

Environment, Food and Rural Affairs Committee

Oral evidence: Rural broadband and digital only services, HC 2223

Wednesday 12 June 2019

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[Watch the meeting](#)

Members present: Neil Parish (Chair); Alan Brown; John Grogan; Dr Caroline Johnson; David Simpson; Julian Sturdy.

Questions 1–112

Witnesses

[I](#): Jeremy Leggett, Rural Policy Adviser, Action with Communities in Rural England; Graham Biggs, Chief Executive Officer, Rural Services Network; Mark Bridgeman, Deputy President, Country Land Business Association.

[II](#): Kim Mears, Managing Director for Strategic Infrastructure Development, Openreach; Malcolm Corbett, Chief Executive Officer, Independent Networks Cooperative Association; Hamish MacLeod, Director, Mobile UK.

Examination of witnesses

Witnesses: Jeremy Leggett, Graham Biggs and Mark Bridgeman.

Q1 Chair: Good morning, gentlemen. We are in a refurbished Committee Room. For those of you who have come before to Parliament you will realise that we have new microphones, and this will be used in the future for video links. The sound appears to be better, which is good. Starting with Mark, would you like to introduce yourselves across the panel please?

Mark Bridgeman: Mark Bridgeman, deputy president of the CLA.

Jeremy Leggett: Jeremy Leggett, policy adviser to Action with Communities in Rural England.

Graham Biggs: Graham Biggs, chief executive, Rural Services Network.

Q2 Chair: Welcome. We are preparing what I call a short, sharp inquiry into rural internet and mobile connection, and generally digital and broadband services in rural areas. We are following up on our 2015 inquiry into rural broadband and digital connectivity. Has the issue of poor broadband coverage in rural areas improved and what are the biggest remaining gaps and challenges? Who wants to start? I will perhaps start with Mark on that one.

Mark Bridgeman: Since the last report there has been huge progress. The key thing is that the roll-out has taken place, but it is also having that universal service obligation, which will come into place next year. The coverage has improved but there is still a rural-urban gap. If we look at the total coverage, in urban areas 99% of people have that minimum 10 megabits that is deemed to be the basic requirement, whereas in rural areas 12% of people still do not, and that is around 500,000 homes. Yes, there has been an improvement, but we really need to crack that minimum requirement. As for the future, the very ambitious full fibre roll-out is great but we really need to see how those steps are going to take place. The intention of doing rural and urban at the same time rather than rural being left behind is crucial.

Q3 Chair: What about rural businesses? I have a number of my own that are still very concerned about getting good digital connection. Are you getting a lot of representation about that?

Mark Bridgeman: Part of my job, particularly at this time of the year, is going around speaking at our regional AGMs, and it is one of the biggest things that come up. Yesterday I was in Shropshire and I sat next to four people, all of whom had issues. It depends on which part of the country you are in, but for people on the ground running businesses, if you do not have good broadband, you will not be able to have a business in that area.

Q4 Chair: Having done an inquiry on tourism, which we did not get to finish



because of the general election a couple of years ago, we know it is a case where, if you have a holiday business in a rural area and people cannot book up online, they do not come because they do not want to come. Some people might want to come because they do not get any connection, but if they have children and what have you they probably will not come. That is a real issue.

Mark Bridgeman: It really is. That is around broadband but particularly around mobile. I run a tourism business myself. One network might work fine, and as a resident you have that, but if your visitors come and they do not have that, they are going to be very put off. That is why we, the CLA, have been calling for our 4G For All campaign. There is no point in just having one network working. We need all four networks to work across the rural economy, not just for tourism but for businesses. The key is in the name: it is mobile. It must not just be in a static spot.

Q5 Chair: That is right. We have a representative of mobile phone networks coming in after you so we will put that to them. Putting it simplistically, you wonder why you cannot roam from one system to another like you might if you were travelling across the continent. I think it is about making sure the various systems all get paid. Jeremy and Graham, what are your views on where we are on coverage?

Jeremy Leggett: Things have clearly improved but the feedback we get from many rural communities is that the coverage stats that demonstrate that improvement are not necessarily echoed by many people's perceptions in rural areas, and I imagine that is probably why you have decided to pursue this inquiry now. We are very pleased that you are looking at mobile at the same time, and I would absolutely echo those comments that mobile is a very big issue for rural people, because the notspots are still considerable for mobile. We would come to the same conclusion as you just did: if roaming can operate in other countries, why can it not here? Pursuing that to the nth degree would be very helpful.

I imagine you will want to come back later to the universal service obligation in more detail and to the relationship with 5G, which is now where our eyes are looking at the greater divide that could start to open up between rural and urban areas once all the possibilities that might come with 5G start to appear. That is well worth investigating further, and we have some views on how that roll-out and the spectrum auctions might happen in a way that either could or could not benefit rural areas.

Q6 Chair: You talked about statistics. The trouble with statistics is that they always say, "Lies, damned lies and statistics". They are not necessarily lies but they are national figures. You will find that, while 95% of the country might have coverage, the 5% is unevenly distributed. I may have 25% of my constituents and residents who are still having major problems, and that is the trouble. Also, we have to get to those hardest-to-hit areas. That is where mobile connection might be useful, as well as broadband connection.



Graham Biggs: I simply wish to endorse everything that Mark and Jeremy have said. My simple answer to your question would be that, for those for whom it has improved, it has improved significantly. For the rest, the gap between their experience and even the others in rural areas, let alone those in more urban areas, has actually got wider. We are hearing from our member organisations that represent small business in particular that broadband and mobile connectivity is their No. 1 big problem, for all the reasons Mark has articulated. It is supposed to be the means by which, in a rural area, you can be close to your customer and supplier without being physically close. If you do not have the connectivity, you cannot be close in any sense, and therefore you are at a substantial business disadvantage.

That disadvantage for the rural economy means it is a disadvantage for the national economy, and I do not think we can bang that drum too loudly. We must be seeing improvements in the rural economy for the benefit of the national economy.

Chair: This is one of the issues, is it not? As we get faster and faster broadband, that is available to some people, and then of course you land up with some parts of the rural communities that cannot get anything much at all. As you say, the gap gets wider and wider, and more frustrating. I suspect I am not alone. Those in rural seats know it is one of our main issues, taking the B word out of it. Well, I suppose broadband is still B but it is a different kind of B. The first two letters are the same, but let us not go there. You are absolutely right that rural areas will be and are being held back by it. There is also an argument that, if you get the interconnectivity right, you do not need to travel quite so much, so that eases that situation. Let us leave it there.

Q7 **David Simpson:** You are very welcome, gentlemen. You already touched on my question when you talked about the urban-rural divide. Graham, I think you were the most pessimistic of the three. Could you summarise and give us a bit more detail on the impact that that divide has, especially when it comes to businesses? The Chairman has hit on that as well. Maybe one of the others will want to answer this question: while the Government are saying we are going to have 100% coverage by whatever date, is it realistic to expect someone who lives 3 miles down a lane or 3 miles up on a hill, in the only house in the area, to get a proper connection as the Government says? On the face of it, everybody is going to be brilliant and it is going to be fantastic coverage, but realistically it is not.

Chair: That is a good question. Who wants to tackle that one?

Graham Biggs: I will start. What are the real differences? The real differences are the things you simply cannot have or get in the rural area. As the technology advances, and it is advancing all the time, the benefits from telehealth in the main cannot be achieved, to their maximum at any rate, without the connectivity. We have already touched on the implications for business. Students cannot get access to study material,



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certainly not at the same time that somebody else in the household has a device online. With bank and cashpoint closures, you cannot even check your bank balance. It is that whole plethora of things that we all rely on in today's day and age, which we assume we are going to be there, but simply are not there without the connectivity.

On the second question, is it realistic? To be honest, I am a fairly simple bloke. If the Government do not believe it is realistic and are not prepared to pay the cost for achieving it, they should say so. Then we will know where we are and we can have those discussions. While they are coming out with these numbers and timescales, without the investment and/or regulatory powers to enforce this, it is not going to happen, certainly not within those timescales. Rural areas, communities and businesses will feel cheated yet again and feel even more like second-class citizens.

David Simpson: That is straight to the point.

Jeremy Leggett: I agree 100% with Graham's last statement. Could I turn the question around the other way? As a country we are facing enormous challenges. The Government, to their credit, have focused down for the industrial strategy on those grand challenges, as they call them: artificial intelligence, ageing society, clean and low carbon growth, and future mobility. None of those challenges is going to be met without leaning on the kind of hyper-connectivity that is starting to emerge in our cities. This is why I said earlier on that 5G is quite central or should be central to all our thinking about this.

I have children in their early 20s. They simply presume that they are hyper-connected all the time. The young entrepreneurs in our cities, of the same generation as them, assume the same thing and are building the future of our economy based on that level of persistent hyper-connectivity across mobile, fibre, broadband and so on. That degree of complete hyper-connectivity is a future I am not personally terribly comfortable with, and I suspect those sitting around this table, all of a vaguely similar generation, perhaps slightly feel the same.

But this is not our future; it is theirs. Within five or 10 years, we are going to have an economy that is meeting those grand challenges in our urban areas on the back of that hyper-connected infrastructure, and where are our rural areas going to be? The issue for us here is about having genuine ambition for our rural areas, for the young people growing up in them and the businesses that are developing in them, and not asking, "Is it reasonable to provide them with this?" The question is whether it is reasonable not to, because if we do not, we really will have a two-speed economy and two-speed societies, and we will be selling our rural communities and the young people growing up in them down the river. My sense is that it is the other way around. We have to find a way of doing this.



Mark Bridgeman: I will not repeat anything that has been said, but to your point about the impact I would commend the House of Lords report on the rural economy. It has a very good section on this whole topic. One example in that is home working, which is hugely powerful and much more relevant in rural areas for all the obvious reasons. People want to live in rural areas. They do not want to live very expensively if they can move out. We represent rural businesses, and I would say the opportunity for unlocking investment and, therefore, economic growth is tremendous if you can get it. As to the impact, with things like Making Tax Digital, the whole push in the Government agenda is commendable and it is great, but as of last month you had to do your VAT returns online. If you do not have it, you cannot do that. There are all sorts of things, whether it is the DVLA, the RPA or Defra; all these different things are required.

As to your other question about the final few and those who are very, very hard to reach, the data suggests that that 10 megabits, the very basic requirement, with the universal service obligation coming in, can get us to 99.8%, with the support that is going to come. Some are going to be, basically, beyond cost. You cannot run a cable four miles up a glen. It is going to have to be a combination of different technologies, which is where mobile comes in, because mobile can help that for the really hard to reach, as well as point of sight. There is a lot of innovation in rural communities. People are just trying to sort it out because they need it.

I get the point about 5G but I do not think we should jump ahead: 5G is terribly exciting and there are all sorts of opportunities in agri-tech and all sorts of sectors, but we have to get 4G first. If you have 4G you can have 14 megabits and you can do pretty much anything for the next few years. We have to crack that 4G.

Q8 David Simpson: We have talked about 5G and you have talked about getting 4G. Is one of the difficulties with all this that technology is changing so much, so where do you target it? Is 5G the ultimate or does it change again in five years when the proper infrastructure is not there in the first place?

Mark Bridgeman: The technical experts will be coming on next, so they will answer that. My perception of it is that you can do everything you need to be able to do now and are likely to be able to do in the next few years with 4G. As the statistics say, we are two thirds of the way through getting coverage on all four networks across the country. 5G is going to take a long, long time to roll out. It is much more intensive in the way the coverage will work. It will unlock new industries, like agri-tech and the smart economy, where your fridge talks to your car and your car tells the fridge to put the food in the oven, which is stuff that we do not really have yet. That is the exciting future, but my view is that, over the next five years, we have to crack 4G.

Q9 John Grogan: I have two questions. Ofcom figures state that 94% currently have access to some form of superfast or better broadband, and



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yet I think it is just over 40% of people who subscribe to this. Is that right? Why do you think people are not signing up in rural areas when it is available? Does it matter?

Mark Bridgeman: That is a very good question. My personal view is that, if people have good 4G coverage, they will get what they want through 4G, because of the sort of stuff they want, whether they are watching video, doing a lot of their business or whatever it might be. It is partly an education thing and partly a demographic thing.

Graham Biggs: I refer you to a report produced in 2018 by Rural England community interest company, of which I am the company secretary, which I declare. It was a report commissioned by Amazon, entitled "Unlocking the digital potential of rural areas". It focused on setting aside the issues relating to connectivity and just looked at these issues of barriers. That report found that some 52% of rural businesses had a constraint of another sort, and quite often those constraints, often in parallel, were around digital support services, better access to support, smarter digital training and skills, and all of those sorts of things.

There is a reluctance to engage in some of those things because of a lack of confidence. Indeed, I think the Lords report itself made the point about trying to invest in those things, perhaps through local strategic partnerships focused on rural areas, to put that support in there and to encourage those businesses, and indeed others, to take up the connectivity when it is there, because connectivity, without using it, may as well not be there.

Q10 **John Grogan:** Can I ask one more question? BT Openreach is crucial in this. What is your opinion? Are they doing a good job? As the Chairman said, next to the other B word, Brexit, broadband in a rural area is right up there, and BT Openreach is sometimes like the viceroy of India, even if you are an elected politician.

Chair: They act a bit like the viceroy of India.

John Grogan: Sometimes they can. You are pleading with them. In my area in west Yorkshire it is the combined authority that funds them, with a lot of Government money and so on, and it is sometimes hard to find a pressure point. I think they were struggling with a shortage of engineers and not delivering on promises they made at one point. Are they the answer or the problem?

Mark Bridgeman: I am not going to get into whether Openreach should be the monopoly provider. That decision has been made and, therefore, we need to push ahead with it. There has been good improvement. The key thing we would plead for from our membership, which we see in rural businesses, is communication. As a personal example, we have a particular area near me with very poor coverage, less than 2 megabits, so effectively you cannot do anything. We know it is coming but we have no idea when, so there is no way you can invest in businesses even if you want to. We know it is coming, or we have been told it is coming.



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Communication is key, and often, as you say, the frustration we hear back is not finding the point person and who to talk to.

The other thing to mention about the roll out of broadband particularly is that there are so many initiatives. The House of Lords report mentioned seven or eight, where there is £100 million here and £150 million there. I sometimes feel it is a bit like when the Chancellor talks about huge investment in roads and infrastructure. Is that the same roads and infrastructure investment we heard about last month? There is a bit of an arms race with people throwing money at these things. Whether it is from Treasury or across a number of different Departments, there is a lack of co-ordination within Government. With Openreach, communication is the key.

Jeremy Leggett: Technical availability is one barrier. Once that barrier goes, it takes some time to overcome other barriers, such as the cost. For some rural families that is a major issue, as well as the training and the awareness. We can politely call it demographic differences between rural and urban areas but, if a lot of your young people have been driven away by housing prices or a lack of availability of housing, there is not going to be the drive there either. I suspect there are lots of other things at play, apart from the technical access, in the actual take-up of what is available.

- Q11 **Chair:** Can I come in on this one? In Devon and Somerset, we had the original contract of BDUK, and Openreach and BT delivering a system. If you get a good take-up on it, you then get gainshare money. Money comes back and you can roll out even more. The trouble is that, if people do not take it up when it is there, it really has a detrimental effect. I am just wondering what you can all do to encourage people when it is available. It is also frustrating as a politician because you get people going on and on, quite rightly, because they do not have it, and then, when they get it, they do not necessarily take it up. I do not know what the CLA and others can do. Naturally, it is people's decision whether to take it up and do it, but somehow or other, the more we roll it out, the more we need it to be taken up, which not only feeds back business but helps other people get it as well. I do not know whether we can get that out at all. I do not know whether Mark wanted to comment.

Mark Bridgeman: It is about communicating that locally. Some local councils, when it comes to an area, are good at promoting it and the benefits it can provide. Local communication is the key.

- Q12 **Chair:** We had a problem in Devon and Somerset, where Connecting Devon and Somerset, BT and Openreach were not always on the same page. That was some of the problem, but we will leave it there.

Graham Biggs: Chair, could I add two points to that? One, which I know you would expect me to make, is that, where there has been success with the BDUK rollout, it has largely required substantial amounts of matched funding from local government. That cost is borne in rural



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councils, not in urban councils, because the market has been dealt with for urban, and so it goes on to the support. We know that county and unitary authorities in particular, with their social care responsibilities, are facing more and more money going into statutory services at the expense of their non-statutory services. Of course, training and support is one of those non-statutory services. There are issues there about austerity, if you want to call it that, but the financial capacity of local government to help people—I agree with Mark—at that very local level.

- Q13 **Chair:** It is also treating rural authorities in a similar way to urban authorities, is it not? The point you are making is that the urban authorities do not have to pick up this particular bill.

Graham Biggs: Yes, absolutely.

- Q14 **Chair:** That is well registered. You will be pleased you got that one in, will you not?

Graham Biggs: Yes, absolutely. Thank you.

- Q15 **Alan Brown:** I am looking to explore how suitable you think the Government's USO is for rural communities. I am looking at the 10 Mbps specification, timescales and the reasonable cost criteria that go along with it. What do all these factors mean in terms of suitability for rural areas?

Mark Bridgeman: The key request we would have is that the sooner it comes in, the better. It is due in next year, but we would like it as soon as possible. On the £3,400 criteria, we discussed earlier that that will not be enough to get to the final few. The statistics are that it will get to 99.8%, so how we reach those final few will have to be a combination of other technologies. We have not had the final details of how it is going to work, but the key thing is that there needs to be a system in place that is very clear for households or businesses on the process that they need to go through to be able to call on it. If you are below 10, what is that process? It should not be a two or three-year process, where you put a request in and then wait and see what happens.

- Q16 **Alan Brown:** Mark, you are saying that, ideally, you would want the timescales brought forward; equally, at the same time, you are saying we still need a bit more clarity on processes. Is it realistic to expect it to come forward from 2020?

Mark Bridgeman: I am not suggesting that we start at the beginning of the year or the end of the year. Let us try to get it in as early in 2020 as possible, once the framework has been agreed, rather than it just being delayed any further.

Jeremy Leggett: I tend to think, looking back on the process by which we got to a universal service obligation, that it was an essential step, but we have to be very aware of its limitations, particularly in the long term, because it is almost defined by the fact that it is a transitory measure. It



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is defined by not wanting to overbuild market installation. It is defined, because of that, by places that are not currently covered. It is defined by a measure of quality that was correct at the time and probably still feels almost right, but is, effectively, becoming a bare minimum. I do not think it relates well to what we may have to do from a regulatory and spectrum auction perspective for 5G.

While putting it in place was the right thing, and perhaps even accelerating it to make sure it happens quickly is the right thing, I personally feel it is a measure that lacks the ambition we need for rural areas because, in the end, it could very much become the bare minimum that rural areas can put up with, rather than the ambition that the whole economy needs to have, including the economy of rural areas. While I totally understand that you have a lot of very difficult market problems to solve in pushing the spec any higher or in finding a different way of achieving the same thing, we should be looking because it is a transitory mechanism, not something that will stand the test of time, for the very reasons that your colleague said. The technology is constantly changing and improving, and it is not set up in a way that really allows that improvement to continue in rural areas. It could end up fixing rural areas at a level of inadequacy rather than something that is genuinely valuable to the rural economy.

Q17 **Alan Brown:** You were very measured in your words there, Jeremy, in terms of what you thought.

Jeremy Leggett: I did my best.

Q18 **Alan Brown:** Given that Openreach says the speeds people need increase by 30% to 40% each year, how soon is it before the 10 Mbps becomes obsolete? You said it is a bare minimum, but how soon is it before that 10 Mbps really becomes inadequate?

Jeremy Leggett: At the time it is implemented, I should think.

Q19 **Chair:** Graham, do you want to comment on Alan's question?

Graham Biggs: It is virtually obsolete now. I think 10 Mbps is ridiculous. It is acknowledged as being the minimum standard for the average family. What about business? The average family dictates almost one user in the family online at a time.

Q20 **Chair:** Sorry to interrupt, but does it serve a purpose to put pressure on? There are still people who are only getting 2 Mbps and people who are not getting anything at all. I just wonder whether you need that or whether we need to up it from 10 Mbps. I am not sure that it is obsolete because some people have just not had it delivered, have they?

Graham Biggs: Sorry, I meant its level was obsolete. I understand the purpose of the USO and, in that sense, the fact it is being introduced has had its successes. It is that minimum standard. My concern is that, if one looks at future technology, et cetera, there is this feeling that we can set



a minimum standard in rural and get away with it, so the market does not have to respond to those sorts of things. My view is that the USO has been simply set too low. Our real fear is that, once it is in, the regulators will say, "We have only just introduced it. We cannot change it yet", so it is three or four years down the line before they look at changing it, by which time it is redundant in all senses at that speed. It has been set too low and I am with Jeremy all the way. It betrays a lack of ambition for rural.

Q21 Alan Brown: Graham also touched on businesses. Should there be a different USO for businesses to reflect the higher upload speeds that they require?

Graham Biggs: I believe so. If we are committed to improving the rural economy and the businesses that operate within those rural economies—because there is no such thing as a single rural economy, anywhere—their business has to be able to expect a minimum standard. We can then have the debate about what that should be, but you cannot say the minimum standard for a family will, therefore, be the minimum standard provided to any premises anywhere. It underplays the importance of business.

Mark Bridgeman: I take your point, but in a rural setting, where one house has a family and one house has a family who runs a business from home, you cannot really differentiate. We just need to lift the bar. You cannot possibly differentiate; otherwise, people would just say, "I am running a business; therefore, I want the 30 Mbps". The point is that there needs to be an ambition to lift the bar. That 10 Mbps needs to move as technology moves on, but we must not forget that about 12% or 500,000 homes are, as Neil said, between 1 Mbps or 2 Mbps and nothing, where you really cannot operate. We need to lift all ships.

Q22 Julian Sturdy: Alan's point is a really interesting one about whether the 10 Mbps is not fit for purpose now, which is pretty much what you have said. Having said that, one of the biggest issues going further is fibre. At the moment, whatever happens, fibre to the cabinet restricts speeds to households, because then they are going out on to copper, and we know about the distance on the copper. Once it is over 2 km, it completely drops off. Ultimately, you are saying that the policy has to be fibre to the premise, if we are going to look to the future and futureproof what we are going to need going forward for the next generation. I suppose it is more of a statement, but I just wonder what the panel thinks of that.

Chair: Could I just add to Julian's question? It is about economics as well. To the point Graham made, I do not think the market will fix it. That is why we are putting all this public money in all the time and fixing something that the market will not fix: there are not enough users in those given areas. It is a bit like, "There's a Hole in my Bucket", where you go round in a complete circle and, in the end, there is still a hole in the bucket when you need to pour water on to the stone to wet it. It seems to be one of those things. How do we get the market to work



better as well as delivering faster speed? Julian is right: if you have copper in the system, you are done for, really.

Mark Bridgeman: It is a bit like building a road. If you build a road, you open up an area to economic growth. You would never justify building a road private-sector-wise, so yes, it needs to be a Government investment. Full fibre is the stated Government ambition. Openreach has very ambitious targets, and that is all very commendable: full fibre by 2033, and 15 million premises by 2025. That is great. The key thing for your Committee, I would suggest, is that the comprehensive spending review is taking place now. As for how the Government tackle that, we need that investment in now, if we are going to do that full fibre.

Q23 **Julian Sturdy:** Given the way technology is moving, 2033 seems a long way away.

Mark Bridgeman: If a Government say that that is their ambition, it is so far away that they cannot be held to account, so we need some shorter-term targets so that Government can be held to account. The other thing that they have said, which is important, is this outside-in approach, as it is called. Rather than saying, "Let us just do Milton Keynes, York and places that are easy, and we will not worry about rural because that is a bit more expensive and tricky", this outside-in approach, with both needing to go consecutively, is really important. Now is the time, with the comprehensive spending review, and we have been making representations to that about the importance of this.

Julian Sturdy: I entirely agree with you, Mark, and what the Chair said about the commercial element to it. You mentioned York. There are parts of my constituency that have fibre to the premise, and that has been done commercially, but only parts of it. There are other parts that we know are not going to be commercial and are never going to get fibre to the premise under the commercial sector, so it is that next stage, really, is it not?

Q24 **Chair:** Where are we going to get the money from, Graham? Is it all going to come from local government?

Graham Biggs: In your dreams. Where can it come from? What is the body that benefits? It is UK plc. It has to come. There are technological solutions to the vast majority of these things. Indeed, there are further technological improvements in the offing. It is not a technological barrier that is stopping it, so what is it? Central Government need to find the resource or take further regulatory powers, or a mixture of those things, to ensure it happens. It makes me smile somewhat when we talk about the ambition of 2033. For goodness' sake: it is an ambition 14 years away. It ain't ambitious at all in reality.

Mark makes the point about the outside in and trying to bring those areas that are so far behind up to a decent standard, whatever that means, rather than keeping investing in areas—via the market, I accept—where they are getting further and further ahead. Government need to target



their resources in that respect, not just for business purposes but for a whole range of social and socioeconomic purposes.

- Q25 **Dr Johnson:** You talked about the cost to business, for example, of Making Tax Digital, which is a Government website. It is my feeling that the websites get more and more complex as the average user is able to access a faster speed. When you are buying, say, clothes on the internet, you can now, if you have a good connection and you are in London, look at detailed photographs of the clothing, zoom in and things like that, whereas if you are living in areas of my constituency of Sleaford and North Hykeham, in some places, nearly 5% of people do not even have 2 Mbps and are very restricted. Has anyone done any assessments of how much longer it takes children to complete their homework or how much longer it takes someone to complete their tax affairs, and what absolute cost that has in time and money to that business or what effect it has on that child's educational attainment if they perhaps cannot do their homework or it takes them much longer?

Mark Bridgeman: I do not have any answers to the homework question but, from the business point of view, while I do not have statistics, if you have to do your VAT return, DVLA or any of these other things that are services that are now delivered, there are two points. It is the time, so you have to go somewhere else to do it—to your mate next door or someone else's computer if you do not have it—or you have to employ your accountant to do some stuff for you, or your business adviser, in a business context. There is a cost being borne by that business as well as the time involved. I have not seen statistics that quantify it.

- Q26 **Dr Johnson:** I do not necessarily mean the time to go to the village next door and do it on a faster computer. To give you an example, I did a family photobook. If I tried to do it when I was at home in Sleaford and North Hykeham, the pages would load and buffer. An hour later, I had uploaded three pictures and put them in the right place. If I do it in central London while I am here, it is much quicker and I can logistically do it. To what extent is that timeframe impacting on businesses and others in the countryside?

Mark Bridgeman: There is definitely a time issue. There is also a social cohesion point if you cannot get it and you want to run a business, or if you are young. If you have an area where you do not have it, you are not going to be able to attract people, either young or old, or businesses to that area. That area then potentially goes backwards. That problem will accelerate as we move into this new world of 5G and super-connectivity, which is the next stage. That is when it will be even starker for the have-nots.

Chair: Can we leave that there, because we are beginning to get behind time?

- Q27 **Julian Sturdy:** The Lords Rural Economy Select Committee recently concluded that they were optimistic about the overall direction of



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Government policy on mobile and broadband infrastructure. Do you share their optimism? We have touched on this a little. This is a Lords Select Committee, similar to the Select Committee here, and they were quite optimistic about the Government policy.

Mark Bridgeman: I share the optimism on broadband. There is some good progress. We have touched on the issues, so there are real issues that need to be addressed on broadband, which I will not go back over.

I do not share the optimism on mobile. Yes, mobile has improved. We have not really talked about mobile much yet, but mobile enables you to get fantastic internet speeds if you have 4G. We have been pushing our 4G For All campaign very hard, and we talked about that a bit earlier. Right now, the network operators do not have any legally binding obligations. The last legally binding obligation finished in 2017. It was for previous technology, 2G, and it was much lower. We must get in place legally binding obligations for mobile coverage.

The ambitions are too slow on mobile. The current Government, in their manifesto, talked about 95% for all four operators by 2022. We are calling for it by 2024. They are talking about it being longer. They are private sector companies, so they are going to do what is profitable for their shareholders. That is what businesses do. If it is unprofitable, they are not going to do it, so there needs to be some leverage, which can only be done through selling spectrum. We have 700 MHz coming up and we need the leverage of that.

Then we have the 5G spectrum that will be sold, and that is a real opportunity. If 5G is so exciting, make sure we crack 4G first and hold the operators to account on that; otherwise, your postbags are going to be full of correspondence from upset constituents.

Jeremy Leggett: I do not want to repeat all that. That is absolutely right. We have to use the regulatory process much more assertively to make sure that rural areas get better coverage, and also more creatively, because 5G will be very different from 4G. It may be that one reaches rural areas with the equivalent of what we think of as fixed-line broadband now with 4G, and 5G delivers something entirely different to the whole community, rural and urban.

There is one area where Government have made a lot of progress, and that is on the whole business of Government becoming digital by default, where it has attempted to put all its interaction with citizens online, both local government and central Government. Unfortunately, we do not have a very good picture of what it is costing Government at all levels, local and central, to plug the gaps where people cannot do that because they do not have good access. You suspect that Government are spending dramatically more money than they want to on shoring up the fact that people cannot get access and operate digitally by default. For instance, a couple of years ago, Defra had to put vast quantities of staff time into the



RPA, simply because so many people could not do all the RPA process online.

Q28 Julian Sturdy: What you are saying is that the Government have made it more digital to save money going forward, but that you do not believe that that is happening, because of the extra costs incurred to bridge that gap.

Jeremy Leggett: I am saying that that provides a cast-iron justification to Government to invest in reaching all rural areas with fast internet access, because it is enabling them to save money and, at the moment, they are not saving it to the extent that they could be.

Q29 Julian Sturdy: That is a good point. We probably need to know how much they are not saving, do we not? Are there any figures out there or are they quite guarded about that?

Jeremy Leggett: I would include local government in that as well because, at local government level, all sorts of services, from telemedicine to parking charges, are going in the same direction and there must be savings that could be reaped, if we invested in the right way as a nation.

Chair: We might have to ask Ministers for answers on that one before we get them in.

Graham Biggs: I do not want to duplicate any of that. I agree with all of it. My simple answer to your question is this: when I read the words and when I hear the words, I am optimistic. When I think back to past implementation, that optimism slides more towards pessimism in terms of actual implementation to time and to budget.

Q30 Dr Johnson: On the cost of broadband, Mr Biggs, you had a very interesting point about the costs that rural communities bear through their council tax that is not borne in the cities. I wonder if you had any information on the cost of broadband full stop. On a personal level, my cheapest possible connection for less than 2 Mbps in Sleaford and North Hykeham costs £35 a month, and yet I can get more than 30 Mbps in central London for only £30. All these offers that one sees in the newspapers and on the television are often only available to those living in the cities, so have we created a competitive market in the cities, where it is cheap to have really good broadband, and very expensive to have very poor broadband?

Mark Bridgeman: It is a pricing issue. I do not know the details, but the direction of travel is one of the things that we have not really talked about up until now. There is increasingly a convergence—and we will see more of that—of mobile and broadband. It was partly my answer to the question from John about the alternatives between using mobile and using broadband. If we can get the 4G coverage up there, it creates competition. To do your photobook, you do not have to do that on fibre



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at the premises; you can do it on 4G. If you have mobile, they become interconnectable for many things that people do day to day.

Q31 **Dr Johnson:** Then these cables will become obsolete, will they?

Mark Bridgeman: Once you have that, you start creating competition.

Q32 **Dr Johnson:** That brings me nicely on to my other question. How does the lack of mobile coverage affect rural communities and businesses?

Chair: It had better be you, to start with, Mark. We are not going to let Jeremy and Graham off the hook.

Mark Bridgeman: I touched on this earlier. It is absolutely crucial. It is hugely important for businesses—we heard earlier about visitors to an area, whether they are tourists or people on business—for communities and for social cohesion.

The other thing that is so important is connectivity in rural transport networks. I had to come from Stafford yesterday, where I was in a meeting, to London. Just driving the half hour to Stafford from where I was, where I did not have mobile coverage, it was on and off all the way, when I was sitting in a taxi. On the train all the way to London, it was so patchy. That is an example of things just to unlock economic potential. This is not about specific individuals. You could be coming from London and doing that, but economic potential is unlocked if you can get the rural networks and the coverage improved.

It is so important that we drive up the coverage requirements for the operators. Right now, across the United Kingdom, 67% get all four networks. We really have to drive that up.

Jeremy Leggett: I do not want to repeat any of that. Clearly, it is patchy. We need to be worried about the future because of the risk of the mobile operators disinvesting in what they see as only marginally profitable operations in rural areas, when they want to invest in 5G and 4G in the urban areas, and their kit out there on the masts is getting a bit antiquated now from the early initial roll out. Even if we feel, in some places, things are just about okay now, they might not be in the future. We really have to worry about the future as well as about keeping what we have currently.

There is also something here about how essential this is to rural people, particularly people who are trying to access or work with things like universal credit, where their mobile phone is the only point of contact they have. If their access is patchy or expensive, they are not going to be able to do that. We have a lot of experience fed back through networks like the citizens advice bureaux of people really struggling in rural areas because their mobile phone is their only way of getting access to a whole range of support services. If it is patchy or comes and goes, they have real problems resulting from that. It is urgent as well as important, and we need to futureproof what we have, as well as using the regulation to



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make absolutely sure that we improve the coverage as we go forward into the next phases of the spectrum auctions.

Graham Biggs: I simply agree with all that.

Q33 **David Simpson:** Gentlemen, how do you view the proposal from the four major network operators about a new shared rural network? It is probably a better question for the next set of witnesses, but what is your view on that?

Mark Bridgeman: We commend the idea that the mobile operators work together to solve the problem. That would be great—anything that will get the coverage up. The key things for us are legally binding. Whether it is private companies or Government, anyone can say anything. It is about doing it and being held to account. These are the key points that I would make. First, their ambition is too slow: 95% by 2026 is a long time away and needs to be sooner. Secondly, it needs to be legally binding and not just backend-loaded. Right now, there are no firm commitments or obligations for coverage. Their last one finished in 2017.

Through the process, we need transparency. It would be a huge help for individuals and businesses if they knew what was coming down the road, if operators had to say, "Over the next 12 months, we are going to do this". They will say, "That is anti-competitive", but they just said that they want to work together to help us solve the problem, so let us all work together. It means that, if you are in a community and you are thinking to invest or whatever it might be, you know what is coming.

The spectrum sale of 700 MHz is coming up. There need to be legal obligations in that. We are supportive of it as a concept, but only if it has the conditions. We wrote to the Minister, with others here and other rural—

Q34 **Chair:** Yes, you have a joint letter, do you not?

Mark Bridgeman: We have, yes, to raise this very point.

Q35 **David Simpson:** Does anyone else want to comment on that?

Graham Biggs: We are a co-signatory to the letter, so Mark has made the points.

Q36 **David Simpson:** I take it from those comments that you are not overly confident that the Government will reach their target of 95% by 2022.

Mark Bridgeman: I am very unconfident that they will reach their target. It is highly unlikely that they will. That was a manifesto pledge. I am not sure that the Government will reach all their manifesto pledges.

Q37 **David Simpson:** You said a manifesto pledge.

Mark Bridgeman: Let us not talk about manifesto pledges.

Chair: More pain, yes.



Mark Bridgeman: Surely not.

Q38 **Chair:** You make the point that businesses really need that certainty, and there is a lack of certainty around what sort of coverage you are going to have. It is going to be interesting. There will be questions for the next panel on how much they are able to work together when they are competing with each other. It is a fascinating scenario.

Jeremy Leggett: We were signatories to that letter as well, so I would not disagree with anything that has been said. In the future telecoms infrastructure review, there was discussion about how spectrum market expansion might operate. The only thing I would add is that this must be inclusive, not excessive. Whatever is done with the spectrum on 5G—the auctions and the Government take of money from that, as well as the regulation—must be done in a way that enables new investment and new ways of meeting the needs of rural areas, using the spectrum that is available, rather than it being exclusive to just the current big operators.

Chair: That is a very good point because, again, we want more competition, not less, and more providers, not fewer, if possible. I am going to move on to John, please. John is busy on his phone at the moment and not expecting to be called.

John Grogan: You never know—my moment could come at any time.

Chair: I have been waiting a long time for that, too, John.

Q39 **John Grogan:** I have confidence that it will come in the end. What I really wanted to ask about—and I would not forgive myself if I did not, Chairman—was this. If connectivity was not an issue, are there any specific advantages or disadvantages for rural communities from an increased use of digital public services?

Chair: Good recovery, John.

John Grogan: It is a very profound question.

Mark Bridgeman: If connectivity was not a problem, rural communities would have a far greater opportunity. Graham mentioned the NHS. We know that the demographic in rural areas is typically older, so there is huge potential for savings—and we talked about Government savings—in areas like the NHS, as well as huge opportunities for investment. A lot of these services could be delivered if that connectivity was there, and it is far greater in rural areas, where we know that so many costs are greater, just because of transport, infrastructure and distances, as well as this whole issue of the demographic challenge, which is very relevant.

We have a south-east of England that is just too crowded. We are a pretty crowded nation but one of the solutions to economic growth is using those rural areas more effectively, and this could unlock it if connectivity was not a problem.

Graham Biggs: If connectivity was not a problem, you would find better public services, you would find cheaper, less costly services, and you



would find public services, which can be focused on face to face where they need to be, taking off the money that currently has to go into face to face because the connectivity issues mean it is the only way of doing it. Those are the fundamentals. We have to look at why this issue of mobile broadband connectivity is a problem. It is because of all the things that it does not enable to happen, which could make life so much better for people, for communities and for businesses, in terms of quality, cost and focus.

Jeremy Leggett: I would reinforce that: only where it adds value and adds quality. If it is simply used as a sticking plaster to justify making some services hopelessly inaccessible for rural people, it is not acceptable. The example that will probably be at the front of a lot of people's minds would be things like the magistrates courts. To simply close so many magistrates courts and to centralise justice to such an extent that it is almost completely inaccessible for rural people, but to do it on the basis that you can do some of that online in some way, is simply not acceptable. Where it adds value and where it adds quality, of course, but not if it is just used to cover over what is otherwise simply unacceptable cuts and centralisation affecting rural areas.

John Grogan: Excellent question, excellent answers.

Q40 **Chair:** Yes, you excellently recovered there, John. Well done. Thank you very much. Gentlemen, thank you very much for a very good session and a very good start to our inquiry. We thank you very much for your time this morning.

Examination of witnesses

Witnesses: Kim Mears, Malcolm Corbett and Hamish MacLeod.

Q41 **Chair:** Thank you very much for joining us for our second session this morning. Starting with Hamish, if you would like to introduce yourself for the record, we will get started.

Hamish MacLeod: Good morning. I am Hamish MacLeod and I am the director of Mobile UK, which is the trade body for the UK mobile network operators.

Kim Mears: Good morning. I am Kim Mears, the managing director for strategic infrastructure development for Openreach.

Malcolm Corbett: Morning. My name is Malcolm Corbett and I am the chief executive of the Independent Networks Cooperative Association—INCA—which brings together the alternative providers.

Q42 **Chair:** Thank you very much for joining us. Naturally, you will be able to answer all our technical questions now, entirely to our satisfaction, I am absolutely certain.



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First of all, to Kim and to Openreach, despite improvements a number of rural households are still unable to receive decent broadband from a fixed line. Could you update the Committee on your progress in connecting the final few percent to superfast broadband? As I said earlier, the trouble is that it is only a few percent across the country, but quite a large percentage in some of our rural constituencies, including my own. Where are you?

Kim Mears: I completely understand. First of all, for the record, both personally and also from an Openreach perspective, we truly do believe that decent broadband is absolutely vital for all. If you go back to the last Committee report, it is fair to say there has been substantial improvement since that time. Where we sit today, using thinkbroadband, circa 95% to 96% of the UK has superfast or ultrafast connectivity. If you look at that position and you take, for example, procurement, BDUK and governmental funding that is still due to happen, R100 in Scotland being key, as well as other recent funding in Wales, and many others, it will probably get us to 97.5% to 98%. You then have the universal service obligation.

That universal service obligation is an obligation for BT, the parent, and also for KCOM. It kicks in from March 2020. It will be a mix, I believe, with fixed wireless, and, from an Openreach perspective, we will be asked to deliver a number of homes through a fixed network.

There is still more to do but there are plans to deliver more over the next few years. Just to put that into perspective, over the last few years since we started BDUK—and this is from an Openreach point of view—we have delivered to over 5 million rural homes, where we have co-funded alongside the Government. This is in some of the most difficult terrains and places that you can deliver full fibre to, or certainly fibre to the cabinet.

Q43 Chair: Can I stop you there? One of the issues was raised by Julian, and we have the same situation in Connecting Devon and Somerset. Your connection is to the cabinet, and then there will be copper wire between lots of those cabinets and the premise. You then promise broadband that will never be delivered because you have that copper wire. We have Gigaclear in to connect them. They have their local difficulties as well, as you are probably well aware, but they are saying that they will get fibre cable to the premise. When is BDUK going to own up and say, "We may claim you can get 10 Mbps or 20 Mbps but you will only get 2 Mbps because you have a couple of kilometres of copper wire between you and the cabinet"? This is what gets my constituents so frustrated.

I do not think that you tell them lies, because you do not mean to tell them lies, and they are not necessarily lies. It is just the fact that they are incapable of getting that speed, and yet, if they go on to your website, it will tell them that they can get 10 Mbps or 20 Mbps. They are never going to. BT will then argue that Openreach is now separate and nothing to do with it, so you are playing a game back to us that we



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already started. My constituents are completely in the middle of a bureaucracy and Government all mixed up together. When are you going to say to people, either, "You can get 10 Mbps", or, "You really cannot get them", and when are you going to go the full hog and say, "We are going to get fibre-optic cable to every premise that we supply"?

Kim Mears: There are a number of proof points, so let us go back and talk about the story with BDUK. First of all, if you look across Europe, we have some of the best coverage in respect of full coverage. In the main, that is VDSL, and that measurement when we talk about 95% to 96% of the UK is measured at 30 Mbps. You are right that, if you are on a very long line off a cabinet, you may not be able to achieve 30 Mbps. What has also happened as part of delivering that 5 million is that 340,000 of them are full fibre to the premise. This year, we are now beginning to switch from what was a major coverage debate, because we had no coverage at all, to how we are now delivering full fibre. So 85% of all BDUK delivery this year will be full fibre to the premise.

Q44 **Chair:** Is this new connections or connections that have already happened? One of my arguments is that, if you have this copper in your line, you will not get these fast speeds. It does not matter what you say, you will not get them.

Kim Mears: First of all, this is new connections. Let us talk about the 10 Mbps and below, and the USO. It will end up being, I believe, around 600,000 homes that will fall into this universal service obligation. From what I see happening, a number of them will get delivered a service through a fixed-to-wireless solution. They will not get a 10 Mbps service but a 30 Mbps service. A number will be asked to deliver a fixed access solution, which will be fibre to the premise, so they will end up getting 100 Mbps-plus or a gigabit-type solution.

That will probably still leave just under 100,000 that will be outside of this price point of £3,400. Our challenge—and it is a challenge across industry—is what we do with those homes. Going back to decent broadband for all, how do we find the right solution, whether mobile or fixed, for what will end up being the real have-nots?

I want to take the story on, because that is today. What you are also seeing emerge now is a full fibre future. You heard it from the previous session: the governmental ambition around nationwide, full coverage by 2033.

Q45 **Chair:** Imagine how much that fills my constituents with glee: the idea that they are going to have to wait until 2033 to receive some fibre cabling.

Kim Mears: I understand. From an Openreach perspective, we have said 4 million homes by March 2020 and, subject to a number of things being true, 15 million by the mid-2020s, and we would want to go further. The challenge this time around is that, while a lot of us, including alternative providers, are delivering full fibre, we do not end up with the rural have-



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nots again. It is about how you deliver that governmental policy of the outside-in when you have this huge full fibre programme taking place by both Openreach and a number of other players.

At the moment, from a Government perspective, looking at the FTIR and RGC—Rural Gigabit Connectivity—they are looking to pull down funding of somewhere between £3 billion and £5 billion to tackle this outside-in challenge. There are a number of us leaning in, looking at, over the next year or so, how we test different ways of delivering full fibre to that 10% this time round. That is through projects that you may have heard of—for example, Local Full Fibre Networks, RGC vouchers, and hub and spoke-type models. For example, if I take a fibre out to a school and I get paid for it by DCMS, does that then allow me to build out full fibre in a rural location? All these things are being tested.

- Q46 **Chair:** Sorry to stop you there. I understand these things are complex but you can imagine that the users, my residents and constituents, as well as residents and constituents in rural areas, are not worried about the complexities or the different systems. There seems to be so much bureaucracy. We have Connecting Devon and Somerset. We had a BDUK contract and now we have a Gigaclear contract. We now have places where BDUK or Openreach could provide broadband but, because they are now in the contract with Gigaclear, they cannot be de-scoped. The whole thing has been a complete bureaucratic nightmare. I have villages where I could deliver with BT/BDUK, which cannot be because of this other contract. Nobody will make a decision. I am not blaming it all on you.

The point I will reinforce is that, while you talk about all these systems, and I know they are complex, the user does not know when they are going to get it. There is no timescale. Then they are promised much faster speeds and, in the end, there is copper wire in their system and they are never going to have it. The village gets it and then you have copper wires going to the hamlets around, probably 2 or 3 miles away, and they are never going to get it. When you go on to your or any other company's website, it will tell you that you can get those speeds. They are never going to at present, so somebody has to be honest. Not just you but all the companies have to be honest with people about what they are getting, what they are likely to get and how long it is going to take to get it. At the moment, they just think they are being told slight porky pies, really.

Kim Mears: In respect of being honest, we have honestly delivered over 5 million rural homes.

- Q47 **Chair:** I do not want you to repeat that statistic, because the 5 million are great and I give you credit for that. It does not help those who are on the edges. That is the trouble.

Kim Mears: We would love and I would love to deliver to some of those examples that you are describing within your constituency. We have a



programme where we never want to say no. It is called Community Fibre Partnerships, where we co-fund, alongside using gigabit vouchers in the community. I am going to give you just one example of how that really works, which would be exactly the same for the examples that you are describing in your constituency.

There is a community of 55 homes in a place called Lillingstone Lovell in Buckinghamshire. Using the RGC vouchers and our funding, and a small amount from the community, 55 homes will achieve a full fibre connection, with five farms and 20 small businesses as part of that. So far, we have over 850 schemes going back to that 100,000. I will find every single opportunity for how we can take full fibre out to the have-nots.

The problem that I have with what you are describing in your constituency is that, because it should be delivered by another provider, we are unable to call down the voucher schemes to deliver something like that type of example.

Q48 Chair: I understand. I will probably move on. Before I finally finish, I have some sympathy for you, believe it or not. What is getting me and everybody else frustrated is not being able to communicate to people in terms of timescale. I know the systems are there and it is not always easy, but what can you and all the other providers do to be honest with people? When you put a scheme into a village, you can work out that, because it has a postcode, technically speaking, all the people in that postcode will get 10 Mbps or more. The ones who are on long copper wires are only going to get 2 Mbps. Whether it is from Sky or BT, because it comes through that cable, it is never going to be more than 2 Mbps or 1.9 Mbps, until we do something about the cables. Somehow or other, that has to be articulated to them. Do you understand that, when they go to get it, they are told they are going to get 10 Mbps but they are never going to get 10 Mbps because the infrastructure is not there? They should be told that the infrastructure is not there and they will not get that amount of coverage.

Kim Mears: I completely understand. If you look at when we contract and work together with the local bodies, the way it works is that there is a speed and coverage template that determines what speed to what premises. But we need to do more. I absolutely concur about making sure we have that really open communication around who is going to get what and when.

Q49 Dr Johnson: I was just going to ask about the voucher schemes. I looked at trying to help one of the rural hamlets in my constituency with a community voucher scheme, on the basis that there is an Ofsted-registered childminder that gives them a little bit extra money towards it. What became apparent is that this scheme works very well if nobody in that little village area or large collection of houses has broadband. In my constituency, one in 20 people do not have more than 2 Mbps, which is a huge amount of people. If you come in and put a cabinet in the centre of



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the village, it means that it is great for the people who live in the centre of the village, because they can then access something a little better.

Kim Mears: Up to 80 Mbps.

- Q50 **Dr Johnson:** That is for the ones who live across the road from the cabinet, but, going out of the village, it quickly drops off. Those rural hamlets that are scattered like spokes around the village now have no hope at all because they are all so isolated individually, and the village hub that they might have used to get this community together to use your vouchers is no longer there. You have made the people who are left significantly more isolated. How do you think you can address that?

Kim Mears: It will depend on each individual case, but let us try to use an example of a village. Imagine that there is a cabinet in the centre of the village. I do not know how far apart they are dispersed, and I am more than happy to take examples, work them through and play them back to you. The new RGC scheme has just been announced. Providing the homes are achieving under 30 Mbps, it provides £1,500 for residential and £3,500 for a business. You do not need too many businesses and a few residential, even if they are clustered, alongside our co-funding to deliver a full fibre solution.

- Q51 **Dr Johnson:** Just out of interest, if someone has dug the trench for you, how much does it cost you to lay a mile of fibre cable?

Kim Mears: Off the top of my head, I could not tell you that number.

- Q52 **Dr Johnson:** I find it almost impossible to get that figure. When you say to the person who lives a mile from a village, "You can have £1,500 or £3,500", how much does a mile cost?

Chair: If you would like to, furnish it in writing, please.

Kim Mears: I am more than happy to give you some numbers in writing. What I would say is that, as part of Community Fibre Partnerships, we find that, particularly when it is very rural and you have farmers involved, or even locally involved, they will do the dig for us. We will work with the community and provide what we need, where we need it to go. If the local community or the local farmer wants to dig in, we are more than happy for that to take place, or whatever can be done to reduce costs.

- Q53 **Dr Johnson:** What role do the alternative network providers have in this? What solutions can they offer?

Malcolm Corbett: I guess that is to me.

Dr Johnson: As a supplementary to that, how are you different from Openreach?

Malcolm Corbett: We have about 130 members but they include people who are building networks: operators, suppliers and a growing cohort of local authorities that are quite keen on this stuff. They are urban and rural, so they include a whole range of different providers operating in



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different areas. They build both full fibre and fixed wireless networks—in other words, a mast pointing straight at your premises and delivering you a service, rather than a mobile signal spreading just around this table. None of them owns a 100-year-old phone network, so they only build new networks and they only build fibre and wireless networks. Why would you build a copper network? You would not.

The big change that has taken place since your last inquiry is that there is an awful lot more competition in the process. Originally, in the BDUK process and the superfast programme, all the money went to BT and we ended up where we are with that. Subsequently, we have had a bit more competition, which has done a good job.

The big policy change is the future telecoms infrastructure review, which came about with Matt Hancock originally as the Minister and then the Secretary of State. It included work from Ofcom and from INCA's members. It has led to a completely new approach towards how we are going to view the future. In fact, the journey we are on now is to replace the old phone network, which is a big job. It is going to replace the phone network with the new digital infrastructure of the future, which is both full fibre to the premises and wireless, and particularly a new generation of wireless services.

The big advantage that the alt nets, the independent operators, have is that they have not just one overarching business model, which you have to adopt if you are the national-scale player—it is almost impossible; it is very hard to do otherwise than that. They have different business models that are suited to the types of markets they are trying to address. I live in the Royal Arsenal in Woolwich, and Hyperoptic is there. We live in one of the old blocks of flats, and Hyperoptic focuses on delivering just to blocks of flats. That is its business model. It is really good at it and we get a fabulous connection from that service.

An alternative would be Gigaclear, which focuses just on rural communities. They only deliver full fibre in rural communities. They originally started just with commercial activity and looked for those opportunities.

Q54 **Chair:** They have struggled for money, have they not?

Malcolm Corbett: Yes.

Q55 **Chair:** Are they improving now?

Malcolm Corbett: If you are replacing the phone network with new fibre-optic cables, it is a challenging process and there are going to be struggles along the way for everybody. We are very sympathetic to some of the challenges that Openreach has faced.

Chair: Do not be too sympathetic to Openreach.



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Malcolm Corbett: There are other business models as well. One of the most interesting business models for really, really rural communities is Broadband for the Rural North, B4RN, which delivers full fibre to everybody on the patch. They go parish by parish, and absolutely every single premise, whether it is 10 miles away or 20 feet away, is going to get a full fibre connection, once the parish signs up. They get people to invest. Like the Community Fibre Partnerships programme that Kim was talking about, they encourage local people to invest in the process. The big difference is that, if you do invest, you are going to get a 5% return a year on the investment, which is pretty cool; it is very nice. They have a bond issue out at the moment for another £3 million to extend their network.

Part of that process means that the take-up levels are stonkingly high. Pretty much all our members get really high take-up levels because, generally, they are addressing areas that are not particularly well served. In the Royal Arsenal, Hyperoptic picked up 30% of the people immediately because the BT services were not very good. B4RN gets 60% to 70% take-up. In one parish, they got 100% of all local people signing up for a service, which is nirvana for everybody. If that were the case under the superfast programme, your gainshare money would be coming back by the barrow-load. You would then be able to reinvest that money into extending coverage—effectively, the outside-in process. You could try to find quite a lot of the money for the outside-in process, if you were to ask the questions of BDUK, from money that is already in the system from BDUK. Gainshare means more money comes back and there are, by some calculations, some hundreds of millions of pounds of underspend sitting in BT's accounts as capital deferral. There may be opportunities for getting the outside-in process to work with some existing money, rather than just having to find some taxpayer money again.

The alt nets are making a good contribution. We survey our members each year, and the results of the last survey were published at the end of 2018. Our members cover 1.3 million premises with full fibre connections, so they can reach 1.3 million premises with full fibre connections. That is about half the total; the rest of it is Openreach and Virgin Media, so they have done a pretty good job. None of these companies existed 10 years ago; they are all quite new companies, but they are building and growing.

They have raised £3.36 billion-worth of investment in the last year alone for deploying over the next period in both urban and rural areas. Private sector investment is not particularly a challenge at the moment for moving along this journey. Their ambition is to reach something like 15 million by 2025. That is an ambition but that demonstrates the scale of appetite that they have.

The good news is that your postbags are not going to be full of correspondence from people complaining about broadband speeds and so



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on. The trouble is that the current programme says that that will not be reduced until 2033. The challenge is replacing the old phone network, and the independents are certainly a big part of that picture for doing it.

There was a question that came up about quality, which has come up a few times, and being honest with people. What are you really going to get? One of the things that we have done with our members is to start to define quality standards for full fibre, fixed wireless and other types of services, which means that the company goes through the process and, if it achieves the standard, it can put it on its website and say, "This is a gold standard full fibre connection. You will get what you are paying for. You get what it says on the tin". That is really important. The whole industry needs to change the approach to this, because at the moment we are woeful at delivering the service that people are paying for.

Q56 Chair: They also need to put a health warning out in certain areas that you may not be able to get it. That is what you do not get. You get a blanket approach.

Malcolm Corbett: That is true. Once the fibre connection is there and the next generation of wireless is available, the speed issue starts to diminish to nothing. A gigabit symmetric connection basically does everything you ever want. It is just there and the fibre connection will deliver what you need. The next generation of wireless services can get a long way. One of our approaches, as Kim has already talked about, towards 2033 is to try to make sure that fixed wireless providers in some of those rural areas get access to the right sort of spectrum from Ofcom in the 3.5 GHz area. It is a very tough argument to have with them and they are not really that keen on it, but we are trying to get Ofcom to release some of that spectrum for fixed wireless services, so that, well in advance of 2033, people are going to get much better services. It is called rural 5G, so we could have quite a nice win-win situation there.

Q57 Dr Johnson: I have a question about that. At the moment, if you get a fixed wireless connection, how fast can it realistically take you?

Malcolm Corbett: Currently, today, we are putting fixed wireless access operators through the accreditation process for the quality mark, which means they must be able to guarantee they can deliver next generation access standards, 30 Mbps. Normally, they are delivering that as a symmetric service. With new equipment coming out at the moment, they are expecting to get that to 100 Mbps. That will be delivering great services for an awful lot of people.

Q58 Dr Johnson: In our area, the local county council is trying very hard to increase the number of properties that are being delivered broadband as quickly as possible, but people feel caught in a trap. If you have less than 2 Mbps, it is completely and utterly useless. They worry that, if they go out and buy themselves the wireless connection, they will be shown as having good enough broadband, and they will no longer be eligible for the fibre to the premises that might come and provide them with that



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futureproof service. There is something there that would make things better, but they dare not take it because they will never get what they will need in the future.

Malcolm Corbett: Yes, I can understand their concern about that. The £200 million fund that Kim mentioned, the Rural Connected Communities fund, is the first bit of the theoretical £3 billion to £5 billion that will go towards outside-in. The sort of thing that Government could do with that, along with the providers, is to try to make sure that those types of problems are addressed and solved, so that you do not end up with a 10 Mbps USO service forever, because that is not going to serve anybody well for much time in the future.

Q59 **Dr Johnson:** Yes, and so rural constituents do not feel trapped and unable to access a slightly better service.

Malcolm Corbett: Yes, that is right. We need to work out how to do the outside-in properly. The theory is great and it is being done elsewhere. It is not like this is rocket science or anything like that. Scandinavia has been doing it for decades now. In Sweden, they have something like 70% or 80% rural coverage with full fibre. It is possible to work out how to do it and there are examples of people who have already done it.

Q60 **John Grogan:** We have talked about the level of private sector investment. Is the amount of Government dosh enough to make funding available to deliver where it is not economical for private providers to deliver? There was about £400 million in the Digital Infrastructure Investment Fund and another £740 in the National Productivity Investment Fund. Are we content that that is enough or do we need more?

Kim Mears: There are big contracts out for procurement at the moment. R100 in Scotland is pretty huge. The case for the £3 billion to £5 billion in respect of really securing that outside-in funding needs to be made as soon as possible. If you are going to deliver both the inside-out and the outside-in at the same time, we need to work that out now.

Q61 **Chair:** Naturally, you understand what you mean by “outside-in” and “inside-out” but could you explain, very briefly, exactly what you mean by that?

Kim Mears: As Malcolm said, from the perspective of Openreach and of many of those alternative providers, there is and will be a huge focus on urban delivery in respect of full fibre. That does not mean that nothing is happening in respect of rural, because BDUK and others are playing there, but the big focus will be on urban, so inside-out.

What I am then saying is about this £3 billion to £5 billion. Various things are being tested at the moment with Government. We need to secure the case and, in parallel, work on the outside-in rather than waiting.

Q62 **Chair:** These are the hardest-to-hit areas.



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Kim Mears: Yes, the hardest to hit this time around.

Chair: I get that.

Malcolm Corbett: The Digital Infrastructure Investment Fund is a brilliant idea because it is a small amount of cornerstone funding which has unlocked an awful lot more money coming in from the private sector. It is a signal to the private sector, and particularly those interested in infrastructure-type investments, that Government policy is fully behind what is going on.

As Kim says, the whole process going on at the moment is that Ofcom is starting to define three markets: market one, which will be fully competitive for full fibre, which does not exist at the moment; and market two, which is everything else apart from market three, which they are starting to define as about a third of the country where they think there will be no competition in those areas. We think that they are probably wrong but they are starting to look at this.

One of the areas that a Committee like this might want to have a look at is the extent to which we are getting any dovetailing of policy around outside-in, which is 10%, where civil servants in BDUK are working out how they can create the policy that deals with 10% of the very hard-to-reach areas and make sure that they are not left behind but are treated equitably, which is the purpose. How does that work in line with Ofcom talking about market 3, which is going to be a third of the country, as far as Ofcom is concerned, and how does that fit in with the USO, which is potentially 600,000 premises with a basic service? All this stuff is not particularly well joined together.

Kim Mears: It is about joining the dots.

Malcolm Corbett: You could probably play quite a big role.

Q63 **Chair:** There is a lack of joining all these funds together, is there?

Malcolm Corbett: There is a lack of joining up the thinking about the scale of the problem and how we are going to address it. That is probably something quite useful to do. On investment, there is one thing that we would really appreciate. A lot of newer companies were able to access the Enterprise Investment Scheme, so that investors in the companies were able to get a tax benefit from doing it. HMRC decided to withdraw that support from those companies because they were becoming too successful. These are people delivering rural areas, the hardest-to-reach areas, where Kim wants lots of subsidy to do it, and suddenly they find that, because they are doing a good job, they are not.

Q64 **John Grogan:** Could I just come back to a couple of quick-fire ones following on from the Chair's strictures on communications and Openreach? You have done very well with decisions in recent years—the regulatory decisions to keep BT and Openreach together—and now you have the universal service obligation. Outside Hull, you have the whole



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country, and that was endowed at one point. The viceroy of India point is a serious one in the sense that you have taken a lot of public money and you have to be responsive to elected representatives.

When we contact you as Members of Parliament, it is through the high-level complaints unit. They have very good PR people there but you need a few more fixers in there. I will not detain the Committee but promises you made to various farmers in Oldfield in my constituency have not been delivered. We all have those experiences. Often there are delays but we have to come to you, rather than you coming to us. Do you not need to beef that up a little? A private company needs to make profits but do you recognise that you have to beef up the relationships with us? The alternative is that you have a reception in Parliament on 25 June, which I am looking forward to, and I could bring the six farmers as my guests to see you.

Chair: This is a particular pleasure.

John Grogan: I am hoping that it will be sorted before then.

Kim Mears: You need to let me know about these six farmers but you are more welcome to bring them as your guests.

John Grogan: I have, through your high-level complaints unit.

Kim Mears: In all seriousness, being the nationwide broadband provider, and to give you the statement about decent broadband for all, they are not just soundbites. It is something we take incredibly seriously. I know we talked earlier about just how much we have done. It is tough delivering connectivity into some of the most rural places across the UK. Others would have probably walked away by now because, even when we co-fund, these are not quick-win investment cases. They are investment cases over 20 years, but we will not walk away from delivering decent broadband.

Does that mean that we always have to improve? Absolutely. What I would say is that, last year, if I look at our service levels, there were improvements right across the piece. If Sharon from Ofcom was sitting here alongside me, she would concur. Last year, we recruited 3,500 new engineers. This year, we are going to recruit another 3,000. It is something we are taking incredibly seriously in respect of increasing service but also extending the network to the have-nots and delivering the nationwide full fibre ambition that has been set down.

Q65 **John Grogan:** I recognise that. In Bradford, for example, there is a training centre for these engineers, which is amazing. I must visit. I have not done so yet.

Kim Mears: We have created 12 new regional training centres. It is not a soundbite. They are what we call "open streets". We literally recognise that fibre skills are the future. If you go back to what you heard from the previous group about where we are going, what we need to do and what it drives for the economy, these training schools are like an open street.



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People are training in an environment as if they were working in your village, on your road. It is amazing.

- Q66 **John Grogan:** It is great. My final suggestion is to do with public relations. You are still the same group, BT Openreach, although you have separate boards. People say that the money goes on sports rights and so on. Would it not be great if you made available the next Champions League final? When you were together with BT, you promised that you would make the final free to air. You put it on YouTube. Particularly in rural areas, there is grainy YouTube and you could not see it. Next year, just give it to a free-to-air, mainstream broadcaster and fulfil that promise that you made.

Kim Mears: I promise you that I have no say whatsoever in what they do on sports rights.

John Grogan: Feed it back.

Chair: I am not sure that this is the scope of the inquiry.

Kim Mears: I can assure you that I do have a say in the £13 billion we have invested in networks over the last 10 years.

- Q67 **Alan Brown:** Kim, this is for you again. Can you explain in practice what you need to deliver the deadline for the USO? How confident are you that you are going to meet that deadline?

Kim Mears: First of all, Openreach is a separate company from BT. I will answer your question but the obligation is with the BT Group, the parent. The reason I am saying this is that we are really close to it and we are working closely with Ofcom from an Openreach point of view, and also with the parent.

From March next year, you could pick up the phone and demand a service if you are sub-10 Mbps. I believe that that will be delivered in a number of ways. A large amount of it will be delivered by uplifting the 4G fixed wireless network that will be delivered by the group over here, EE, and we will end up being asked to deliver a fixed-access element of that USO obligation.

- Q68 **Chair:** Will that guarantee 10 Mbps?

Kim Mears: The answer is yes on both. Going back to what Malcolm was describing earlier on, the fixed wireless would certainly be a 30 Mbps delivery. If you looked at what we would be delivering for fixed access, it would be 100 Mbps and above because it would be fibre to the premise. They will not get 10 Mbps; they will get substantially more than that.

Your question, though, was whether it will be delivered on time. The timeline is that, within a year of you asking for it, it is delivered. At the moment we are just agreeing with Ofcom the performance indicators around that. What I would say is that it is going to be incredibly tough.



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These are some of the most scattered premises and homes across the UK, but we are starting to prepare now in respect of what we need to do.

Q69 Alan Brown: How much profiling has been done in terms of expected requests? You are saying it is a year from somebody requesting it, so how much are you banking on not enough people requesting it?

Kim Mears: We are not banking on nobody asking for it. The way it works is that there is a £3,400 price point for the delivery. Agreed with Ofcom, it also assumes that, if we are going to deliver a PON, there is a take-up of circa 70% to 80%. We are doing all that pre-work to understand where we think we will end up building and which ones may end up falling out. The conversation then has to be, going back to earlier on, "If I am not even going to get the USO, at least tell me", and we need to get to that point really quickly.

Q70 Alan Brown: You mentioned earlier that the Scottish Government is committed to the R100 programme to have 100% by 2021. What does that mean in terms of BT's USO commitment? If somebody is in the R100 programme, does BT then step back and say, "That is fine. I will address it with the Scottish Government"?

Kim Mears: It is being looked at at the moment. The initial view was that, if, for example, R100 was going to occur within 12 months, the BDUK delivery would overtake a USO request. They are working that through at the moment.

Q71 Alan Brown: It is not BDUK that is funding this; it is the Scottish Government.

Kim Mears: The majority is the Scottish Government, yes.

Q72 Alan Brown: Yes, £20 million from BDUK.

Kim Mears: The detail of that is being worked through at the moment. In respect of the timeline, there is a significant overlap.

Q73 Alan Brown: Otherwise, BT is not contributing where it otherwise would have to. Is that part of the discussions?

Kim Mears: On the USO?

Q74 Alan Brown: If somebody is in the R100 programme, you are saying that the initial thought was that, if it is within 12 months of R100 kicking in, BT does not need to do the work. Therefore, by default, BT is not paying that investment that it otherwise would, so is there some sort of clawback?

Kim Mears: The way that R100 would work is that, again, the Scottish Government declare a speed and coverage template. This is where they would say, "We want you to deliver as part of this programme. It is three lots". When we bid—we do not know what the others do; it is open procurement at the moment—we would co-fund alongside that Scottish Government funding. If there was USO funding that came in, we would



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need to work through whether it was us or someone else. It would happen through some form of change request, I would imagine.

- Q75 **Alan Brown:** I have one other specific question, if that is okay. It is a concern that I have and for which I am looking for comfort from you. BT, where there has been a commercial roll out, is now saying "That is a bit difficult so we will just take a step back and let the R100 programme deal with it". I will give you an example. Newmilns is a village in my constituency. The cabinet was to be upgraded through commercial. BT then said, "We have problems agreeing with planning where the cabinet will go. There are some other utilities. Do you know what? It is not commercially viable so we are not doing it".

I am a civil engineer, so I said to BT, "I kind of understand how these things work, so why not tell me what the real problems are? We could even have a site meeting and discuss it with the planner". BT's response is still, "No, it is not commercially viable, so there is no point in meeting", and that is how it is. Is it acceptable and does that not mean that they are not fully pushing it through the commercial aspect because there is a fall-back there?

Chair: There is a problem with commercial delivery with BT across the piece, not just in Scotland.

Alan Brown: That is why I gave that example—because that will be replicated in other constituencies.

Chair: That is right, yes. It is a good point that Alan makes.

Kim Mears: First of all, on a commercial delivery, it comes within a price point. If something drives you beyond that price point, there is the question mark that says, "Do you still deliver it commercially or not?" I do not know the example but that is the route that you would go through.

I am going to come back to Scotland for one moment. Across Scotland, 2.5 million homes were uplifted through various programmes: our commercial programme as well as 900,000-plus through co-funding. It is co-funding with the Scottish Government that we have delivered. There has been a huge programme of delivery in Scotland, to put it in context.

Going back to what I was describing earlier on and our full fibre ambition, we continue to look, not necessarily on VDSL but on full fibre. We have said 4 million by March 2020, and 15 million by the mid-2020s. One of the things we say is "subject to the right conditions". Just recently, working with the Scottish Government, they have recognised that cumulo rates—the business rates that we pay on our network—are a barrier to further commercial investment, and they have just given us a 10-year rate relief. As part of that, we will look to see what further commercial full fibre delivery we can now do across Scotland. We continue to look at how we can deliver more commercially as we go.

- Q76 **Alan Brown:** If I go back to BT and ask it to look at this cabinet, will I get a better response than, "It is not commercially viable"?



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Kim Mears: If you get back to Openreach, I will absolutely look at this cabinet and see whether it is commercially viable.

Q77 **Alan Brown:** There was an additional supplementary, which is for Malcolm. Has the USO obligation undermined incentives for alternative providers to do their own investment in infrastructure?

Malcolm Corbett: There are some concerns about that, particularly if you are a provider in a particular area and a request comes in under the USO that then goes to BT, and BT then gets Openreach or EE to deliver that. That could be detrimental, and some representations have been made on that.

In our view, it would make a certain amount of sense if the USO were to be delivered over the most cost-effective local infrastructure. If that is Openreach, fair enough; if that is TrueSpeed, Airband or another provider, that is pretty good. In other words, do not just leave it in the hands of one organisation to deliver it, but look for the most economically advantageous way of delivering it.

Q78 **Julian Sturdy:** Going back to the previous questions and what I have heard so far, is there not a real danger here that there is a risk of an endless digital divide? It does not matter how advanced the technology gets, whether we are talking about 5G or about a push towards full fibre. For rural communities and rural villages, there is going to be that endless digital divide if we are not careful. That is really what I want to hear from the panel, because what I have heard from the evidence so far points towards that.

Malcolm Corbett: There is a danger of it but it is the task of all of us, in Parliament, Government and the industry, to make sure that that does not happen. It is just not equitable to leave big chunks of the population unable to access the sorts of services that you were discussing earlier and that all of us know about. It is being done elsewhere. It is not like we are trying to operate in a vacuum here. The whole outside-in process came about because people had been talking about what has happened in challenging areas in other parts of Europe, such as Scandinavia. I have visited these places.

Q79 **Julian Sturdy:** I accept that. My point really is about the fact that, while we get new technology that probably moves those rural communities up and gets them access to, say, maybe 10 Mbps, the urban areas have jumped again. That is my point. It is not that those rural areas will be left behind without any connectivity; my concern is whether, as the levels move up, there is going to constantly be that digital divide going forward.

Malcolm Corbett: Once we replace the phone network, no.

Kim Mears: It is a risk. I go back. It is a challenge that all of us have to face, including Government, to make sure that that is not true. Going back to the outside-in, while there is a race for urban coverage from many providers, we have a programme that gives us the confidence that,



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at the same time, we are moving from the outside, delivering full fibre to that final 10.

Malcolm Corbett: The difficulty is that the structure of the BDUK programme was to say, "Let us look for the commercial areas. Great, you can do those commercially. Then let us carry out a programme where, effectively, we pick off the easier areas outside of those commercial areas first". Of course, that made it much more difficult and more challenging to reach the harder-to-reach villages, premises and farms. Had an outside-in approach been adopted originally, we would not be in the place we are today.

Q80 **Dr Johnson:** I have two very quick questions. You talked about the £3,400 price point for the universal service obligation. Forgive me but, when I heard the words "universal service obligation", I presumed that that was, indeed, universal. The implication from what you said is that it is only universal to those people for whom you can provide a connection for less than £3,400, so does that mean that, if your connection costs more than £3,400 as an individual premise, you are not covered by the universal service obligation? How do farmers in my constituency, bearing in mind it is difficult how much a mile of this costs, find out if they are going to be affected, or are they just waiting and hoping for something that will never be delivered?

Kim Mears: The answer is that it is £3,400. It is not necessarily based on an individual premise. There is some form of demand aggregation that takes place around it. Rather than just one, there might be a small cluster, which then allows you to think in other ways. Imagine if there are three or four; that is three or four times 80%, times 3,400. If you pick up the phone to say, "I want it", you would fall in and you would still get it.

Q81 **Dr Johnson:** My constituency is in Lincolnshire. It is not just a rural area. The population is quite well spread out. There are quite a lot of single premises or one or two premises together. Are you basically saying that they will not be covered by this?

Kim Mears: I am saying that if they fall outside of that, they will not be covered by it.

Q82 **Dr Johnson:** When people look on the website at the moment, they believe that it is coming and is on its way. "Universal", to the man in the street, means everybody. This is not for everybody. That is a con, is it not? It is not a universal service obligation. It is a service obligation for people we can do it with cheaply enough to pay for it. People have rung me and I have, in good faith, told them, "You will have a connection by this date; we have an obligation", but that might not actually be right. What can I now say to those farmers and other people who live in rural houses who contact me? I do not even know how much a mile of it costs. If they say to me that they are two miles from the nearest village, how do I know whether they are going to be covered?

Chair: They should be able to get it by wireless anyway, should they not?



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Kim Mears: Again, the universal service obligation is not just a fixed obligation. It could be that it is being delivered by a wireless provider.

Q83 **Dr Johnson:** What is your estimate of the number of properties in the United Kingdom for which you cannot prove 10 Mbps at that price point? How many households will be affected by coming above this price point?

Kim Mears: My view—and it is changing all the time as you deliver more and more BDUK contracts for rural, for example, and with what some of the alternative providers are doing—is that it could be about 50,000.

Q84 **Chair:** It is probably a good idea to give us some evidence in writing and perhaps be a little more specific on that, if you can, please.

Kim Mears: The important thing is that that needs to come through from Ofcom data.

Q85 **Chair:** Lots of people have been waiting 10 years or more. They are not people who have not contacted you or us before, so they are getting more and more frustrated. They are taking their frustration out on their MPs, which you cannot blame them for doing, and we will try to take our frustration out on you. It is an obvious course of action, but the one thing that has to happen is that there has to be some truth. The point Caroline is making is a very good one. It is no good us saying that there is a universal obligation to deliver 10 Mbps, if you then say, "Yes, there is, but if you are too expensive you will not get it." People do not understand that. If you are living in one of these properties that are too difficult to get to, why would you accept that?

Dr Johnson: Particularly when you are paying exactly the same council tax as everybody else, and council tax is contributing towards everybody else's broadband but not yours.

Kim Mears: I accept it is a real problem. I completely understand, but the obligation is across both mobile and fixed, which is why we are all leaning in to work with Ofcom to ask how we do this. We probably need to get that final answer in respect of the dataset from Ofcom, and then we will know exactly where we are in the next few months.

Chair: We have Ofcom coming in. We will save up some good questions for them.

Malcolm Corbett: On your question about, if a farmer digs the trench, how much it costs to put in the ducts and the fibre, I just asked one of my colleagues, who has come back with the answer that it is peanuts. It is almost nothing. You are talking about plastic pipe and fibre. It is not expensive at all. The expensive bit is digging the hole, basically.

Q86 **Dr Johnson:** For individuals living in constituencies like mine, once they get as far as putting a cabinet in the village and a rural constituent wishes to dig that trench and put that fibre in, the realistic cost is then peanuts, but they are not able to dig along the side of the verges, are they?



Kim Mears: No. In the main, it is across their own land.

Malcolm Corbett: Yes, it depends on how they do it. There are people who are pretty clever about how to get around rather difficult problems. There is a whole team of people barrier-busting in DCMS, and some of them are looking at issues such as wayleaves, street works and planning, and all those sorts of things. There are barriers, but they are surmountable. If you keep the pressure on, they get surmounted.

Q87 **Dr Johnson:** "Peanuts" is a really interesting answer. The other question I had was about the vouchers that you mentioned earlier on—the £1,500 or £3,500 depending on whether it is residential or business. When you look at a community and say, "In terms of the fixed network, these people have terribly poor connections so we will allow the community to get the fibre to the premise using this group voucher scheme", does the fact that the person may have got themselves a wireless connection on 4G or whatever preclude them from access to the voucher?

Kim Mears: I do not believe so. I think that they need to be below 30 Mbps, but I will check and come back to you.

Dr Johnson: It is whether it is on their fixed connection.

Chair: I have to bring David in on the issue of mobile; otherwise, we are not going to talk about mobile. Hamish, you have been here very patiently all morning, so I will come back to you. Hamish, this is your great moment of glory.

Q88 **David Simpson:** What are the challenges to delivering mobile coverage to those rural areas that have no coverage from any operator?

Hamish MacLeod: Principally you cannot just put a mast out in the middle of nowhere. You have to get it access to power; you have to have a connection into the wider network, or what we call the backhaul; you have to get planning permission, which is not always straightforward; sometimes you have to have an access track, which is an expensive piece of kit; and of course it is often extremely expensive in relation to the revenue that you would generate. It is an economic challenge.

Q89 **David Simpson:** Would a rural roaming network be effective?

Hamish MacLeod: You mentioned earlier the shared rural network. Perhaps I should take the Committee through what we are proposing. This is the first time that the operators have got together in this way, to overcome the challenges that the Competition Act presents, and proposed a partnership with Government. We are proposing it as an alternative to what Ofcom has suggested for the 2020 700 MHz auction. We have proposed it because we think it gives superior coverage to that proposal, in that it is four operators rather than two; we think it can be done at a lower cost to the public purse; we think it will be more environmentally friendly in that it requires less mast-building; and it is more certain, because we can get going on it as soon as it is agreed.



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Let me also take you through what we are actually suggesting. The current situation, as CLA mentioned earlier, is that 67% of the country currently has coverage from all four operators, at 4G, and 92% of the country has coverage from at least one operator. That is a difference of 25%, and we think that 25% of what we call “partial notspots” can be eliminated through a process of enhanced mast-sharing.

To go beyond that, we have proposed a Government-supported further network build, to get to their target of 95% of the geographic landmass with at least one operator and possibly more. That should be primarily a community-led initiative, so where there is demonstrable demand from the community and they can provide assets to help with the scheme and get things through planning, that will be a good principle to be following. All this would be a much superior approach to having a roaming type of approach.

Q90 David Simpson: What are the problems with the Emergency Services Network project, and why is there little interest from the major network operators?

Hamish MacLeod: The Emergency Services Network is an EE initiative rather than a pan-industry one. The challenges that I mentioned in my introductory remarks remain. This is why we have come up with this proposal to overcome them. There are a few asks on our side that I should mention. The first is that there is reform of the planning regulation so that we can do more under permitted development. There are two reasons for that: as we go into the enhanced mast-sharing, that will probably require some of the masts to be strengthened and changed; and also, if we can build taller masts in the really rural areas, we are likely to be able to cover more area at less cost.

Q91 David Simpson: How do you overcome the public sensitivity about phone masts going up on the edge of towns, schools or wherever?

Chair: How can you make your trees look more like trees? They really do not at the moment.

Hamish MacLeod: To be honest, I do not think it is really a very sensible approach to do that. It adds to the cost and adds to the complexity. Let us just stick with phone masts. It is much less of a problem than it was in the past, but it still, on occasion, remains an issue. We have just recently had a turndown in Suffolk, which will set us back a bit.

Q92 David Simpson: You need to talk to the MP there. In relation to the targets and challenges that the Government have laid out, are you confident that they can be delivered?

Hamish MacLeod: In terms of what I have just set out, of course.

Q93 Chair: Can I ask you a simplistic question? In a previous life I used to drive from Brussels to Strasbourg. You drive through that massive



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Luxembourg, which is not much bigger than a county of this country, and your mobile network changes. You go into France and, in terms of the mobile company you are connected to, you roam. Why can we not roam in the countryside? Why, as we drive through, can we not pick up EE, O2 and all the different networks? My phone will pick up certain networks and it will not pick up others; it is not good in places. Why can I not roam? I just do not think you want to give up the individual company rights. You do not work out how you can pay each other for that use. Why should we, as consumers, have to put up with the fact that you, as companies, cannot co-operate?

Hamish MacLeod: I hope I have just set out—

Chair: Seriously, why can my phone not roam? It works perfectly well when you drive across the continent. Why can it not work here in the country areas?

Hamish MacLeod: That is perfectly true. What this proposal sets out is that you continue to use your own network and that your own service is available—

Q94 **Chair:** But this is what it is all about, is it not? You are not going to instantly solve this. If I am driving through Axminster into Membury, or out through the Blackdowns, the phone will go on and off. Sometimes it can be quite useful when you do not want to be contacted. There will probably be a mast there from a different company from which you could pick up the signal. That is the bit that annoys people. Talking about planning, they will say, “Why should we have another mast from another company if there is already one there but we cannot get a signal from it on our particular phone?” We cannot be expected to juggle four different network phones. We are not going to do that. You companies could co-operate more, dare I say it. I am a great believer in competition and capitalism—I am a Conservative—but I also believe in those companies working together. I do not think you are working together enough. Is that unfair?

Hamish MacLeod: We should not dismiss the benefits of competition lightly. This is a competitive market.

Q95 **Chair:** We need more competition with BT, Openreach and all these people.

Hamish MacLeod: Absolutely. The flipside of what you are saying is, “Let us make this market less competitive”. I do not see why—

Q96 **Chair:** You still have not answered my question.

Hamish MacLeod: I have.

Chair: Why can we not let our phones roam and pick up the networks? To me, it seems illogical.

Hamish MacLeod: The first point is that you are eliminating the potential for competition in a very key area, which is the coverage that



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you present. It is not cost-free to do this, and we think that we can do this at a lower cost and offer a superior service to customers with the proposal that we have put on the table. There are also technical issues with the way that the roaming works. You do not always get the best connection from your service as you roam from network to network. Ideally, you want to be on your own network.

- Q97 **Chair:** I am sorry to repeat myself, but when you are on the continent your phone roams automatically. You get another network and you can use your phone. In those days you could drive and use your mobile phone. I have been on the phone as I have gone through the borders from Luxembourg into France and from Belgium into Luxembourg; my phone does not cut off at those moments. You are getting coverage all the time. They must have a method of paying each other, or do they just accept that they lose some and they gain some? Should your companies not do the same? I do not know how it works, but when I am using O2, EE or whatever, somebody must be paying something to someone. Why do you not just allow that to happen? I am not convinced it is anti-competitive at all. I am not convinced by your arguments. You convince me some more, please.

Hamish MacLeod: That is the bit that I cannot understand. The operators have traditionally competed on a whole range of things, but a key point of that is the coverage that they provide. That stimulates investment in new network. By mandating national roaming you could create a situation where you actually incentivise a reduction in investment.

- Q98 **Chair:** Going back to the planning, if I have constituents who are complaining about a new mast, for legitimate reasons, and there is another network with another mast that we could theoretically tap into, it gives them a much greater reason for objecting, and a more legitimate one, in my view. That is the issue as well. I do not think you are saying that you will have a mast for each company in each area, are you?

Hamish MacLeod: I am absolutely not saying that.

- Q99 **Chair:** You will co-operate with each other's masts. I accept that, but I still do not get why you are making it so complicated, instead of just roaming from one mast to another as you drive around the countryside. That is what I want to do, as you can tell, and my constituents would probably feel the same.

Hamish MacLeod: All I am saying is that it has taken a long time for the operators to come up with a joint proposal.

- Q100 **Chair:** Is that not the operators' fault?

Hamish MacLeod: I do not think it is. It is very important that you have a competitive market. You talked about the viceroy of India and the dangers of having a single—



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Q101 **Chair:** There is a difference between having a competitive market and having one where you do not co-operate because you want to compete with each other. There is a difference between what I call fair competition and what might be classed as unfair competition because a particular company wants to restrict its particular area. We have had this argument with Openreach and all the other companies that are delivering broadband. If you truly want to keep the market open and compete, that is a good thing, but you also have to be able to have access to each other's networks. Why did we split Openreach from BT? The idea was that Sky and other deliverers could come in and deliver on what is an Openreach line, because there has to be competition. I think you are taking out competition by what you are doing, not co-operating with a roaming system.

Hamish MacLeod: What you are proposing is essentially that there is one mobile network.

Q102 **Chair:** They are not, are they? They are not one mobile network across the continent; they are all different ones. My phone automatically roams. You cannot get away with that one. You can have your different companies but it can roam from one to another. That is how it works. I do not think Belgium telecom is taken over by French telecom or anybody else, as far as I am aware.

Hamish MacLeod: If you look around the world, at the instances in which roaming within country is deployed, it is extremely rare and only for very, very isolated parts of the country.

Q103 **Chair:** Is that not precisely what we are talking about—very isolated parts of the country? You have trapped yourself in your own argument there.

Hamish MacLeod: I have not.

Q104 **Chair:** It is very isolated spots where we want to be able to switch around. Do we just do it to very limited areas?

Hamish MacLeod: Perhaps we are talking at cross-purposes here. Do you have it across the nation or do you have it for very isolated areas? Both of those approaches create their own problems. This is why the industry has come together and proposed this solution.

Q105 **Chair:** What about timescale?

Hamish MacLeod: It is rolling out. That is being discussed at the moment with the Government, but it can get going as soon as it is agreed.

Q106 **Dr Johnson:** My question is about the shared rural network. I would challenge your concept that this stops competition. It seems to me that, if I was driving along the road between two rural locations and was getting drop-out during that conversation, there would be the opportunity, as the Chair has described, for the telephone to recognise



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that it was dropping out of, say, Vodafone, recognise that EE had a signal there and for me to move across on to EE, and then back on to Vodafone further along the road, as Vodafone became available. There could also be a mechanism of transfer of money from Vodafone to EE for maintaining the service for their consumer. That is a great idea and much better for the public.

You said that you compete on the basis of coverage. That means you can be aware that you have the better coverage in, say, Lincolnshire, another company can be aware that they have a better coverage in Yorkshire, and you can maintain those fairly well. As soon as coverage is universal because you are picking off each other, you will be forced to compete on price, which may be better for the consumer and less good for the company. It would drive competition in a good way in that respect for the consumer, but it would also drive competition on providing for these notspots. If you are the business that goes and covers that notspot, which everybody else has to pay for as they drive through it, that is a benefit to your company. I think what the Chair says is the way to go.

Hamish MacLeod: Is that a question?

Chair: We want to know whether you will budge on your idea of roaming.

Dr Johnson: You are saying it is anti-competitive, but actually it means that you have to compete on things that are better for the consumer rather than things that are better for the business. I do not see that as being the best way of doing things.

Q107 **Chair:** We are suspicious that it is more about self-interest than the consumers' interest. That is the question, really.

Hamish MacLeod: It is a bit of both. Competition forces the operators to deliver as good a service to their customers as is physically possible. That is on a number of dimensions: the coverage you offer, the price you offer, the sorts of handsets that are in the market. There are several dimensions.

Q108 **Dr Johnson:** This would improve both coverage and price, would it not?

Hamish MacLeod: It is true to say that, if you bring everybody's coverage up to the same level, that eliminates that aspect of competition. But, when you are thinking about the next level of innovation and investment in the next generation, if you essentially create a monopoly situation, at what point do you then drive to the next level of competition? It is very important to keep a dynamic, pro-investment underlying framework within the market, not to eliminate this thing by essentially having a single network, which is what you are saying. They may be owned by different people but, to the customer, it just appears like a single network.

Q109 **Dr Johnson:** It means you are forced to compete on price rather than coverage.

Hamish MacLeod: It is both.



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Q110 Chair: You should not compete on coverage, because I should be able to go around, with whatever phone I have—O2, EE or whatever—and get a signal everywhere. When you go through city areas—there may be the odd notspot but they are very rare—you can pick up with your phone anywhere; as soon as you go into a rural area, you cannot. People will say, “Which phone should I have in this particular place?” whether it is the Blackdown Hills, Exmoor, Lincolnshire or wherever else. They can decide which phone they can get that will give the greatest coverage. You should not have to make a decision on which phone you buy because of coverage. I do not think you should compete on coverage. You should compete on price and delivery of network, and deliver that network everywhere, in total connection. When I travel everywhere else, in urban areas, I do not expect to not have coverage, do I?

Hamish MacLeod: You are ignoring the dynamic effect of competition on investment, if you are just saying to build the same one bland network from the start.

Chair: We are definitely not saying that. We are saying that you have to co-operate more between networks. That is what we are saying.

Q111 Dr Johnson: If you are the company that covers, for example, the bit of the east coast main line between Stevenage and King’s Cross, you are going to make a fortune, because it drops out over and over and over and over and over again in that 20-minute journey. Every other network will be having to pay you for the privilege of covering it, which will drive you to want to cover it yourself.

Hamish MacLeod: I just encourage you to look at what happened in other parts of the world. This solution is not used, precisely because it does not simulate investment.

Q112 Chair: We had better park the argument there. We are not in agreement. We would urge you, in your talks with each other and with the Government, to deliver a much better connection in rural areas. Neither Caroline nor I is convinced that we could not have a roaming system, or that it is anti-competitive. We accept the evidence that you have given us. We congratulate you on the work you are doing, but the one plea we would make is that you work on that to deliver as soon as possible.

We are out of time. For Openreach, we had the issue about whether changes are needed to Government policy or regulation to make it easier for the full fibre roll out to be delivered. If you have any ideas on that, please give them to us in writing. Hamish and Kim, can we please have in writing anything else that you feel you would have liked to have covered?

Kim Mears: We will do you a full written statement as well.

Chair: Thank you very much for the evidence that you have given us this morning and early afternoon. We will look forward to putting the report together.