progress its commercial plans for extending coverage in Wales?

Richard Wainer: Yes. In many cases the actual mast is built, the tower is there, but we don't yet have power or backhaul connectivity, the fibre line back into the main network. That is still a quite significant task, but these sites have progressed quite significantly. There is only that final step we now need to take to get those sites online.

Chair: Maybe there is a conversation that we, as a Committee, ought to be having with the Home Office about completing this.

- Q9 **Geraint Davies:** In relation to Covid, perhaps starting with Richard, I had some exchanges with BT around the proportion and number of people working from home, suggesting that a BT salesperson should now be at home to minimise transmission. There was some success in that, but where are we now in terms of the proportion of staff who are working from home, office workers and particularly sales staff, and is that going to continue?

Richard Wainer: I will have to come back to you with a precise proportion of staff who are working from home. Throughout the pandemic we have worked hard to ensure that, where our staff can work from home, they can, but clearly contact centres and staff who work there are incredibly important. They have been designated as key workers because they are keeping our customers online, so we have worked very hard to ensure those working conditions are safe, with increased cleaning and social distancing. That has improved throughout the year, but I will come back to you with a specific number.

- Q10 **Geraint Davies:** Obviously BT has the technology to get people to work from home, more than virtually anybody else, and people can operate on cellphones. Can you confirm that the management position is to maximise working from home, because previously it was not?

Richard Wainer: Wherever possible, yes, we would ensure those staff can work from home where there are those sorts of challenges, but these staff are often dealing with confidential customer calls. We need a secure environment to enable us to do that.

- Q11 **Geraint Davies:** I am working from home and I need a secure environment, as you can imagine, from various foreign agents or whatever it happens to be. Kim, can I ask you the same question? In Openreach, are you maximising your efforts for people to work at home? As I said, there has been management resistance to this for the reasons



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Richard has just mentioned.

Kim Mears: I can assure you that there has been no management resistance. The majority of our people are working from home. It will be tiny numbers that would be coming into the office, and in some cases we have exceptional circumstances where people can go into an office because they have found it impossible to work from home because of their circumstances.

Geraint Davies: Fair enough.

Kim Mears: But absolutely, if we can work from home, primarily we are working from home. What I would add, importantly, is that Openreach obviously has a very large field force. We employ 2,500 people in Wales, and over 1,400 of those would be service delivery engineers who are provisioning, repairing and maintaining our network. They are key workers and they have continued to work through Covid to make sure we can keep our customers connected in those cases.

Q12 **Geraint Davies:** I understand they are doing a great job. On that, as you have mentioned it—and I respect that you have all these key workers keeping Wales connected during a pandemic, and it is critically important—my understanding is that there is now a move to rationalise the workforce. There are concerns about pay, job security, planned closure of various sites and this sort of thing, and that BT in particular, but Openreach as well, will not tell the workforce which sites they are considering closing, so people cannot make personal arrangements. Could you tell us today which sites you are thinking of closing, or will you be telling the workforce?

Kim Mears: We are absolutely telling the workforce where we have any firm plans for office closures. It is important to understand that, when you look at our office estate, much of that office estate requires a major upgrade. What we are looking to do is to create a move into offices where there are amazing facilities for our people. As and when we know about firm plans for closure, we are working with all our people to take them through that change.

What I would add, and this is very important, is that we are recruiting in Openreach, and not just, for example, into the field. Over the last three years we have recruited over 500 people in Wales, and that is a mixture of both desk, people working in the office, and the field. We will also take every opportunity, if there is anybody in an office closure circumstance, to give them the opportunity to retrain into one of our field environments. In Wales, for example, on our full-fibre ambition we are building over 2,000 homes a week. We are not in a situation where we are downsizing. We are in a situation in Openreach where we are growing.

Q13 **Geraint Davies:** Richard, I have been told that there is a lot of pressure from management to reduce pay and job security, and there will be closures people do not know about, in the context of the pandemic, where the labour market is weak and people feel intimidated. Is that an



environment that you recognise?

Richard Wainer: It is worth saying, that we employ about 4,500 people in Wales at the moment. As we go through this process, we will continue to retain a very significant presence in Wales. Across the UK, we are going through a programme of bringing down the number of locations we have from 300, which is unsustainable, to a much smaller number, around 30 across the UK. Cardiff and Bangor have already been confirmed as key locations in Wales. We appreciate that means there will be speculation around the future of other offices in Wales, but we are working through that in a logical and systematic way and we will inform our staff as soon as we have made those decisions and, indeed, come out to you as their representatives to explain the decision.

Geraint Davies: Because as we move through the pandemic—

Chair: Geraint, can we get back on to connectivity, please?

Q14 **Geraint Davies:** Yes, I will bring it back to connectivity. My understanding, from the briefings we have had, is that 1.5% of Welsh premises cannot access decent broadband services. You mentioned some figures earlier, but can you confirm whether the 1.5% is correct, what alternative options are available to them and whether you see the business growing still more after we are rid of the pandemic, after the vaccine arrives?

Richard Wainer: The latest Ofcom figures suggest there are 50,000 premises in Wales that can't currently access a service that is at least 10 Mbps. That is the current USO threshold. As I said earlier, the majority of those households can access reliable, affordable, unlimited connectivity over the 4G network rather than a fixed-line connection. That is a product we provide. We work very closely with Ofcom to prove that is an adequate substitute for a fixed line, so there are those 18,000 premises in Wales that are the focus for initiatives.

Q15 **Geraint Davies:** But some people do not get anything, as we heard from Mike. Is that right, that some people can't? He said you have closed down the local telephone booths and they cannot get any connection if there is a fire. That is what he asserted. Is that correct? What are you going to do about that?

Richard Wainer: Those 18,000 people will have a service, and clearly we have an obligation to provide voice services as well as broadband. The challenge with the broadband USO is that, in law, there is a cost threshold. We are obliged, on request, to upgrade a customer's line if the costs to upgrade that line fall below a £3,400 threshold, which is set out in law. We do all we can to bring that cost down but, for a lot of those remaining 18,000 premises, the cost of connecting them will sit quite high above that £3,400.

Q16 **Geraint Davies:** But they should have a public telephone if you cannot afford to connect them, shouldn't they, at the end of the road or something like that?



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Richard Wainer: If there are particular examples where customers do not have a telephone service, I would like to hear about that and we can work with you and others to see what we can do.

- Q17 **Beth Winter:** My question refers back to something Geraint mentioned earlier. The Communication Workers Union is currently undertaking a consultative ballot with members over the compulsory redundancies, site closures, what they refer to as the attack on pay and terms and conditions, and the disregard for longstanding agreements with trade unions. This has an impact on what we are discussing this morning, because if you do not have a satisfied and sufficient workforce, it impacts on your service delivery. I would appreciate your comments on that.

Richard Wainer: We are going through difficult times. I think you would appreciate that, like all organisations, we have to look at how to ensure we remain fit for the future. We certainly do not take any decisions around redundancy lightly in any situation. We are following all the Acas guidelines and we have engaged, and will continue to engage, fully with the CWU on this. I think our consultation process allows all our employees to voice their opinions, ask questions and share views and suggestions with us. We appreciate it is a challenging time, but we feel we are undertaking this process as fairly as we can.

- Q18 **Beth Winter:** Richard, three quarters of your employees, in your consultation exercise, expressed extreme dissatisfaction in what you were doing, and you are disregarding longstanding agreements with trade unions.

Richard Wainer: As I said, this is not an easy process to go through. We are trying to do it as fairly as possible and we are working as closely as we can with the CWU. If it is helpful, I would be very happy to come back in a lot more detail as to precisely the process and procedures we are going through to ensure we are consulting our staff as effectively as we can.

- Q19 **Tonia Antoniazzi:** It was only last Friday we were having a chat, Kim, wasn't it?

Kim Mears: It was.

Tonia Antoniazzi: Nice to see you again. What is your assessment of the effectiveness of the Superfast Cymru scheme?

Kim Mears: It is huge. There is always more to be done. There is no doubt that if you are part of the 5% today that does not have 30 Mbps and above, there is always more to be done, but in my view it is transformational for Wales. I am very proud of what we have done together. It is a massive investment from the Welsh Government, and it was a huge investment from Openreach, with funding from the parent, BT, to make that happen. To go from, as I said back there, 44% coverage in 2014 to where we are now, 95%-plus coverage, is a transformational programme for Wales, in my view.



Q20 Tonia Antoniazzi: Richard, in the same vein, Fibre to the Premises is the way to go. I am less impressed with the rollout of 4G, 5G and the masts going up. I am not going to be a conspiracy theorist or anything, and I see how it fixes the problem of connectivity in not-spots, but is that the solution? While cost is an issue, I would rather see more investment of time and money going into Fibre to the Premises.

Richard Wainer: For these very hardest-to-reach premises, we are going to have to think creatively about how we serve them. Providing a fixed line full-fibre connection to them will simply be prohibitively costly. Where there are other technologies that may be able to deliver a decent service, we should be looking at them. We have already seen through the USO programme the role that 4G broadband could play. We want to work with Government to understand whether that can be extended and, indeed, whether satellite could also play a role in the future.

We need to take more of a technology-neutral approach to these sorts of places. Yes, where we can get full fibre as the gold standard for connectivity, we should absolutely be pushing that, but there will inevitably be a small proportion of places where that simply is not going to be viable. Where other technologies can play a role, we should absolutely be exploring those.

Kim Mears: If we look at where we are today, I believe it has been transformational. I think we need to go further. I just want to cover two bits. I want to talk about that 5% but, more importantly, let's talk about the plan going forward on gigabit connectivity, 100 Mbps and above, Fibre to the Premises. Openreach has announced 20 million homes across the UK. As I said before, we are building both urban and rural and that has started in Wales, for example from the cities right the way through to the rural locations. There is a lot more to be done. That programme takes us to 2025, 2026. It is a big, massive programme.

I will go back to Mike in a moment, but when it comes to Wales you have to remember, in respect of rurality, you are almost second to none. The way that Ofcom designates what is commercially viable and what is not, they call it area 2 and area 3. Area 3 is non-commercial, and that is over 60% in Wales. What it says is that, even if you look forward, to get you to a place of gigabit connectivity, to make sure you get to the world of 100% or whatever—95%-plus—gigabit connectivity, Fibre to the Premises, there is going to need to be significant support. The outside-in programme, which is with DCMS at the moment, will be incredibly important for Welsh Government around how far you go in respect of your full-fibre coverage.

Can I go back to the 5%? I completely agree with Richard. We also have to be realistic. If you look at what it costs to cover and supply full-fibre connectivity, when you get to the 99th centile, the hockey stick is enormous. When you get to the top of that hockey stick, it is about working together, it is about pan-industry, it is about being tech-agnostic and saying, "What is the right answer for that final 1% or 2%?" Quite



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honestly, we have to do more work to get to the answer. I don't just mean Openreach or BT; I mean industry as a whole.

- Q21 **Tonia Antoniazzi:** You said about the non-commercial being over 60%. Do you think that has decreased in the last nine months? Basically, with more people working from home and more businesses going online, would that number have changed?

Kim Mears: Basically, if you map urban, suburban and then rural, it is the topology of Wales and the complexity of delivering and building new networks.

- Q22 **Tonia Antoniazzi:** Geographically, Wales is quite unique, isn't it? This agreement to increase the number of premises included in the scheme, will that ensure coverage for all the remaining premises in Wales that cannot get superfast broadband yet? We have talked about other ways of getting to the house, but I hope—

Kim Mears: There are two bits. There is the programme that we are working on today, jointly with Superfast Cymru. We have some more to do, because we have had a contract extension. The way we have done that together is we have looked at local authority coverage and tried to do a levelling-up conversation that asks how we take those with the lowest coverage even further. There are 20,000-odd homes that are either in play or that will come through by the end of this year, and there are about another 11,000 homes to go in that programme. That is certainly going to take you beyond 95.5%. What will it get you to? Off the top of my head, I do not know, but I would definitely think you would be up to 96% or something.

When it comes to that final 4%, we can still do more. That is around, for example, community fibre partnerships, Westminster with the top-up from Welsh Government on the voucher schemes. To put that into perspective, for a residential home it is £1,500, topped up by another £1,500 by Welsh Government. For a business it is £3,500, topped up by another £3,500, so that makes it £7,000. We also contribute, so there will be communities today where we can work together to extend our coverage going forward.

- Q23 **Tonia Antoniazzi:** The only concerns I have had recently, since our meeting last week, are about the cost implications for people in the community, but I will pick that up with somebody else another time.

Kim Mears: Yes, absolutely. If I look at community fibre partnerships, the take-up in Wales has been slower than anywhere else, because I think there was the perception that residents would have to contribute, and contribute at scale. Up to now, of those we have done, only three schemes have required a contribution and they have been around £100 a home. Please talk about it, it is there to be used.

Mike Dugine: I am heavily involved across Flintshire and Wrexham with a number of community fibre partnerships. I speak to the team that deals



with that at Openreach on a daily basis at the moment, and they are very helpful, which is great. You mentioned the Welsh top-up, Kim, but it is extremely difficult. I received a letter from a resident this morning about the misclassification of properties. Some of them are not classed as premises because they are still in build within an Openreach context. These properties are still within build from previous projects, which stops them getting that Welsh top-up, so it is not included in the original quote.

Kim Mears: Honestly, send me the details. It is very clear if you go back to, for example, contract 1, the first part of the contract, what it said was you have to deliver X amount of prems out of a pot of Y. Where we are now is down at premises level, so please send me the details—or my team, who are talking to you—and we will be able to answer it straightaway because we know to the premises level.

Mike Dugine: That is very helpful. Very quickly, the other thing is that people get these quotes through and the quality of the quotes just is not good enough, if I am being totally honest with you. You will get a quote through and it will say something like, “We are going to claim this part of a road” and people are coming to me saying, “Mike, how are they going to claim the road?” I then have to speak to them and they are going, “We are not claiming a road. It is X, Y, Z.” There are things included in the build like shacks, buildings that are 300, 400 years old that have fallen to pieces, essentially. The quality of the quotes needs to be better because you are losing trust in the community as soon as that quote goes out. Do you know what I mean? All I am trying to do is help with that.

Kim Mears: What I would say is please carry on helping. When we are talking about very rural communities, the data in respect of, for example, whether there was a home there and now there is not a home there, the important thing is that you have somebody who cares enough within the community to work with us, then we will work it to such a degree in respect of what is included, what is not included and make sure we really refine it.

Q24 **Ben Lake:** Thank you to the panellists for their time this morning. Like Tonia, I was in a meeting with Kim last week, so it is nice to see you again, Kim. I want to ask a little about the broadband voucher schemes and whether you might be able to speak a little further about their impact. What have they been able to do for you in Wales that you wouldn't have otherwise been able to do? I am interested to learn a bit more about that.

Kim Mears: The community fibre partnerships were a scheme that I pulled together some time ago. It came from the concept that we never say no, so we will always try to contribute to rural build. With the vouchers, both in respect of the Westminster and Welsh vouchers, we will work with communities reactively, so a community can register on our website to say, “I am interested in...” I then have a team of people who will go out and talk to the community about the creation of a scheme.



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That is one concept. There are a number of those now kicking off across Wales, which is great.

We also have a slightly new concept, which is what we are calling demand-led CFP, community fibre partnerships, and Beaumaris is an absolutely fab example of that. We model a small community—but they can be larger—and we work through that if we get X amount of people to pledge their vouchers, then we would be able to go and build with no contribution from the community. We set up a pledging page where the community go on board and pledge that they will use their voucher, including the top-ups, then when we get to the value of pledge, we are keeping the community in touch to say, “We will go build.” We are very open to any one of you on the Committee, if you want to talk to me more about community fibre partnerships, because I genuinely think they can start to bridge some of the gap.

Mike Dugine: I totally appreciate what you are saying, and it should work that way, but it does not. You will have that pledging page where people will pledge, but there will still be a shortfall. Take Pandy as an example. There were 58 properties, and I think only four originally qualified for the top-up. With a bit of a fight and a bit of an argument, we managed to get that turned around. Until the properties are taken out of whatever build they are supposed to be in from however many years ago, that should be done again at quote stage so that, when we are talking to the communities, we are not having to go back to them with three or four different quotes, because by the time we go back to them with the fourth quote—I have been working on this for 12 months nearly—

Kim Mears: Pandy is a very different example. Let me give you my view of what happened in Pandy. You have the universal service obligation over here, and remember the universal service obligation is generated for an individual householder to say, “I would like...” Somebody requested the universal service obligation in Pandy. They then got a quote. It was very expensive. It is 12.5 kilometres from the nearest exchange one way. Pandy bridges two exchanges, so half of it is fed from the other direction. What then happened is that we started to work with Pandy in respect of a community fibre partnership. That was expensive as well.

However, in the meantime somebody else requested a universal service obligation quote, which we delivered. The fact that we laid down that spine, which was relatively close to Pandy, meant that we were able to extend that network, thereby being a cheaper cost to the residents of Pandy to create a scheme. Complicated? Yes. Rural build? Yes. I am not saying it is the panacea of all ills; I am not saying it is easy. I am saying there is a genuine desire to do more and to make it work in respect of solving some of these very difficult communities who today are have-nots.

Q25 **Simon Baynes:** I will come on to my question in one second, but just to pick up on that point on Pandy, I understand what Kim is saying. Pandy is



in my constituency and has occupied a great deal of my time, but I do not think it is that complicated. I think it is a pretty classic rural community, and I know of more complicated ones. I am glad we are making progress on it, but I honestly think, with all due respect, to describe it in the way you have is perhaps not quite how I would see it. I think it is a classic rural community that flags up a lot of the issues. I am very glad that things are happening now. I think things could have happened a lot quicker if minds had been more concentrated on it earlier.

But anyway, moving on from that point, my question is on the USO. How successful has the USO been to date?

Richard Wainer: We touched on this briefly before you joined the session, but I would say the USO is already delivering improved connectivity to thousands of premises across the UK. We have initiated over 500 separate builds, which are going to serve over 4,000 premises across the UK, as a direct result of the programme. As I also stressed previously, we are also working with Ofcom to promote our 4G broadband product for those that do not have decent fixed-line connectivity. That has left the final 18,000 premises in Wales that are likely to sit well above that USO £3,400 cost threshold.

Ultimately, the USO is not designed to meet the challenges of those hardest-to-reach, most expensive premises. Kim was talking about the hockey stick of the cost curve. To illustrate that a little more, the last 0.5% of premises in the UK, if we wanted to connect them to full fibre, is going to be in excess of £1 billion. We need a different approach. We need a different approach in terms of looking at alternative technologies, and potentially we need to look at a different policy approach for these places as well, so we are moving away from having a single universal service provider. We are able to bring in other potential providers of different solutions, but clearly, as I also said, public funding is going to be important to support those premises as well.

In short, it is working well for those premises that sit below or perhaps just above the cost threshold. For those very final few premises where the costs are significant, it is not really designed to address those sorts of challenges.

Q26 **Simon Baynes:** The question has, to an extent, been covered already, but if I may put it in a slightly different way. If the USO cannot help everywhere, how can it be universal?

Kim Mears: The universal service obligation will go some way towards solving some of the hardest to reach in respect of decent connectivity, but I am in the same place as Richard described. When you look at that final 0.5% or 1%, the cost to connect, there is a price point within the universal service obligation, £3,400. The cost to connect is way, way, way in excess of any of that. I genuinely believe we need to look at alternative technologies. There is a value for money question: how much



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are we prepared to pay to connect the final 0.5% or 1%, whatever it ends up being?

Mike Dugine: As mentioned earlier, the USO was great the one time we were able to use it, but it has since been completely useless. I do not think it is designed to help the hardest to reach; I think it is designed to help people who are on the cusp of getting fibre anyway. It is not something that I look very often moving forward. The hoops that people have to jump through to get the USO rolling in the first place aren't great. I have sat with people, and when you contact the USO, they will try to offer the 4G system. There are better 4G systems available, if I am honest with you. You have to jump through those hoops if it says on a heat map somewhere—somebody sitting in a call centre—that you will get 4G. You can argue that you will not, but you still have to try it before BT or EE will take that seriously.

I like the EE network, by the way. I am not knocking it at all. I think it is great, where it works. It has really helped me to help people who live in the local area. I have visited properties, for example, who are FTTP but get less than 1 Mbps, and when I have managed to pull up a speed test from 4G on EE specifically, they are getting 110 Mbps. These alternative technologies and solutions to people's problems should be looked into a little more, given, yes, it doesn't help areas with valleys and dips—and we understand that—but where it is relatively flat I think it is definitely something that should be explored more.

Q27 **Simon Baynes:** Mike, as a follow-up on that, in terms of retrospectively building for claimed properties, is that an issue you have come across in this context?

Mike Dugine: It seems to be. I do not have all the information. I do not know who does. It is a question that we have asked before, where there have been older programmes to roll out fibre. We suspect claims were made at that stage and nothing was ever built, or there was the answer of, "We have run out of money", which is something I have heard before as well. It appears that there is something not quite right with those numbers and those figures. The money has been claimed previously and then obviously builds have not been finished, but I do not know the ins and outs. I have tried to look into it a little more, but I cannot find that information.

Kim Mears: I have the information. Mike, I am more than happy to sit down with you and the Welsh Government to take you through exactly what has been claimed and what has not been claimed. As I said before, jointly together, over 770,000 homes across Wales now have superfast connectivity or ultrafast connectivity, thanks to co-funding from Openreach and the Welsh Government. I can absolutely assure you that we have not claimed for premises that we have not delivered the upgrade to in respect of either superfast or ultrafast connectivity.



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Within the Welsh Government, the Superfast Cymru programme, there is an audit team who have evaluated all the premises that have been claimed. Mike and Simon, if you have any issues or questions, please make sure I get them and I will make sure that I can give you all the details.

Simon Baynes: Thank you, Kim, that is very helpful. Richard, can you add anything on that specifically? I have one more question for everybody, if that is all right, Chair.

Chair: Yes. If you could hurry up the pace a bit, please.

Simon Baynes: Yes, fair enough, understood.

Richard Wainer: No, Simon, nothing to add from me.

Simon Baynes: Chair, I understand what you are saying. I will leave it there, because I think we have explored the USO and we can see that it has its limitations, and probably more on that topic will come out later in the discussion. Thank you very much to the witnesses for answering my questions.

Q28 Rob Roberts: Based on the discussion that has happened so far, I am looking at a letter from a constituent who has been quoted for a co-funding community project to get broadband to 19 premises. That has been quoted at £131,638, which is a total of slightly under £7,000 per property. I am just curious to clarify specifically what those people can do. For 19 properties, that is a huge amount of money for a broadband connection, and currently all of those properties are getting somewhere between 7 and 8 Mbps of download speed and pitiful upload. What can we do for those properties that are quoted £7,000 each?

Mike Dugine: Obviously that is something I come up against quite a lot in my role, speaking to individuals on the ground, where a lot of people do not have £7,000 kicking around to spend on a broadband connection. It would be nice, but we don't. What I would do is start to explore the alternative technologies. No. 1, I would look at 4G. We can then start to talk to other companies, because there are a lot of ISPs in Wales. We have things like the Growth Deal coming up now, and there is going to be a huge injection of cash for north Wales as a whole.

We would start to look at the other technologies and what is available, and we would talk to the smaller companies and say, "Look, it is not doable for someone like Openreach or BT." We would start to talk to companies that offer fixed-access wireless broadband for smaller communities. There are options available. There is also the Local Broadband Fund that is coming up soon, and we would hopefully be able to dip into that pot of money to try to help residents with the costs.

Q29 Rob Roberts: Kim, any thoughts on either the problem itself or Mike's solution?



Kim Mears: There is no doubt that Mike is right. 4G might be the answer in these cases. Without knowing the individual cases, where they are and whether anything can be done in respect of the quote—is it one premises, for example—it is very difficult to say. Alternative technologies might end up being the solution, be it 4G or satellite, I do not know. It could be that if you look at that final 10%, we might be up there in the 99th centile. I do not know without seeing the detail.

Q30 **Rob Roberts:** I appreciate that. Some of the responses will roll into my other questions, so I will just roll into that one. What impact does the panel think the Welsh Government's mobile action plan has had in increasing investment in mobile networks in Wales? Are other interventions required? We have all been frustrated that Major Tim Peake could call his wife from the space station, but I can't get a phone call from Holywell to Mold. It is quite a challenge, so I am wondering if the panel has any thoughts on whether any more work is needed on mobile networks.

Richard Wainer: I think the Welsh Government's mobile action plan was published back in 2017 and outlines a number of welcome measures: a willingness to look at planning reform to speed up approvals for new masts; looking at business rates relief and creation of mobile action zones; and improving access to publicly owned assets for us to host our infrastructure on. All those issues are very important. What we need to see is more pace and momentum behind some of those.

For example, planning is obviously a devolved issue. For England, we are seeing the UK Government taking forward a number of important reforms to improve and create more flexibility around planning for new masts, so bigger cabinets not requiring prior approval, taller masts, increasing the height of existing masts, widening masts, all very helpful, both in terms of getting new masts in the ground, enabling them to be upgraded and introducing 5G to those sites. Incredibly important. We would be very keen for the Welsh Government to follow that so we have as much consistency across the UK as possible. I think those are good intentions, but we need to see that translated into more action, particularly on the planning side.

There is also a UK-wide challenge around the rights we have as mobile operators to access land and reach agreement with landlords on whose land we want to put the sites. There is a piece of legislation called the Electronic Communications Code, which was upgraded back in 2017 through the Digital Economy Act. The Minister for digital infrastructure has committed to consulting on reforming that code, ideally before Christmas, to remove a few loopholes that are slowing down progress and increasing costs of reaching those agreements. That is welcome. That is a UK-wide initiative. Yes, some concrete steps that we believe both the Welsh Government and the UK Government can take to accelerate mobile rollout. We obviously have, as I was talking about earlier, the Shared



Rural Network programme as well. Those sorts of policy reforms will enable the SRN to accelerate as quickly as possible.

Kim Mears: Rob, not necessarily in respect of mobile, but can I pick up on what you can do in respect of encouraging and supporting further deployment of both mobile and fixed networks? If I talk about fixed for a moment, it is a business case with a long payback, circa 20 years. There are a number of things that we need help and support in. Richard has just spoken about wayleaves. Particularly when we are delivering in rural, access across land becomes a real issue. We work very closely with the National Farmers Union and the CLA, but wayleaves are very time-consuming and they slow us down. What that means is that it costs money, so help and support in respect of those negotiations and that legislation change is incredibly important.

In Wales, I would ask where you are today in respect of legislating that every single new build has a full-fibre connection, that we are not creating a bucket with a hole. That is something that we can absolutely do in the here and now.

One last point from me. It is a difficult business case for both urban and rural commercial deployment, and we have worked hard with Ofcom in respect of some of the key enablers, but cumulo business rates is also incredibly important. We pay for the fibre as we lay it in respect of a cumulo business rate on a business case that does not pay back for circa 20 years. They are things that you can absolutely help us with now to go further and faster.

Richard Wainer: To extend that point a little, across the UK we expect the current business rates regime to add about £1 billion on our business case. As Kim said, we are disincentivised from replacing our old copper with new fibre because they are attracting higher rates. That £1 billion is the equivalent of reaching 3 million premises, so we feel that Treasury, through its ongoing business rates review, should look very carefully at extending the current relief and, ideally, creating an exemption for fibre builders installing new fibre.

Q31 **Ruth Jones:** Thank you to the panel for your time today. I would like to go back to the mobile connectivity challenges. Obviously coming from Newport and Gwent, we don't have that much in the way of difficulties, but we do have some dead spots. It is quite interesting as you are going along, especially if you are in the car—obviously you are not driving—but we have definite dead spots, and the dropout and reconnection rates are very difficult. Richard, you alluded to the Shared Rural Network. How is this helping with your connectivity issues?

Richard Wainer: The Shared Rural Network is a joint industry-Government initiative across the UK. It is about £1 billion of investment to fill in partial not-spots, so this is where one, two or three operators might not have coverage, but others do. We realise that is often just as frustrating for customers as when there isn't any coverage at all. We are



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working together, whether that is building new masts in those partial not-spot areas, from a BT perspective often upgrading our existing sites, putting new low-frequency spectrum on them, which goes further, or sharing sites as well.

In those total not-spots, I think for Wales the Home Office's extended area service sites, which I was talking about earlier, will play an incredibly important role in filling those total not-spots. Part of the forthcoming Government funding is intended to upgrade those sites to allow for multiple operators to share and deliver their coverage.

Kim Mears: When it comes to mobile, I am more of a fixed. I only deal in fixed networks rather than mobile, but what I would say—and I mentioned it earlier—is that I think it is a breakthrough, the sharing of those rural networks in respect of those organisations coming together, a real breakthrough.

Mike Dugine: I agree with both Kim and Richard, to be honest with you. I think it is going to play a massive part moving forward. Something needs to hurry up a little quicker on the ESN side. That is very important, and I think we are all in agreement on that as well.

Q32 **Beth Winter:** Thank you, panel, for giving us your time this morning. I have two questions. The first one will be to Richard and Kim primarily. I have been listening carefully this morning about your targets and programmes of work. That does not correspond at all with the experience of my constituents, a large proportion of whom are having terrible difficulty in terms of broadband and connectivity, and they pay for a service that they are not able to access or receive.

At the same time, I have already mentioned that your workforce is very unhappy at the moment and there is a disregard for longstanding agreements with the trade union. What has not been raised is the fact that BT continues to make huge profits. The turnover in 2019 was £24 billion. I understand the chief executive is on a salary of around £8 million a year. Isn't it the case that the priority of the company is profit over the needs of your workforce and your customers?

Richard Wainer: I would say that the priority of the business is obviously to its employees. It is also to investing significantly in our network. At the height of the crisis, we announced a £12 billion investment in full fibre, as I said, to allow Openreach to get to 20 million premises by the end of the decade. We are also investing heavily in our 4G and 5G networks. That is the priority. It is ensuring that this company is fit for the future and we are providing the infrastructure that the UK is going to need.

Q33 **Beth Winter:** But the figures don't correspond, do they? I have mentioned some figures in terms of the money that is being spent on high-level management and shareholders. The managing director apparently has just bought 6 million in shares, while your workforce is



having to ballot for industrial action and customers in my community are paying for a service that they are unable to receive.

Kim Mears: I am going to reinforce some of the points. Where we are, BT, the parent, is looking to invest £12 billion in Openreach to build full-fibre networks. That is in a time of significant uncertainty with Covid, and it is an investment that I do not see happening very much anywhere else. What is also different about that investment is that it is not just in respect of urban and the cities on full-fibre rollout; it is also across rural communities.

To put that into perspective, what does it mean? There are competitors in respect of alternative network providers, so to try to build something in rural probably takes circa three or four times the effort, while you could be building something in urban while your competitors are deploying their network. There is a huge commitment in respect of our networks that we are building now for the future of both, if you like, urban and rural UK.

In respect of our people, we employ 2,500 people in Wales. I do not believe that they are all unhappy. I have pulled together a Welsh board, which is pulling together, if you like, all our key players to say, "How do we serve Wales going forward?" both in respect of service and the networks that we build, because these are people who live and work and have families and are part of communities in Wales. I do not accept your point that the majority of our people are unhappy.

Beth Winter: The figures are different on that. I have one other very quick question, Chair.

Chair: A final question.

Q34 **Beth Winter:** This is extremely important. You are a communications company, and I find it beyond bizarre that both I, on behalf of constituents, and constituents themselves have written to you on numerous occasions since 2016-17 and we have not, in some instances, received any response. I ended up getting a written apology from Openreach. There was a total lack of response and a total lack of engagement. There is one specific community in my constituency that, in 2017, was told it would have fibre to the property. There was some infrastructure put in place. It did not happen and there was no subsequent communication from any of you to explain why that did not happen.

In the last six months I have been in constant correspondence with you and there was absolutely no response initially on timeframes and timescales. I find the lack of engagement, involvement and proper communication with customers completely unacceptable, particularly given you are a communications company.

Kim Mears: There are ways of accessing our MP complaints team. If you have any problems at all, please come to me direct and I will make sure, because I cannot understand why you would not have received a response.



In respect of your constituency, your coverage at the moment in respect of superfast is 98.4%. If you believe there are customers who are paying for a service they are not receiving, again please let me know and I will do what I can to investigate. The good news is that we are also looking to do a demand-led scheme on community fibre partnerships, and they are actively pledging at the moment within your constituency.

One last point. We have been holding a series of webinars across Wales to encourage you, as MPs and MSes, to come and talk to us to tell us what is working and what is not working. I am more than happy to pick that up after this Committee and for us to have a chat to understand how we can help.

Chair: We have slightly run over our allotted time by a few minutes, so can I say a huge thank you to Kim, Richard and Mike for being so generous with your time this morning and being very frank in the answers that you have given? Kim, the point you just made about the webinars and the engagement with MPs, from where I sit in west Wales, we have certainly noticed that and it has been appreciated. We do not always get perfect answers every time, because that is the nature of the challenges we are all trying to deal with, but from my part, I think there is good communication and we need it. Thank you again, we really appreciate your time. We are going to move on to the second panel now with Ofcom. Thank you, Kim, Richard and Mike.

Examination of Witnesses

Witnesses: Selina Chadha and Elinor Williams.

Q35 **Chair:** Good morning, Elinor.

Elinor Williams: Bore da, good morning.

Chair: Bore da. Good morning, Selina. I cannot see you, but I think you are with us. For the second panel we are joined by Selina Chadha from Ofcom and Elinor Williams, who is regulatory affairs manager for Ofcom in Wales. Elinor and Selina, thank you so much for joining us. I am sorry that we are a few minutes late starting this session.

Q36 **Beth Winter:** Diolch yn fawr to Elinor and Selina for giving us your time this morning. It is very much appreciated. The first question I have is about your current overall assessment of broadband and mobile connectivity in Wales.

Elinor Williams: Diolch, thank you very much. If we look at where we were around six years ago with superfast broadband in Wales, the figure for superfast broadband availability was around 48%. That was less than half the domestic and business premises in Wales. That figure today stands at 94%, so it is a complete transformation. I think that has been brought about by the Welsh Government, the UK Government, the European Union and commercial investment by BT in its Superfast Cymru



programme. Availability of full-fibre continues to increase at pace, and currently the figure for Wales outperforms the figure for the UK at 15%. The challenge is that that should continue at that pace.

Our current estimate is that 97% of premises in Wales have access to what we refer to as decent broadband. Again, that is a 10 megabit download speed and a 1 megabit upload speed, leaving of course 3% of premises without. As we heard in the previous session, we estimate that in rural Wales that stands at around 45,000 premises that cannot have decent broadband from a fixed connection.

Ofcom thinks there are around 35,000 premises in Wales that are able to get decent broadband from a fixed wireless connection, and we have heard a little bit about this in the previous session, but not much. I think we will see much more being done with fixed wireless access technology. It is the technology that allows me to do this call this morning, and it works via a point-to-point microwave link, so it avoids the installation of wires into premises. Of course there are downsides, and one of the downsides is that everybody shares that wireless connection, so it is not without its problems, but it is a solution in some of these very rural parts of Wales.

Taking away the figure for fixed wireless access, you are left with around 18,000 premises in Wales without access to decent broadband. It is important to say that we heard a lot about creative and innovative alternative technologies in the first session. Reaching those very expensive, hard-to-reach and very remote premises is going to be challenging and decisions have to be made in terms of how far we are prepared to go to make sure consumers everywhere in Wales have access to fast, reliable and affordable broadband in future.

Selina Chadha: I will keep mine brief on the fixed side, because Elinor has covered that in significant detail. In terms of fixed broadband connectivity, Wales is looking very similar to the rest of the UK. As Elinor said, in some respects it is slightly ahead, which is very positive. We obviously do have a challenge. We no doubt will come on to these 18,000 homes and what else we can do in that space.

To cover the mobile side, it has been a little different. The geographic landmass has been lower than the rest of the UK, but as covered in quite a lot of detail in the previous session, I think the Shared Rural Network is a step change. It is going to move coverage significantly up. I think there are ambitions for 90% coverage from all the operators. It is 88% specifically for Wales and that is going to move from the 58% we have now to 88%. It is going to take a little time. I think the target for that is 2026, but that a step change. That will make a significant difference, despite the fact I would also emphasise that premises coverage for mobile is at 98% of premises across Wales. That is pretty decent and in line with the UK coverage.

Q37 **Beth Winter:** Can I dig a bit deeper in terms of mobile connectivity?



What do you see as the reasons for why there has been better progress with broadband than mobile up until now?

Selina Chadha: It sounds like it is because of the landmass. If I think about the figures, premises-wise there has been that same coverage, so obviously for fixed, for broadband, they are targeting premises. It sounds like in relation to mobile they also have a similarly high coverage, but then you have a lot of rural areas that do not have premises coverage. It is that landmass that is different. That is where, for example, you might have roads going through and your roads coverage might be lower, but they have been targeting premises—which we would probably agree with—in the vast majority of places where people need to be able to use their phones.

Elinor Williams: I was going to add to what Selina just said, that the topography in Wales poses particular challenges to the distribution of mobile signals. We have hills and mountains, and you have to work with those; you can't do away with them. That topography poses a particular challenge but, on the broadband side of things, you have had significant public intervention to date and you have not seen the results of that as yet in Wales, or across the UK, because the Shared Rural Network has only just started.

Q38 **Beth Winter:** What role does Ofcom play in increasing broadband and mobile connectivity? How do you work with Openreach, the service providers and the UK and Welsh Governments to monitor progress?

Selina Chadha: Seeing as we are on mobile, let me start with the mobile picture. The Shared Rural Network is an agreement between the UK Government and the mobile network operators, but we have put those commitments into the licences of those operators, and therefore it is our job to monitor and make sure that they meet those commitments. If they do not, that is a breach of their licence condition and that is quite a serious issue if they end up in that place. We have looked very recently at their plans for where they intend to build to meet their commitments under the Shared Rural Network and the commitments in the licences. Having looked at those, we think it is achievable and we are expecting them to move into delivery phase. That is our particular role on the mobile side.

Obviously in terms of better mobile networks, we are doing everything we can to make sure that we are unlocking the case for 5G, making more spectrum available. We have our auction coming up early next year and we are monitoring that very carefully. At the moment, 5G delivery is about increasing capacity for mobile services. That is mainly for consumers, but where we are seeing that it will really be unlocked, as it gets delivered further, is in relation to businesses and the business case for 5G services.

On the fixed side, our approach has very much been around the USO and trying to get that to extend as far as it can within the parameters being



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set by Government. The other aspect is the regulation that we put in place at the wholesale level. That is incentivising fibre build and the build of gigabit-capable networks. In that space we have been looking at reforming the way we regulate, making sure there is an attractive investment case. You might have heard a lot of people talking about the fair bet and making sure that investors are attracted to investing in fibre networks, ensuring that they can receive a return on that investment.

We are looking at unlocking the use of BT's ducts and poles, for example, as well. That could make rollout of these fixed networks cheaper and quicker for others. There is also copper switch off. Copper retirement will reduce costs because that network will not need to be maintained anymore but it will also mean a step change. There will be more customers moved on to the fibre networks, which means there is more demand for services.

Beth Winter: Elinor, do you have anything to add?

Elinor Williams: No, I don't. Selina has covered most of the points.

Chair: Given the time constraints we are all under, we are going to have to turn this into almost a quickfire round and make it an exercise in brevity and being concise on the part of everyone.

Q39 **Ben Lake:** Thank you to Selina and Elinor for joining us this morning. I want to ask you very quickly what your assessment is of the universal service obligation and its progress so far. Would you say it has been successful, or have any particular issues cropped up?

Selina Chadha: In the interests of being brief, I think the previous session covered the successes of the USO. We have successfully implemented it within the parameters that the Government have set. What happened as a result of the USO process in revealing the 4G fixed wireless access has also been a success, because it has meant a lot of people have had faster connections than they otherwise would have done if it had required BT to build fibre to them.

We recognise that it isn't going to deliver to all homes—and I think that was covered in the previous session—but a particular issue that has arisen is in relation to some of those high quotes. I notice that BT did not raise this in the evidence it put forward to you, but we are investigating it and opened an investigation last month around how it is calculating its excess costs—the costs that customers are being asked to contribute—and the fact that we have reason to believe that it is not doing that in line with our own regulation. I can go into that in further detail if you want me to.

Ben Lake: Simon Baynes, my colleague, is an expert on this one, and I don't know whether he wants to ask some questions. I jumped in there a bit prematurely.

Simon Baynes: Thank you, Ben. I had a little technical problem. No, I think that has covered it. We went through this quite exhaustively earlier



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and, given the timeframe we are under, perhaps we can leave it like that, so thank you.

- Q40 **Ben Lake:** My next question is: what has your assessment been of the Superfast Cymru scheme? We had a discussion about it in the previous panel. I am interested to hear your thoughts about it.

Elinor Williams: As you heard with the previous witnesses, I do not think there is any doubt that Superfast Cymru has had a transformational effect on improving superfast broadband availability in Wales. It has more or less doubled in the last four or five years. Without that programme, tens of thousands of homes in Wales would still be without superfast broadband.

The successor scheme, which again is a Welsh Government contract with BT, is in progress at the moment and it has increased the target to 39,000 premises. In their latest report, the Welsh Government said there were around 9,500 premises already on that programme.

I think it has had a huge impact on availability in Wales but, as we heard in the previous session, there is still a lot to do to ensure that the final few percent have access to fast and reliable broadband.

- Q41 **Ben Lake:** Selina, do you have anything to add on the Superfast Cymru scheme?

Selina Chadha: No, nothing specific, other than to draw the link that, for a lot of homes that are left, the answer is going to be public funding in many respects. It is schemes like the one in Wales, but also the scheme that the UK Government are beginning now, that are going to be really important to ensure connectivity.

Ben Lake: Could I go off piste very briefly on one question? I cannot see the Chair but I will ask it.

Chair: That is fine. Go on.

- Q42 **Ben Lake:** Thank you, Chair. One of the issues is those premises that will be left behind, or not included in any of the schemes to date. We have discussed the issue of the USO for some properties, particularly but not exclusively in rural areas, that are perhaps beyond the scope of any existing schedule of works, for which the costs are just too high even with the USO. Something that has occurred to me, and it has been raised by a few smaller infrastructure contractors, is the difficult environment they find themselves in when trying to approach a particular area. I know there have been initiatives in Pembrokeshire, Carmarthenshire and Ceredigion. A DCMS scheme has been trialled to try to aggregate demand and then to communicate that to suppliers.

In discussions with the suppliers that have registered their interest in that scheme, they have told me that they may well start to undertake some work to plan an infrastructure rollout but the regulations as they currently stand require them to notify Openreach, more often than not, to get



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access to certain parts of the infrastructure. They then suggest that Openreach will often change its own schedule of work to address those not-spots.

Is that something that has been raised with you in the past and, if so, is there anything that can be done to prevent this? Because it looks as though the smaller infrastructure companies are struggling to break in and we desperately need as many infrastructure companies as possible in rural areas for it to be able to work.

Selina Chadha: There are two issues here. One is about access to BT's ducts and poles and their infrastructure, and we are working hard to make sure that becomes easier. It is a regulated product, so Openreach should not have much scope to frustrate that process because it will have obligations on how it treats its competitors, such as giving them access to that.

The second point you raise is about something we would call overbuild. Ultimately, our position would be that we would not like to think that BT is in any way using its position to act in any way that isn't right or that might affect competition. However, we believe that competition is very positive. Part of the issue we are thinking about is, "When we finish rollout of these new gigabit-capable services, will people actually have an option of providers and who they are actually able to sign up to services with?" Competing networks mean there are options. Ultimately, competition means a better outcome for consumers because they compete on service, price and everything else.

Q43 Chair: Before moving on, I see the news today that Virgin is announcing the introduction of its gigabit service to, I think, parts of Cardiff and maybe the valleys and parts of Gwent as well. We have seen very little of other private sector providers in Wales. Is it fair to say that Openreach and BT play a bigger role in Wales, in terms of delivering infrastructure and providing services, than in other parts of the country? Is there less private sector competition in Wales than elsewhere in the UK?

Selina Chadha: I am not sure I would think about it in terms of just Wales. What we see in the analysis we have done on competition is that it is about commercial areas, so you will see that competition. You have Virgin in that space.

If you have Virgin in that space, you can expect to see other providers thinking that this is a viable commercial investment. The issue with Wales is that you will have lots of areas that maybe would not be seen as commercial. In those areas, we consider Openreach to be the most likely build case in terms of going in commercially because, as Kim has already said, Openreach is trying to build in rural areas. That is part of what it has already announced.

Then it is that public funding and who that attracts. I do not think it is necessarily the case that, if there is public funding available, it will just be Openreach.



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Elinor Williams: Virgin Media's footprint in Wales is around 21% at the moment, and it concentrates its efforts on densely populated larger towns and cities, but Openreach is fully committed and is implementing the rollout of fibre in some of these small, rural, harder-to-reach areas.

The theme is a familiar one where these commercial companies are there to make a profit and they start the rollout of these technologies, whether it is 3G, 4G, 5G, ADSL or superfast broadband, in the more densely populated areas and then reach out to the more costly, more complex areas later. The challenge is probably to start the other way around: go to the harder-to-reach areas first and then finish off with some of the larger towns and cities that already have access to fast services.

Q44 **Chair:** Just very briefly, is it the case that consumers in places like Cardiff—where, as you say, there is this competition, with Virgin adding to it again today—are getting cheaper and better products than Welsh consumers in areas where, as we have been talking about, Openreach is the only show in town?

Elinor Williams: I am not sure whether they get cheaper products. It is just that they have a little more choice. In some of the more rural areas there is not that choice when you want a fixed provider, but that is not to say it is the only technology that works in that particular area.

Selina Chadha: We largely have national pricing so, if you take a BT service, at the moment people will generally be paying the same price wherever they are across the UK. Where the issues might arise with different pricing is where you have a single small provider in an area. I am thinking of where Elinor is now, where I think you have one single provider and no one else available. In that case, they may be offering services at a higher price knowing that there isn't anyone else around to compete with the services they can provide.

Q45 **Simon Baynes:** BT announced a £12 billion investment for full fibre earlier this year. Is this investment deliverable quickly enough to meet the Government's 2025 target for gigabit-capable connectivity?

Just to add on to that, from my own practical experience as an MP quite involved on the ground with a lot of these issues, there seems to be in a sense an uneasy relationship or—maybe "uneasy" is not quite the right word—a not entirely functional relationship between BT and Openreach. I find that, in practice, the sort of communication mix-up that often occurs between the two organisations is part of the reason why projects are not getting delivered as fast as they could be.

I suppose, overall, I am asking you a question about money. Is it enough? Everybody can say it isn't enough money, but there it is: it is money. It is also a question of structures and organisation.

Selina Chadha: In terms of whether or not BT's particular announcement will meet some of the Government's targets, it is not just BT in this space. It is not really for Ofcom to comment on whether the



Government will meet the target they have set, but we would look in the round at all the commitments. It is not just BT. It is Virgin Media. It is the smaller players. It is bigger players. It is fibre.

A lot of commitments have been made about commercial build. When you add that to the public funding that has also been committed, then potentially, yes, those targets are achievable but you would need to look at everything in the round.

You asked a bit about the relationship between BT and Openreach. They are required to be run as two separate entities. This is something we have been looking at for a while. We are trying to get Openreach to be the network delivery arm for BT but also for all other communication providers that want to use its network. As a result, they are not working as a single organisation. We specifically require there to be separation between them, and that may be a reason that some of this communication, as you say, gets a little mixed up.

Ideally, I would hope that Openreach is able to communicate with BT and all its other downstream retail competitors—Sky, TalkTalk—in an effective way, so I think we want it to get its communications better with everybody.

Q46 Simon Baynes: I will put my question to Elinor but, before I do, I want to emphasise the point that, on the ground, the communication does not work as well as it should. I cannot stress this enough to you. As an MP of 12 months' standing, this is one of the major problems that is holding things back. You, as regulators, need to give this due attention. Elinor, the same question in effect to you, please.

Elinor Williams: Yes, that is fine. In terms of communications, yes, I would agree that everything could be clearer in messaging. That has been true of some of the interventions that the Welsh and UK Governments have had in that the messaging could have been clearer. We live and breathe this stuff every day. The terminology means something to us and it is clear, but to people out there, there is not enough understanding of what options exist in terms of the technology available and the best technology that is best suited for them. BT and Openreach, the messaging around the USO could be clearer in terms of what people can expect to get at the end of the day and, also, in terms of how to go about getting connected and what funding options are available to them.

Selina Chadha: I did not want to suggest that we think the communications are, in any way, in the right place at the moment. On the USO, it is an issue on which we have been working with BT, and we still are, in terms of how it communicates the excess cost and how it communicates other options for any of those customers that basically do not have that smooth journey where they are eligible, they will qualify and they will not need to pay any excess costs, so we need to get those communications better. We absolutely recognise that.



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Elinor Williams: I would come back to what I mentioned earlier about fixed wireless access. These providers are small. They are SMEs here in Wales and they may not have the ability to engage in large-scale marketing and promotional campaigns. It is about getting the message out there to consumers of the options available and how best to go about it.

Q47 **Simon Baynes:** Thank you, Elinor, and thank you, Selina. I will close my questions, but just one final point, Elinor, you have not really addressed my point about what I consider to be the less than smooth relationship between BT and Openreach. I think that you, as regulators, have a duty to focus on this and to try to smooth it out, and you have not actually addressed that point in your answer. We can all say that the Governments can put things more clearly. I personally think that both the Welsh Government and the UK Government have not done a bad job on that front. I think where a lot of the problem lies is in the relationship I am referring to.

Elinor Williams: Yes, and I think Selina answered the question in saying that they are supposed to be two separate entities. Both are working very hard to make sure they are seen as two separate entities. Openreach has established its own board in Wales, chaired by Kim Mears. That is an indication from Openreach that it is keen to be seen as separate from BT and to make sure that that message gets across to people.

Simon Baynes: Thank you both very much. We really appreciate your contributions.

Q48 **Ruth Jones:** Going on to mobile connectivity, you alluded earlier to the mountains and all the rest of it in Wales. It is not just the mountains though, is it? Even in Gwent we have connectivity issues; even in the flatlands around Newport West, for instance. What do you see as the main challenges in terms of mobile connectivity in Wales, and how can they be overcome?

Selina Chadha: I really hope that the Shared Rural Network is the thing that is going to be a step change in progressing mobile 4G connectivity. We obviously use predictive models about the sorts of services that are available. We have quite a few discussions with MPs generally about, "It says I can get this service, but actually I can't." I do understand that picture, but they have made overall commitments to deliver that decent 4G service. We will be doing things like dry testing, in addition to those models, to make sure that service is available. We now just have to see how the Shared Rural Network plays out in terms of delivering that better connectivity.

I don't think this came up in the previous session, but when we talk about fixed wireless relying on the 4G mobile network, quite often the thing that can be a game changer is an external antenna on top of a house because quite often it is the signal that goes. Someone might have good outdoor coverage if they stand outside their house, but the minute



they walk into their house that coverage changes, and that is where something like an external antenna on top of your house that actually brings the signal directly in can make a real difference.

Q49 Ruth Jones: That is interesting. Obviously that is more difficult if you are in a flat or something like that, and obviously we understand it is an issue in older buildings with thicker walls. Elinor, do you have anything else you want to say?

Elinor Williams: Only in terms of emphasising the point on topography and the need for masts and for taller masts. The Shared Rural Network is going to be a mix of building new masts and upgrading existing masts to make them wider to be able to accommodate the technology required from each and every one of the operators. Just to give you an example from another service that illustrates the point, in England there are roughly 12 television transmitters for every 1 million people. In Wales that figure is 67, so significantly more just to make up for the fact that we have hills and mountains.

The other point I would make is that it is important to make sure that we make it as easy as possible for the Shared Rural Network to work for consumers in Wales. I do not know whether members have seen a letter in today's *Western Mail* from business leaders talking about the need to remove barriers to the deployment of technology. That is very important. Everything, from making sure the planning regime is fit to things like business rates and wayleave access to land, all these are important in order to make sure it is as easy as possible to roll out this Shared Rural Network in Wales.

Ruth Jones: Thank you both very much.

Q50 Rob Roberts: I appreciate the panel's time. We have five minutes to go so that we don't risk the ire of the Chairman, so I shall rush through my question. It is basically the same question I asked the previous panel. I am interested to know what impact the Welsh Government's mobile action plan had in increasing investment in mobile networks. Are more interventions required? Supplemental to that, for you guys, what is Ofcom doing to encourage investment in mobile networks specifically?

Elinor Williams: On the Welsh Government's mobile action plan, this was launched back in 2017 and by now it has been superseded by the Shared Rural Network. I think the Welsh Government would like to see the Shared Rural Network being implemented in Wales. As you have heard in the previous session and from Selina, we are expecting it to deliver a step change in improving mobile coverage in Wales, with the greatest uplift expected to happen in rural parts of Wales. That will take coverage from what it is at the moment, where you have 4G geographic coverage from all operators at 58%, and is likely to get to just over 80%.

Q51 Rob Roberts: Can you expand on that slightly? Would it be fair to say that the mobile action plan was not particularly successful and, therefore, it needed to be replaced, or that it did its job and was okay?



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Elinor Williams: You would probably have to ask colleagues from the Welsh Government about the success and about the impact it did have, but it is important that we look forward to the Shared Rural Network really delivering for consumers and improving mobile coverage in Wales.

Selina Chadha: Elinor has covered that in a lot of detail. All I was going to add is that I think I have already talked about our role in terms of monitoring and enforcing that mobile providers meet those commitments for the Shared Rural Network. Also, I have already talked about the new 5G networks; we are monitoring how they are progressing but making sure that anything we can do to help access to spectrum are actions that we can take and are taking.

Elinor Williams: Just to add finally to that, we will be reporting on progress on the Shared Rural Network in our annual Connected Nations report and reporting on the compliance of the programme at the four-year and six-year points as well.

Rob Roberts: Lovely, thank you both very much for your answers. Look at that, Mr Chairman, we have two minutes to go. Lovely work. It gives you time to wrap up.

Chair: Rob, thank you. It is not about my ire. I think the broadcasting unit pulls the plug on us at 11.30, whether we like it or not.

Thank you to all my colleagues on the Committee, and particularly to the panellists for giving up their time and for being patient and generous with us in their answers. Thank you all. This has been a very useful session. Have a great rest of the day.