

Environment, Food and Rural Affairs Committee

Oral evidence: Rural Broadband and Digital Only Services, HC 2223

Wednesday 10 July 2019

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Members present: Neil Parish (Chair); John Grogan; Dr Caroline Johnson; Mrs Sheryll Murray; David Simpson; Angela Smith; Julian Sturdy.

Questions 113 to 215

Witnesses

I: Margot James MP, Minister for Digital and the Creative Industries, Department for Digital, Culture, Media and Sport; Lord Gardiner of Kimble, Parliamentary Under Secretary of State for Rural Affairs and Biosecurity, Department for Environment, Food and Rural Affairs.

II: Lindsey Fussell, Group Director, Consumer and External Relations, Ofcom; Katie Pettifer, Public Policy Director, Ofcom.

Written evidence from witnesses:

[– Department for Digital, Culture, Media and Sport](#)

[– Ofcom](#)

Examination of Witnesses

Witnesses: Margot James MP and Lord Gardiner of Kimble.

Q113 Chair: Thank you very much for joining us. When we have located Margot she will come and join us, so, if you do not mind, we will make a start. Naturally, we are looking into rural broadband connection and mobile coverage, so it is good to have you back here again. Is it fair to say, despite the Government's best efforts, that digital policy is failing to keep up with the pace of technological change and reduce the gap between urban and rural areas? To cut a long question short, the technology is improving very quickly, so in the urban areas where you have connection they are going faster and faster. Of course, some of the rural areas do not have connection at all and it is making for a lot of frustration. I do not know if you want to handle that one.

Lord Gardiner of Kimble: Thank you very much. My stall is the Rural Affairs Minister. I cannot possibly rest until the rural communities, by which I mean all rural communities and people who live in the more sparsely populated parts of the country, have the contemporary life that both broadband and mobile coverage provide. From the locus of Defra, my pitch is that, yes, all the statistics show we are getting ever more rural communities connected, but there is still a divide. As you start to build up that opportunity in parts of the rural community, there are still these remaining gaps.

One of the 5G trials, so important to rural proofing, is in rural areas, and therefore we want to work inward from those difficult-to-reach areas so people are not left out. My analysis is that it becomes more acute as ever more people come, because the differentiation if I want to run my business in a rural area without connection becomes much more awkward. I have examples, say in Suffolk, of where one part of the village has good connection and another does not, and you get this disparity.

The other thing I am detecting from my discussions with the CLA and the NFU is that the villages are getting connected, and better connected, but the farms, hamlets and sparser areas are not. The statistics show there is improvement. DCMS has the lead in this. As the rural champion, I will not rest until all communities have it.

Chair: You are not going to get much rest at the moment, because there is still quite a lot to be done.

Lord Gardiner of Kimble: Yes, exactly.

Q114 Chair: It is not a direct Defra responsibility, but with your rural proofing it becomes one. How do you directly feed into DCMS to make sure what we need in the countryside is being heard?

Lord Gardiner of Kimble: I am fortunate to have some very strongly equipped officials who are experts. I have to candidly say I am not technically au fait with a lot of this. I could never have invented it myself.

Chair: No, nor could I.

Lord Gardiner of Kimble: I have officials who work very closely with DCMS and particularly on the barrier-busting team. That is where the absolute essential element of the work of the two Departments comes in. I have officials and, with my own connections with rural communities, it is constantly feeding into DCMS, the Minister and officials what we think of in terms of rural proofing, and constantly working with DCMS. I have no gripe. There is an absolute recognition with the Secretaries of State and with Ministers that we need to work on rural. For me, it is a top priority. I know from my discussions with DCMS that it is theirs too. I think I am right in saying that, in the latest wave, 70% of the premises that are being connected, quite rightly, are rural. There is catching up to do but I would want to assure the Committee that the dialogue and the connection between officials and Ministers is very strong, because we recognise this is a really important challenge.

Chair: Margot, thank you very much. Do not worry; you caught up.

Margot James: I apologise to you and the rest of the Committee. It was my mistake.

Q115 **Chair:** That is quite all right. Do not worry. You are here now; that is the main thing. The first question was this: the Government have made good efforts to get digital broadband into rural areas, but what is happening in a way is that, where you have connections, especially in urban areas, technology is getting faster and faster. Then many rural areas do not have any connection at all, so the divide is getting almost greater in places. What are you doing about it?

Margot James: In answer to that particular aspect of the problem you raise, the most important strategy we have to make sure that divide between rural and urban is not exacerbated, but indeed they are brought closer together, can be seen through the future telecoms infrastructure strategy that we published last summer. That gave rise to the Rural Gigabit Connectivity programme, which was launched a few months ago. That provides public funding to make sure rural areas get access to gigabit connectivity at the same pace as urban areas. I accept that was not the case with the rollout of superfast. We wish to compensate for that with the new programme.

Q116 **Chair:** I think in my manifesto for 2010 we had fast broadband, 2015 fast broadband, 2017 even faster broadband, and now we are in 2019 and many areas still do not have broadband. If you are running a tourist establishment, if people cannot book online they will not come. Not only is it bad for rural areas; it is knocking business.



Margot James: I could not agree more with your concern. I would say though that, if we look back at progress we have made over recent years, nationally we have 96% of premises now with access to superfast, but 83% in rural areas, which is a significant improvement on the situation four or five years back.

Q117 **Chair:** You know what they say about lies, damn lies and statistics. The trouble is that, yes, you are right; the statistics are right, but if you happen to be in that rural area it is not 17%. It might be 70% of a given area that does not have it, and that is not always recognised in the statistics. I imagine you realise that.

Margot James: I completely concur. The 83% figure is no good if you are in the 17% that do not have access to superfast. I completely accept that. It is far too high a figure. We have a lot of programmes in place that rural areas can access, through the various broadband voucher schemes and indeed the full-fibre programme, independently of the Rural Gigabit Connectivity programme I mentioned earlier. There are fibre solutions for communities that can access them and the majority are going to rural areas now, so we are closing the gap.

Chair: Sorry to interrupt. On the voucher scheme, we have lots of things out there, like Connecting Devon and Somerset, but you find on the ground it is very difficult for people to access them. They are very often in scoped areas of the contract. Everything is complicated and some people are getting hugely frustrated by it. Do not worry, I will let Sheryll in. You come in, Sheryll. You are going to burst otherwise.

Q118 **Mrs Murray:** I am sure it is the same throughout the country. A lot of businesses in rural areas are in isolated positions, so the community voucher schemes and all those things do not work for them. Particularly in places like Devon, Cornwall and the great south-west, we should be looking at encouraging business to grow. It is something that I know the Government are really keen to do, but the fact that they are not getting adequate broadband coverage is not helping. In fact, it is working against us creating entrepreneurial businesses. What plans do you have to do it? I have found that sometimes BT has not been helpful. Have you had any communications or dialogue with them to say that this is something we need to address?

Margot James: I have had many discussions with BT, and Openreach and other companies. Indeed, in the areas you mentioned in your questions, Cornwall, Devon and Somerset, there is a lot of activity to put things right in Devon and Somerset, where things have gone wrong with the company that was awarded the contract, Gigaclear. I believe that is back on track. We have managed to extend the programme to enable them to roll the product out now. I met my colleague, the Member for Taunton Deane, on this very subject about six weeks ago. There has been positive movement there.



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With regard to Cornwall, you may know we managed to get Cornwall as one of the first wave of the new Rural Gigabit Connectivity programme. That is already starting. We have identified a number of schools in Cornwall that will provide the fibre hub. We will connect that fibre at public expense.

Q119 **Mrs Murray:** I welcome the school connectivity. Some of my own schools in my constituency are going to benefit, but it is business and it is still a barrier to some rural businesses.

Margot James: I accept that. There is no doubt about the fact that you are right there. I completely concur. I am just going through what we are doing to address the problem. Businesses in the vicinity of the schools we are connecting with fibre directly, at public expense, will have an increased voucher value in order to connect off of the school hub. I think that voucher has gone up to £3,500 from the standard voucher scheme, the gigabit voucher scheme, which is valued at £2,500 for an SME.

We are very alive to what you say and I completely agree with you that businesses in rural areas suffer. As the Chair mentioned in his opening remarks to me, the fact that the situation is fast improving elsewhere is making them suffer even more. It is unacceptable, but I want to assure you that we are doing everything we can, within the current constructs of public expenditure constraints and regulations, to motor on this, so the number of businesses suffering in your constituencies will be reduced.

Chair: Let us park that one there.

Q120 **Dr Johnson:** My interest is in public services. For example, the CLA has made the point that farmers in these rural areas are expected to fill in their single farm payment and other information online. Schoolchildren all over the country are being asked to do MyMaths, Times Tables Rock Stars or whatever, to improve their maths skills over the summer holidays. They are being asked to do this as a game that is only available online. Health is increasingly online. Cumbria County Council said online access to healthcare is increasingly critical. Today we have heard press reports of how people are going to be asked to talk to their Alexa to get medical advice. We are being asked to make tax digital, so all these businesses in these rural areas are expected to make tax digital.

Increasingly, the Government are requiring people to do everything online to achieve public services they have paid the same tax for as the people living in the city, often slightly more. To what extent are Government aware of that and what is Defra doing, every time a Government Department decides it is going to put another public service online, to make sure that public service can be delivered to the 3% of my constituents who receive less than 2Mbps or the 20% who receive less than 10Mbps?

Lord Gardiner of Kimble: With BPS we are now at 86% online, but it is Government policy, and with all digital services, that there must be an alternative, precisely because, until we get to the truly universal figure, there will always be people who do not have access or, indeed, possibly



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capability. It is essential in our drive for digital that we never forget that there will be people who will not be able to use it. It is Government policy that there must be alternatives to the online facility.

It is one of the reasons we have devoted £79 million of RDP money to ensure the hardest-to-reach rural area businesses are going to benefit from that amount. It is 18,402 businesses, but alongside that about 265 properties. That is precisely because they are the hardest to reach and they are the ones we think really need the support and help. That £79 million, I know, is much smaller than the moneys DCMS has in its command, but we felt very strongly in Defra about those hard-to-reach areas. To answer your point directly, there is no digital service that I know of, and it is not Government policy to have digital alone. There must be the opportunity of alternatives, the telephone, the post, as well.

Q121 Dr Johnson: I have two points on that. First, what is the alternative to the Making Tax Digital programme for people who would need to fill in their tax?

Lord Gardiner of Kimble: As far as I am aware, with the tax, if a business cannot access digital, it will not be required to, because it is impossible if it does not have that capability. In my references on tax, I think there is a tax note: the Government “have been clear from the outset that those businesses that are unable to go digital will not be forced to do so”. It is really important, as we bear down on the gap, that we do not impose digital if people simply cannot avail themselves of it.

Q122 Dr Johnson: What guidance is provided to schools such as those that provide homework to be done online, whether that is the online times table games I described or others? What guidance is provided to schools to say, “You must provide an alternative homework for those children who do not have access to reliable internet to do these games”?

Margot James: I can say a little bit on that. One of the reasons we are prioritising schools initially with the rollout of the Rural Gigabit Connectivity programme is precisely that we see the education divide between schools that are happily online and those that are not as being a very significant problem.

We connected the last remaining school in the whole of Wales about six weeks ago—the only school not to have access to superfast broadband, and the little area around it. I accept there will potentially be parents who are too far away of course, which does not help. The more schools we get connected, the more impact we will have on the problem. Until then, I fail to see how a school can possibly expect children to complete homework online, unless they do it in a prep club at school and the school has an internet connection, if it is quite evident that the parents do not live in an area with access to superfast.

Q123 Dr Johnson: I agree with you completely there, Minister, but 20% of those living in Sleaford and North Hykeham, my constituency, have less



than 10Mbps, which presumably means that roughly that proportion of children do not have access to 10Mbps, and 3.3% have less access than 2Mbps, which means you cannot run anything. It is really good that the schools have access, but those children who do not have access for these things over the summer holidays or weekends are falling behind. They are being given less opportunity, despite the fact that they have every right to the public services that everybody else does.

Margot James: I agree with you 100%. I can see that in your constituency at the moment 6% of premises do not have access to superfast.

Q124 **Dr Johnson:** I have quite different figures from the library.

Margot James: I have it as 94% of your constituency with access to superfast coverage. If you want to check it, the reference is Thinkbroadband, which I find is usually quite reliable. If you are in the 6%, it is no help, is it? I fully accept that.

Q125 **Dr Johnson:** I have slightly different figures from the library. This is the key thing. When public services are being designed, when this Making Tax Digital website is being designed, what effort is made to assess the minimum speed at which that site will reliably function?

Margot James: I am not aware of any assessment the Treasury has made in that regard. However, as a school you could be informed by the Ofcom guidance. The new minimum service obligation we are introducing in March next year is designed to guarantee people at least 10Mbps. I want to make clear that, if you have that, I think you can safely say that you can return your tax forms online with no connectivity problem, so that will help your SMEs and sole traders.

Q126 **Dr Johnson:** One of the things we notice as speeds become faster is that websites become more complicated. They use more graphics. They need more speed to run. Are the Government making any assessment of how fast a speed their new sites will need to run on, or are they making them excessively pretty and complicated, and putting little videos of how to do things on that, realistically, cannot be downloaded in the countryside?

Lord Gardiner of Kimble: On that, from the Defra point of view I know, and I was trying to look it up in my range of papers, that the design is very much considered, precisely because it must be easy to use. It must not in any way enhance the problems of speed. Therefore, for the Defra services, that is very much taken into how you design it, how you make it less complicated, how you do not find yourself halfway through the completion and then it becomes so complicated, it crashes and it becomes a complete nightmare. I can assure the Committee on that element of it, until we all get to where we want to be.

That is not only because of the speed but because I do not think we in Government should make forms complicated. They should be much more straightforward and streamlined. Surely we are not there to confuse the customer. We should make these things straightforward. I have four

pages. I was amazed at the number of digital services Defra alone provides. All of them have non-digital alternatives, but it shows the direction of travel and therefore we must make them straightforward.

Q127 Dr Johnson: Defra is working to make sure your forms can run on slow speed internet connections. What about the rest of Government?

Chair: I do not think Lord Gardiner is answerable for the whole of Government.

Dr Johnson: But Margot is in charge of broadband.

Chair: As a slightly broader question, how do you, in your Department, work across Government to make sure it is not overly complicated and needs more power than ever to download systems across Government? Do you have any influence over that?

Margot James: That influence is felt more as a result of GDS, Government Digital Service, and Cabinet Office links across Government. It is definitely something to be reminded of, that we should be vigilant about that. It is a useful learning as a result of what you are challenging us about.

Q128 Dr Johnson: This is my final question. Has anyone done any studies to consider how much the failure to deliver effective broadband to these remaining constituents, these remaining households, has cost Government, in terms of lost revenue or increased cost of delivery?

Margot James: I am not aware of any studies in that regard, but there are studies that demonstrate the improved productivity of faster broadband speeds when they are introduced. You could extrapolate backwards from that. I do not have the figures off the top of my head, but they exist.

Q129 Chair: It is probably better if we have that in writing.

Margot James: It may be with the National Infrastructure Commission. We would be happy to write to you with the enhanced productivity. I feel that they are in fact an underestimate, but they are in existence and we are very happy to share them with you.

Q130 Mrs Murray: Could I turn to the universal service obligation, please, Margot? The House of Lords Committee recommended, in April 2019, that the specification should be reviewed as soon as possible. There has been continued criticism from many rural stakeholders about the increasing need for faster download and upload speeds. This follows on from what Caroline has just said. Is it now the right time to review the whole universal service obligation specification?

Margot James: In our view, it is not appropriate to review the whole specification before it comes into effect. As you know, it comes into effect next March. There are a lot of practical issues around organising any kind of review before then. We would not want to delay its introduction, which would be a risk were we to review it before then. There is a commitment



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to review the USO once uptake of superfast broadband hits 75%. That is not to say it will not be reviewed before then.

Q131 **Mrs Murray:** Could I come in there? Jeremy Leggett from ACRE has suggested that the USO had the potential to trap rural communities with lower connectivity. Surely there is an argument to say that, if you are going to roll out this obligation, the current specifications could be a barrier to reaching the harder-to-reach areas.

Margot James: I do not feel that argument is valid. You have to remember that the USO is a safety net. It is a minimum. We hope and anticipate that, in many instances, when people exercise their right to request a faster broadband speed under that service obligation, they will end up with more than 10Mbps. It is a minimum. It is a safety net. It does not conflict with or get in the way of any of our other programmes. It will be reviewed once take-up of superfast hits 75%. It is hovering slightly under 50% at the moment, so it will get reviewed.

Q132 **Chair:** Is it take-up, rather than delivery.

Margot James: Yes. You have your availability of superfast broadband. Across the country that is 96%, and take-up is just under 50%. Once take-up climbs to 75%, we will review the USO.

Q133 **Mrs Murray:** That does not help people who desperately need the faster connectivity in rural areas where they cannot get it. You are saying you have to wait until next March to see what the take-up is when you know there are areas that are crying out for it. Surely there is a case for you to keep reviewing it in a progressive way.

Margot James: I am going to unpick a little bit of where you are coming from here. For a start, the service obligation is part of a whole panoply of support measures that we are putting in place. It is a minimum guarantee if all else fails. If you have a speed of 2Mbps, you are entitled to more than that. BT, which has the tender to supply, has to honour, I think, at least 80% of requests within 12 months. It is for people who are very badly off at the moment and it will provide an improvement in prospects for them, but it is not in isolation. There are other opportunities they might be able to access.

We should keep it in perspective, because Ofcom only expects 7% of rural premises to be eligible for the service obligation. It is only 7% and that is indicative of the fact that, by the time it comes out, 93% of rural premises are expected to have faster speeds.

Q134 **Chair:** Can you not understand, though, Minister, the frustration there is in the rural areas? This goes on year after year. You say it may only be 7%. For goodness' sake, my constituents, along with everyone else's in this room, have just about had enough, really, of all the figures, all the statistics.

Margot James: I understand.

Chair: Oh, yes, you will get jam tomorrow if you wait long enough, and the jam might be the day after.

Margot James: I understand. I really would hate to have given the impression that I am at all complacent. I am really not and we are working hard within those constraints I mentioned earlier, which are constraints, to deliver as fast as possible to the people in these parts of the country who are being disadvantaged. I could not agree more about that. I am sorry to labour on statistics. I accept that figure of 7% is almost one in 10, so it is still a lot of people. I understand that.

When I first came into my position, if I am allowed to digress slightly, the Department had just hit 95% access to superfast, and it was a fantastic achievement. We were trumpeting it, and then I started to realise how many premises were not getting it still. It was about 3 million, and I started saying, "That is unacceptable". We have a fabulous team of officials in BroadbandUK and in my Department who have a deep understanding of what we are trying to do and are a crack team. I know it is frustrating, more than frustrating.

With the benefit of hindsight, when you look back, it is not acceptable that more was not done in the earlier years to focus on closing the gap between rural and urban with the rollout of superfast, which is why, returning to my opening remarks, we are so committed to what we used to call our outside-in strategy.

Chair: We are going to talk about that in a minute.

Mrs Murray: Do you have anything to add to that, Lord Gardiner?

Lord Gardiner of Kimble: It is why I said in my opening remarks we should not rest until we have universal, meaning universal as an opportunity for everyone. I concur that we in Defra, working with DCMS, are not satisfied. Constantly, as DCMS knows, when we get to 95%, I turn it round into how many people that means, how many businesses that means, and that is simply not acceptable. In my view, we need to accelerate this, because people do not have the opportunities and we are not able to get the full flourishing of the rural economy that we surely must have. As far as I am concerned, our work with DCMS is to secure success for the rural communities.

Q135 **Dr Johnson:** Is the term "universal" in universal service obligation misleading, since it does not include everybody?

Margot James: We have to contemplate that further and consider who would not be included by it. It is something that everybody who has a speed lower than 2Mbps is entitled to access.

Q136 **Chair:** But only up to a certain cost.

Margot James: Yes, up to a certain cost. You are quite right.

Q137 **Chair:** Yes, so some people are excluded.

Margot James: Yes, I accept your point.

Q138 **Chair:** I think the best thing to do on that one is give us some written details on what you estimate are the numbers, because there would be quite a few where there are very expensive systems to get or a long way to go, and they will have to be dealt with eventually. They are always getting put off and put off.

Margot James: We are very alive to that, and we are alive to that through the fibre rollout as well. There will be some premises that are remote or have topographical constraints and issues. To that extent, the term “universal” should be qualified. I would agree. We should remind ourselves of the number of people who probably will not get a connection via those means, via fibre. Fixed wireless is improving all the time and I think that will be the solution to some premises.

Q139 **Dr Johnson:** In previous evidence, we were told 55,000 homes could not expect to receive broadband using the apparently universal service obligation.

Margot James: The sorts of figures I have been given are between 40,000 and 60,000 premises nationwide. I would agree with that.

Q140 **Chair:** We would still like it in writing, because it would be useful to have as evidence.

Lord Gardiner of Kimble: In my understanding, the £3,400 threshold would cover 99.8% of the UK and the remaining 0.2% would have to be covered by satellite. That was my understanding of how that would be. As to the financing of satellite, I am afraid that is beyond my sphere.

Chair: We will probably deal with this again under David’s question, because that covers quite a lot of this. We will leave that there.

Q141 **Julian Sturdy:** Margot, you touched on the 3 million properties that are not getting access.

Margot James: That was when I was first appointed. That has reduced because now 96% of premises across the country have access to superfast. It would be a lower figure.

Q142 **Julian Sturdy:** Do you know what that figure is now?

Margot James: I can ask officials whether we could make an estimate. It will be less than 3 million, but I am not quite sure by how much.

Q143 **Julian Sturdy:** My real question was not about the numbers, but do you have the breakdown of those numbers? Are those premises in very isolated remote areas, so individual premises, are they in villages, are they in hamlets, or are some of those in towns? What I am trying to get at is to really understand, from your figures, the evidence around the communities that are most affected. We all think rural communities are the most affected. That is probably right, but I am trying to drill down with the evidence of those figures. Do you have the breakdown?

Margot James: I do not. I am not aware we have a breakdown, but we might have a breakdown. I will ask.

Q144 **Julian Sturdy:** Are some of those properties in urban areas?

Margot James: In answer to your question, yes. I have not seen a real granular breakdown, but I can tell you they are a mix of urban, suburban and rural areas. For the most part, they are rural areas, and there will be a good number of extremely hard to reach in among them. There will be a mix of businesses and residences. I have just been given a little bit of extra information here. Apparently, approximately 1 million homes, so these are domestic residences, still do not have access to superfast broadband across the country. I think the make-up would be broadly as I just described.

Q145 **Julian Sturdy:** Is the make-up or the breakdown of those 1 million homes available? Is that information you can access?

Margot James: I will find out.

Q146 **Chair:** If it is, it would be really useful to have.

Margot James: Yes, of course.

Q147 **Chair:** It will make part of the evidence for our report.

Margot James: Most of this data is analysed in so many different ways. I would be pretty confident I can get that information for you.

Q148 **David Simpson:** How do you plan to implement your outside-in approach to delivering full fibre?

Margot James: We intend to deliver it by connecting fibre directly to public buildings, starting with schools, in the more remote parts of the country. As we have only just started the programme, the commencement of the programme involves identifying the public assets to start with. That is the process officials go through.

Q149 **Chair:** It is just public buildings.

Margot James: To start with, yes. We have £200 million of public money, I think from the National Infrastructure Commission, for the first wave of the programme. The programme will concentrate on the connection to public buildings and we are starting with schools, for the reason I gave Caroline Johnson earlier.

Q150 **David Simpson:** To follow up on that, again you are talking about connecting to the urban areas, the buildings, the schools or whatever. What about the rural areas? I got a communication from BT some time ago in relation to Northern Ireland. If I am correct in what I understand, that said, if there are rural, isolated areas, unless it is profitable for them to connect them, they will not do it.

Margot James: That is the reason we are financing this investment via public funds. It is quite true. The Future Telecoms Infrastructure Review



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estimated that between 10% and 15% of the country would not be commercially viable—10% would not be commercially viable for even one company; there is a proportion of the country that would be viable for one company; and then the majority will be properly competitive. We are targeting the public funding to reach the 10% of the country we do not believe is commercially viable for any operator without public subsidy.

In deploying that finance, as I said, we will be identifying public assets, schools and hospitals for example, in the remote areas and they will be connected to full fibre. Then there will be an incentive to commercial operators to come in and connect the local community surrounding that public asset via a voucher scheme, which has been, as I said earlier, enhanced from the original broadband voucher scheme.

Q151 David Simpson: Sorry for cutting across you, Margot. In relation to BT, I have had a number of public meetings in rural areas where BT has come. They have talked about the voucher scheme and how it is going to cost £1,500 per family or whatever to connect it with the school. Then, when it materialises out, it jumps to £3,500. There seems to be an ever increasing price to all this, even with vouchers.

Being very frank, in some of the rural public meetings, BT misled people that it was going to cost X sum to do this. Where is the ceiling to all this? We want to see the rural communities benefit from it, but families who would contribute whatever only have so much money to do this. It is vital we get the best value for money. How do we put a ceiling on this with the likes of BT and others?

Margot James: There is not a cap, but there is at least a subsidy. The majority of your constituents who would find themselves living within the surrounding area of a school that had been connected by this programme to full fibre would find themselves able to connect, for quite a few of them, for less than the subsidised amount.

We have enhanced the subsidy to individuals under this scheme up to £1,500 and for SMEs up to £3,500. That is a subsidy. If you are living at quite a distance, that is another matter, and it might not be economic and you will not be helped, but at least it is a very good start to be connecting a school or a hospital in a very rural area that, at the moment, does not have access even to superfast. To leapfrog everything and get full-fibre, gigabit speeds straight away is a big advantage. Sadly, it will not cover everyone, but it will make a huge impression.

Q152 David Simpson: To finish, there are lots of different Government programmes and funding streams. Is it clear to consumers and communities what funding is available to them?

Chair: Yes, that is a real problem there.

Margot James: Yes. I have to be honest with the Committee and say that, as the Minister responsible, it took me quite a long time to fully understand all the options. It is very clear to me, but it is my job to understand it. I



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can understand that, because there are so many different schemes, under different auspices, it can be confusing.

If you go on the BroadbandUK website, it is all detailed and clear there, and no doubt it will be updated once we have more of an idea of how the first wave of the Rural Gigabit Connectivity programme is going to be rolled out. That will come as and when parts of the country have a clear commitment and we have identified the public assets, which we have not done yet, apart from in a few areas.

Q153 Mrs Murray: Very briefly, I want to ask you what communications you have with other Departments. I am thinking of the announcement we had today from the Health Secretary about online consultations. It would probably be a very good idea for people who live in rural areas, but, if you do not have the broadband to be able to access these services, it is not going to help you. What sort of communication are you having?

Would it be a good idea, when Government are making these announcements, to make the announcements in a joined-up way, so people are aware that there is a scheme they may be able to access broadband through, and they may then realise that a plus side is using these services? I am not hearing that message myself, and I am sure my constituents are not.

Margot James: I missed that announcement from the Secretary of State for Health today. I thought you were going to challenge on the fact that it was an online consultation he had announced and how that would help people who did not have access.

I would like to add one thing into this mix. The bad situation we have is the rural divide, which is what we are all here discussing, but there is also the digital divide between people who have the skills and confidence to go online and the many who still do not. Up to 5 million adults of working age still lack basic digital literacy skills, and 20% of people with a registered disability have never gone online. This is terrible and underlines my firm belief that, as a Government, we should not be sanctioning anything that is online only, for obvious reasons with the rural communities, but for all these other people as well who are not accessing online. We have a programme to help them, but it takes time. For the duration, Government should not be permitting consultations or services that are exclusively accessible online. That is quite wrong.

Q154 Julian Sturdy: I wanted to bring something back to Lord Gardiner, following on from what Margot has been talking about. Has Defra done any work on the potential collapse of rural communities? Do you have any information about the impact that young people moving away, and rural businesses relocating, has on services because you do not have access to superfast broadband or—I know the Committee is going to come on to it—4G?

We all know now that when you buy a property, when you move house, one of the things you automatically ask is what broadband speed it has. Is there any work ongoing within Defra to drill down into the impact it is having



on rural communities and the lifespan of those communities? Can you, hand on heart, say, "We need to fix this in five or 10 years, and if we do not we are going to see rural communities collapse"? Do you have any data on that?

Lord Gardiner of Kimble: The analysis is that the provision worsens the more rural an area is. As I say, in all my discussions, with the CLA, the NFU, ACRE, the Rural Services Network, all the people I meet regularly, they have acknowledged that considerable progress has been made. Where this is not happening sufficiently fast enough for people is where you get to a more sparse setting. One of the reasons the RDPE money of £79 million was specifically designed for businesses in the hardest-to-reach areas was, to pick up your point, that those are the areas we should be most worried about, because they are critically in this gap. We absolutely recognise why we are working together.

Quite rightly, two of the six 5G trials are in rural areas. That is precisely because of the impact on young people. You cannot lead a contemporary life if you do have connection. You cannot do all the things everyone else is doing. We, as the rural affairs Department, are very seized of that. That is why our messages to DCMS are particularly on that constituency, as I call it. It is not the villages so much now, although all Members of Parliament here will have villages that have poor connections. It is in the hamlets, the more spread-out farmsteads and so forth, and they are precisely where we need to have more business opportunities and connectivity.

Q155 **Julian Sturdy:** Do you have any hard data on that?

Lord Gardiner of Kimble: Our hard data is that we know, from the *Statistical Digest of Rural England*—I am just reading it out—that the percentage of premises with a decent broadband service rises to 35% in the rural hamlet and the isolated—

Chair: Sorry, Lord Gardiner, can we have those figures and anything you have in writing? Julian makes a really good point.

Lord Gardiner of Kimble: Yes, surely.

Julian Sturdy: It is also information on businesses that have either gone out of business because of access or deliberately relocated.

Lord Gardiner of Kimble: If I could send the *Statistical Digest of Rural England*, I think that would be helpful.

Chair: If you could, that would be really useful.

Q156 **John Grogan:** I have just one question, given the time. Following on, Lord Gardiner, I think you are right. It is the hamlets and the isolated properties that I notice in my constituency. I mentioned one or two in the session we had with Openreach, and we have had progress on that now. It taught me a lesson about wayleaves, regulatory reform and so on. As we look to full fibre, I know there are requests for regulatory reform,



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broader wayleave reform, and possibly reform in terms of insisting on full fibre to new builds and so on. I think Openreach has come up with an agenda of regulatory reform that it wants. What are your thoughts on that? Before you give us the thoughts, I should tell the Committee, Chair, that New Zealand has beaten India.

Chair: It is hot off the press.

Lord Gardiner of Kimble: My view would be that these arrangements on wayleaves should be a fair negotiation between whoever has the land and whoever is the operator. I use the word "fair". In the end, the arbitration would be through the Lands Tribunal, but all these things should be a fair arrangement.

Q157 **Chair:** It needs to be speeded up, does it not? That is the trouble. It all takes far too long. Once there is a dispute over a wayleave, it can take years, if you are not careful.

Margot James: It is ridiculous. We have bid for legislation in the second Session to make greater demands on landlords for granting of wayleaves, and we are going to dramatically reduce the time it will take a company to go to a magistrates' court and get approval. Some of the time, the companies cannot even find out who the landlord is. This wayleaves legislation is much needed and we have been promised a slot in the next Session of Parliament.

Q158 **Chair:** On that final point, if you do not know whose the land is, is there a way we can legislate so you can go through with a cable and deal with the consequences afterwards?

Margot James: Yes, there is.

Chair: Otherwise, you could spend centuries trying to find whose it is.

Margot James: Exactly, that is one of the problems and that is what we are going to correct through legislation.

Chair: That will be really good.

Margot James: That is the next Session. We also wanted to legislate to require new builds and new developments over a certain size of units to fit full fibre from the get-go. That has not yet been agreed, but the Committee might like to know that we think it is a good idea.

Chair: I think we ought to put something about that in our report. I can feel that coming on.

Q159 **Dr Johnson:** I agree; we would never accept someone building a new house without a water supply and utilities. Given that it is an important utility, do you think 14 years is a reasonable time for every house to wait for full-fibre broadband, as per the Government's current target?

Margot James: The way you put it, it sounds unreasonable. We need to go back to the point that was raised earlier by you about what the term



“universal” means when there are some premises that we know will never get connected to full fibre. The reason that the target stretches out to 2033 is that we are talking about 13 or 14 years, and currently we have approximately 7% of premises connected to full fibre. We are talking about probably 28 million more premises to connect. If you look around the world, as our officials did when they authored the Future Telecoms Infrastructure Review last year, countries that do well in connecting at speed, at pace, are connecting about 3 million premises a year. That thinking informed the target.

Answering the spirit of your question, if I may, at the moment we have two targets. We have full coverage by 2033 and we have the majority of premises, 15 million-ish, connected by 2025-26. This is not Government policy, but I think it is reasonable to ask whether there is scope for an interim target between those two dates, so people can be assured that, unless they are really at the tail end, they are likely to get full-fibre connection earlier than 2033. It sounds worse than it is.

Q160 **Dr Johnson:** I am interested in the point you made about someone never getting it. Are there any premises that do not have water, do not have an ordinary telephone line and do not receive a response from the Royal Mail?

Margot James: There probably are, actually. I am not an expert. You are talking about lighthouse conversions on remote islands, for example. There is a certain topography in mountainous parts of the country that would make fibre truly uneconomic unless you were a very wealthy person who liked quite a hermit-style existence. These are exceptions, but they do exist. If one is being precise, one has to remember them.

Q161 **Dr Johnson:** These 55,000 exceptions are still paying their tax, are they not?

Margot James: I am not sure I would necessarily say that all 55,000 would never be economic to connect via full fibre. I think I mentioned in my answer that I have heard estimates between 40,000 and 60,000. That 55,000 is at the upper end of that estimate. We are talking nationwide, when we are talking about 30 million-plus premises.

Q162 **Chair:** Sorry to interrupt, but at what stage do you decide? Surely by now we have been on a good 10 years trying to get broadband. We are saying another 13 years, so that is 23 or 25 years. At some stage you have to say, “These premises are not going to be connected by cable, so let us use satellite” or whatever. We have to get a sum of money in, because otherwise these people will wait forever, and why should they wait forever? They should be told what they are likely to get, if they are going to get anything, rather than being dragged along, or strung along—that is the word I wanted—and not getting anything in the end.

Margot James: That is certainly not our intention. I would imagine that quite a number of these places already have fixed wireless.



Q163 **Chair:** People do not know what your intention is, Minister—not you personally, but the companies. They do not know whether they are going to get it. That is why they get so frustrated.

Margot James: If you compare those two figures, there are just over 40 million premises and maybe only 40,000 that are in such a geographical situation as to make full fibre connectivity uneconomic. I take the criticism that maybe we should start a programme of helping people understand more about the topography, more about the reality of fibre connections so if they live in such a place it might prompt them to try to find out what is available.

Chair: An amount through a voucher would help them as well.

Margot James: Indeed, a lot of them will already have fixed wireless, or a number of them will, because it will be evident to them that this is going to be very difficult. Your time will also be well spent looking at the majority of people and of premises, be they business or residential, that will have full fibre connectivity by 2025, and the whole country, bar between 40,000 and 60,000 premises, by 2033.

There is a debate about whether those targets are ambitious enough. I have explained that, when you look elsewhere in the world, we are at the top end in our estimates of what can be achieved. I would also remind the Committee that some countries that have proceeded at pace and connected maybe 3 million to 3.5 million premises a year are coping with a very different planning environment. Also, a number of those countries have many more premises in multi-dwelling units, which are quicker to connect. We need to bear that in mind as well. There are ways. There will be a new Government by the end of this month and the Committee can lobby for changes in policy that would enable us to look at bringing forward some of those targets.

Q164 **Chair:** Yes, the candidates have promised us broadband. I think both of them have, have they not? I am not convinced it is necessarily going to be delivered any faster.

Margot James: Not without changes to Government policy on public expenditure, immigration and a number of other things—planning, certainly.

Q165 **Dr Johnson:** There are two little bits left of my question. First, both of the candidates to be our next Prime Minister have said they will deliver full-fibre broadband by 2025, I believe.

Margot James: I do not think that is quite true. Yes, the Member for Uxbridge and South Ruislip has done that, but I do not think that applies to both of them.

Q166 **Chair:** We will not have a dispute over which one has, but whether they will get it delivered is what we want to know.

Margot James: I can probably say that to have the whole country connected to full fibre by 2025 is not physically possible. Even if we were to do exciting things like exempting telecoms completely from the immigration controls and visa system, piling much more than the £3 billion we are estimating at the moment into public funding, making major changes in planning and infrastructure, it would be really pushing it.

Q167 **Dr Johnson:** Most people living in these 50,000 or 40,000—however many thousand—properties are probably currently thinking, “It is okay because the Government have promised the universal service obligation will reach me, so we will have a universal coverage by 2020”. At what point will you be contacting constituents like mine, living in rural households, to tell them, “By the way, the universal service obligation you have been waiting for does not actually apply to you, because we do not think you are economically worth spending the money on to give you that utility and those public services”? At the moment they are waiting and expecting.

Margot James: I apologise if I have not been so clear here. I might have muddled the water between the full-fibre connectivity and the universal minimum service obligation. That can be delivered through the superfast broadband scheme. As I mentioned, there are other ways of getting connectivity, fixed wireless being probably the best. What is important is that we can give people an acceptable speed. Fibre is the best in terms of reliability and gigabit speed, but you can get good speeds with fixed wireless, and that would be the fall-back for some of these remote areas.

Chair: I think the best thing we can do with this, Caroline, is get it in writing.

Dr Johnson: That has mixed up the two, because earlier on you accepted there was a cost limit to providing USO and that 40,000 houses would be not able to get the USO. Now you are saying they are not going to get fibre broadband, so that has confused the two.

Chair: Minister, I think it is best to get that in writing. Most people would think the universal service obligation would mean they would get it, so that needs to be quite clear as to who is going to get it and who may not. There will be different ways of getting it, not necessarily through fibre. It could be through satellite; it could be through wireless, but it would probably be better to have some clarification on that.

Q168 **Mrs Murray:** For clarification, there was a newspaper report where it said both candidates for the leadership promised to deliver superfast full-fibre broadband years ahead of schedule.

Chair: Minister, whichever of them becomes Prime Minister, we will have them in and get them to clarify—

Margot James: I read the article in *The Daily Telegraph* by the honourable Member for Uxbridge—

Mrs Murray: It was not *The Daily Telegraph*. I just thought I ought to put it on

record.

Margot James: I am being challenged here. I want to respond, Mr Chair. The honourable Member for Uxbridge wrote an article in *The Daily Telegraph* three weeks ago last Monday, I think, in which he parodied and dismissed the Government targets as being not remotely ambitious enough and committed to rolling out full fibre by 2025. That is in *The Daily Telegraph*. Well, it was.

Chair: Do not worry; we will hold him to account on this.

Margot James: Yes, it is a good opportunity.

Mrs Murray: I just thought you ought to see it was both.

Chair: We will bring him before the Select Committee and get him to answer how he is going to do it, but I do not think we are going to dispute that today.

Q169 **John Grogan:** Just to touch on the Emergency Services Network, the Scottish Affairs Committee expressed a hope that this would provide a valuable opportunity for operators to improve coverage in rural areas, create competition and so on. Where are we with this? It has been delayed quite a bit, has it not?

Margot James: The emergency programme has been put in place. The tender has been organised and it is being implemented. We anticipate 99% of roads getting a signal for emergency use through the programme. The other important thing is that mobile operators are mandated to have roaming between them to make sure that, if one of them has a signal, people on another network can access it in an emergency, so roaming is mandatory. We anticipate 99% of roads being covered by that emergency requirement.

Q170 **John Grogan:** What is the timing?

Margot James: I will get a best estimate and write to you about that, if I may, because it changes all the time, but it is definitely underway. It is a Home Office lead and it is underway. I will write to you with the latest estimate of timing.

Q171 **Chair:** Just to clear up this final point, we have found a quote from Jeremy Hunt that says, "I would also roll out a national, full fibre network to every premise by the mid-2020s".

Margot James: I stand corrected.

Q172 **Chair:** It is probably best to leave it there. Both are going to try to get it by 2025.

Margot James: Fair enough. I did not know that was what he said.

Chair: We are having a little dispute over what our various candidates are saying at the moment. I am glad that is cleared up.

Margot James: I apologise to the Committee for my error.

Chair: That is fine. We will park it there, Minister.

Mrs Murray: You would not want to be misleading.

Margot James: Yes.

Q173 **Chair:** On mobile network operators, we have been taking evidence on this and the proposal for the shared rural network. We put this to the broadband operators. Why can we not have some sort of roaming system in the rural areas? I made the point that, when I was driving to Strasbourg from Brussels, I would go through Luxembourg, I would go through France, I would go wherever, and I would pick up various systems as I went along. Why is it we have to be told we may get one system in one rural area? Why can we not share it through a roaming system?

Margot James: Indeed, roaming is something we are looking at, at the moment. There is a review going on. We are awaiting the results of that review.

Q174 **Chair:** The operators are not very keen. I think they have not worked out how they are going to pay each other. That is my gut feeling. I think Government are going to have to be a bit tougher on them. Why should we, in rural areas, put up with not being able to roam from one network to another if there is a mast that works?

Margot James: I completely understand that, which is why we have set up this review of roaming. In the Secretary of State's letter to Ofcom outlining the strategic priorities that we would like to be taken on board, roaming was right up there. Ofcom is doing a review of roaming in light of that. We are also talking to the mobile operating companies about other approaches, which might prove even more effective if they can deliver. There are live negotiations going on at the moment, but the benefits I see coming out of that are that, rather than having roaming, they would commit to sharing infrastructure, which, in most respects, would be even more advantageous than introducing roaming.

Q175 **Chair:** You could instruct Ofcom to mandate a rural roaming solution, could you not?

Margot James: Yes. We have asked them to review it.

Chair: We have Ofcom coming in.

Margot James: They are independent. Although we can set out the strategic priorities we would wish them to follow, they are an independent regulator so we cannot mandate that.

Q176 **Chair:** You could give them some ideas, can you not?

Margot James: Yes, as set out in the strategic priorities, which we have done. That has resulted in them reviewing roaming as one solution. The other solution I have just mentioned is also being negotiated at the moment.

Q177 **Chair:** Better connectivity with mobile connection is not only for the mobile phone itself but could be the solution for some of the hardest to get to for broadband as well, through 5G and so on.

Margot James: Definitely, yes.

Q178 **Chair:** My clerk here is pointing out another question. Would you place legal guarantees on all operators to ensure their promises would be met through connection? This is the companies. They seem to want to set up their own system of sharing, do they not? That is what they said. That may or may not work, so they have to be held to their promises on this.

Margot James: Yes, absolutely. I do not think we will be entering into an agreement that does not contain legally enforceable obligations.

Chair: Right, so you see some legally enforceable obligations.

Margot James: Yes.

Chair: Okay, that is good.

Margot James: The other important thing is that all four operators would have to commit to the programme for us to have the confidence that it will be delivered.

Chair: Caroline, you can ask one very quick question.

Q179 **Dr Johnson:** I have two questions, but they are superfast. One is about the roaming network. Roaming is perhaps a great solution for rural areas, but also for some of the city and transport areas. Think about taking a trip down the East Coast Main Line, when you get south between Stevenage and Kings Cross: it is virtually impossible to hold a conversation. Are you looking at roaming for city areas as well as rural areas as a solution for all these not-spots?

Margot James: Yes. We do not differentiate. The roaming review that is underway is looking at the potential for roaming as a solution to partial not-spots and total not-spots, wherever they may occur.

Chair: Thank you, Margot. Thank you very much, John. That was a very good evidence session. We are now going to have Ofcom. We will be able to put some of the questions we have been putting to you to them. We appreciate your time this afternoon.

Margot James: Thank you very much indeed. It is an excellent inquiry. We look forward to seeing the results.

Chair: We will make sure you get a copy straight away when we have done it. Do not worry. Thank you.

Examination of Witnesses

Witnesses: Lindsey Fussell and Katie Pettifer.

Q180 **Chair:** Please introduce yourselves for the record, and then we will carry on.

Katie Pettifer: My name is Katie Pettifer. I am the public policy director at Ofcom.

Lindsey Fussell: I am Lindsey Fussell. I am the group director for consumer and external relations at Ofcom.

Q181 **Chair:** We appreciate you coming this afternoon, and thank you for letting us swap the time around because the Ministers had to go. First, can you briefly outline your role in regulating the broadband and mobile market, particularly in rural areas?

Lindsey Fussell: Yes, of course. First, this principle of universal connectivity to everyone in the UK, regardless of where they live, is one of our top priorities. Generally, we believe competition is the best way of achieving that. We have seen positive progress on both mobile and broadband coverage, as the Minister was outlining. We recognise that competition does not always deliver, particularly in rural areas, and I know many of your constituencies are very good examples of that. That is where we need to focus our efforts.

On the fixed side, our role very much focuses on the regulation of BT providing it and providing Openreach with the right incentives to invest in better networks, while making sure they do not stifle competition from others. We also have a specific role in implementing the universal service obligation, which has been set out by Parliament.

On the mobile side, our main role is to make available the airwaves that are needed to provide mobile connectivity. As you know, we can set specific obligations in spectrum auctions about mobile coverage.

Q182 **Chair:** Do you have involvement in the access between the different networks as well?

Lindsey Fussell: Do you mean the interconnectivity? Yes, we do, as you say. We also have a role in setting obligations for companies to consumers in all sorts of areas and protections. It is probably worth saying that there are lots of other levers to improve broadband and mobile coverage. We are not the only players in this market. I am sure we are going to cover a lot of those.

Q183 **Chair:** Do you not feel you should have put a bit more pressure on these companies a bit sooner? There is a real problem in the rural areas, with



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mobile coverage in particular, that one company will work in a given area and another one will not. Then when you move around your phone will only be tapping into one particular area, not another. We are second-class citizens, if we are not careful, when it comes to coverage.

Lindsey Fussell: I completely agree that broadband and mobile coverage in rural areas is not good enough. I can completely understand the frustration many of your constituents experience. We regulate private companies. We cannot tell them where to spend their money, but we want and look for all available levers to try to incentivise them to roll out connectivity. Katie, you might want to pick up the mobile side in particular.

Katie Pettifer: The main way in which we can put pressure on the mobile companies to build out more coverage is when we auction new spectrum as it comes up, so new airwaves. We can auction it with obligations to do more on coverage. We have done that in the past, successfully. We have said for some years that we will put some obligations on the spectrum we will be auctioning hopefully next year.

Q184 **Chair:** Can you fine them if they do not deliver, or take that away from them? What can you do?

Katie Pettifer: We could. We propose that two of the operators that win licences to use that spectrum would also pick up an obligation to improve coverage by a certain amount, so we have said to 90% of the UK's geography. If they do not meet it, we could fine them. Ultimately, if they do not meet the obligations, we could end their licences. We can take licences away. That is a very extreme step, so there are teeth to this.

Q185 **Chair:** Going back to BT for the final part of this question, if you take a look at a hamlet, very often BT will say you can get 10Mbps, 20Mbps or whatever. That hamlet might be a square mile and there will be some farms—I declare an interest: we are one of them—with a big length of copper wire. They say on their website that we can get 20Mbps, but we have so much copper wire we will not get much more than 2Mbps whatever they do to it until they put fibre cable there. What are you doing? We need the truth. I am not saying they are doing it on purpose. They are just using a blanket postcode or whatever, but somehow or other they have to be more honest with people. It was only Openreach that actually came and said to us, "You will not get those speeds because you have too much copper cable". Nobody else told us that. Surely there should be a bit more onus on those providing and advertising a service.

Lindsey Fussell: I completely agree. We have done a lot of work with the Advertising Standards Authority in this space. From an advertising perspective, operators are no longer able to advertise "up to" speeds, which they used to provide, which might only be available to a very small proportion of the country. They have to provide average speeds available at peak times to at least 50%.

Of course, advertising is one to many. We concern ourselves specifically with the information people get at point of sale, which can be much more specific, because obviously at that point you are giving your address. We have required operators, in a similar way, to give you a range that reflects the speed you should see at peak times on lines like yours. That should pick up those people who are on long copper lines. Having said that, if you are at the bottom end of that range, if you are somebody on a particularly long copper line, or indeed somebody with almost no connectivity at all, that will not relieve your frustration. We constantly look for ways to try to improve the information.

Q186 **Chair:** If I bought a suit and it was supposed to be wool, and it was not wool, I could sue that company, theoretically anyway, because it did not supply what it said it would supply. There is a bit more onus on them to actually prove they can deliver a service, rather than having you sign up to something that you then do not get. They just seem to hold their hands up. For years, they did not tell us why we did not get it. Finally, Openreach said, "You have so much copper wire you are never going to get it". Surely we should have been told that a long time ago.

Lindsey Fussell: I agree.

Chair: What comeback do people have on them—any?

Lindsey Fussell: Yes. We have said they now need to give people an average speed range and a minimum guarantee of the speed they should expect to receive. If people do not receive that minimum speed, the provider has 30 days to do all kinds of things to try to help put that right. Sometimes those feeds are about in-home problems. They can be caused by wiring in the home, interference from other devices, old routers, which it can be difficult for a provider to put right.

We expect them to step in and do as much as they can to help people. Ultimately, the consumer has the right to walk away from a contract penalty free if the minimum speed cannot be achieved. However, I always want to bring it back to the point that those are all great protections, but I appreciate for those people in areas who are still on very low speeds—

Chair: You try getting out of a contract with BT with no penalties. I am sorry; I am probably going into Sheryll's questions here. We will park it there.

Q187 **Dr Johnson:** Have you noticed any reduction in the availability of competition to rural areas as a result of being required to provide a minimum speed? I know that when I looked to change mine I found that no one would supply me any more because they could not provide a minimum speed.

Katie Pettifer: We have not picked up any evidence of that, but we have already said that our strengthened code came in in March and we will be reviewing compliance.

Chair: We will leave it there, because we have strayed almost entirely into Sheryll's questions.

Q188 **Mrs Murray:** How do you ensure that consumers in rural areas get the speeds and coverage that network providers are promising? You have mentioned the way they advertise. How do you ensure they are actually meeting the speeds they are promising? The Rural West Sussex Partnership told the House of Lords Rural Economy Committee that the coverage maps you publish are fictitious, because they do not give an accurate picture of not-spots.

How do you ensure your data is accurately reflecting what the consumer experience is? I have a rural constituency. It was quoted to me earlier that 91.2% of my constituency gets a superfast coverage, when I know an awful lot of that 8% are important businesses and really need the coverage. How do you make sure your maps are correct and how do you know that the providers are meeting their promised obligations when they connect?

Lindsey Fussell: It seems to me that your question covers both fixed and mobile. Is that right?

Mrs Murray: Yes.

Lindsey Fussell: I will talk about fixed and then pass to Katie on mobile, because those are measured in two very different ways, as you can probably appreciate. On the fixed side, the information we collect and publish in our *Connected Nations* report comes from operators. We take what is called the sync speed, which is the maximum speed that an individual line can deliver. That picks up the fact that longer copper lines will typically deliver less speed. There are two factors that can mean those speeds are not delivered, first, if a lot of people are using the connection at once, and secondly, as I say, in-home devices,

We also conduct sample research, which we publish, where we place devices inside consumers' homes to try to measure the actual speed people get. That enables us to sense check what the operators are telling us. It is not possible for us to do that in every home in the UK, so it is a sample form of research, but we cover rural areas as well as urban areas as part of that research.

Katie Pettifer: On the mobile side, we publish data on coverage, which we get from the four mobile network operators, each using its own model to give a predicted signal strength across the whole UK. We quality assure those models, but we also do drive testing to quality assure the data we get. Obviously, we cannot drive test the entire country. If we are satisfied with the quality of the data, we then turn it into a range of different metrics for people to give them an idea of what kind of coverage they can expect, because what coverage I would get by standing outside holding a very old Nokia handset in the air is very different to what I will get in the basement of my house using a smartphone.

There is always an element of estimating what people's real experience will be in here. We try to break it up into different measures, so we give people an in-home, premises measure. We give people an outdoor measure. We give people a roads coverage measure. The actual consumer experience picture varies depending on quite a lot of different factors.

Q189 David Simpson: Do you agree with the criticisms from rural groups that the USO specification of 10Mbps is virtually obsolete and that the £3,400 threshold is too low?

Lindsey Fussell: You will know that both of those thresholds are set in legislation through the UK Parliament. Our job is to implement in accordance with that legislation. In the advice we gave to Government back in the end of 2016, when the USO policy was being developed pre the legislation, we provided the Government with three options for the technical specification, one of which was a superfast 30Mbps option and the other two were on the 10Mbps side. The Government selected the middle of those options.

We were very clear at that point that, while our data showed 10Mbps represented the amount of speed that could cover the needs of an average household, we expected that to need to be reviewed. As the Minister was saying earlier, the Government then took a power in the Digital Economy Act to ask us to review the USO technical specification once superfast take-up reached 75%.

In the meantime, the data we used to capture that 10Mbps back in 2016 was around what level of speed constrained the household's use, at what point we saw the amount of data people were using in a household drop off because they could not do things that other people could do. We continue to collect that data and we will continue to publish both that and take-up regularly, so that, as and when we are asked to review it, that information will be available.

I can cover the £3,400 separately if you wish.

David Simpson: Yes, just touch on that briefly.

Lindsey Fussell: The £3,400 was set by Government in the legislation. I know you were having quite a lot of conversations about how many properties may fall above that level.

Q190 Chair: Do you have any idea?

Lindsey Fussell: Yes, up to a point. At the beginning of this year, BT said its estimate for that was around 110,000 properties. I noticed that in their evidence recently Openreach said to you that was 55,000, which is good news. It is going in the right direction. We will have much better information later this autumn because we are now doing two things, together with BT as the universal service provider.

We are creating a database for them to check eligible properties throughout the UK that do not currently have that service and are not going to get it from a publically funded initiative within 12 months, which is another part of the legislation. BT is, in the same process, carrying out its network planning, working out how it can reach each of those properties and how much that will cost. When you bring those two things together, we will know which properties are going to fall above that £3,400 threshold, bearing in mind that the cost may be shared between a number of properties in a similar location, rather than being solely related to a single place.

Q191 David Simpson: You have touched on the pricing. How will you ensure competitive pricing for consumers where the universal service provider is their only option?

Lindsey Fussell: We have said the customers for the USO must receive the same price as paid by consumers throughout the rest of the UK for that similar service.

Q192 David Simpson: We asked the Minister the question very briefly in relation to the communication I have received from BT saying that, unless it is profitable, it will not connect remote areas. How would that be funded? Will the Government step in to fund that?

Lindsey Fussell: To the extent that those properties are eligible for the USO, the USO will be funded by way of an industry levy on all providers. We will be publishing details in the autumn of how that levy will work. That is the funding. The universal service providers, so BT and KCOM in Hull, will be reimbursed for their efficient net costs for providing the USO out of that fund.

Q193 Dr Johnson: What effort is being made to identify which houses these 50,000 houses are and to talk to them specifically? In previous evidence sessions, we were told by those people that the cost of the cable itself is actually very cheap. Many of these isolated properties are farms. They would be quite willing to get together and dig the trenches themselves. If one knows that one lives in one of those properties, one could then get into a discussion with BT: "Where does £3,500 take us? What can I do to help myself?" Is any effort being made to do that?

Lindsey Fussell: Yes. We are getting to the point where we will be able to identify these properties. Once people can start to have that right to request, we have placed obligations on BT to communicate with everyone who is potentially eligible for the USO. That will include the type of communication they need to give to people who are above the cost threshold, which, as you say, might include options for sharing those costs. We will also be looking to run our own information campaigns.

I wonder if it is a good moment to point out—I know it came up—not just in relation to the USO, this point about consumer take-up. We know that 98% of properties can get a 10Mbps speed at the moment. We have a take-up of 65%. We know that 95% of properties can get 30Mbps. We

have a take-up of around 45%. There is a big collective challenge for all of us—regulators, Government, industry, local authorities—to explain to consumers the benefits of taking up higher speeds.

We know from surveys that many consumers believe they have bought higher speeds than they actually have: they think they have upgraded to superfast when in fact they have not. We ran a major campaign around this at the end of last year called boostyourbroadband.com, in which a lot of MPs were involved, which was very welcome. That is just the start if we are going to get people to see these benefits. This will also be the case with full fibre. For it to be attractive to roll out full fibre, people will need to be taking up these services. That is another really important part of the story, as well as making the services available in the first place, which is key.

Chair: That would be really useful. If you take Connect Devon and Somerset, there is gain share in the original contract with BT, so the more people sign up, the more money comes back, the more people you can then get on to faster broadband, so we should encourage more people. It is interesting. People keep on and on about wanting to be connected, and then it is quite interesting that you do not get as big a take-up overall. We need to do more about that.

Q194 **Angela Smith:** The fixed network in the UK obviously remains dominated by Openreach. In rural areas, network competition is quite often non-existent for obvious reasons. What you have done to ensure that BT and Openreach's returns that result from being a legacy provider are being reinvested in upgrading infrastructure in rural areas? When I say "upgrading infrastructure", fibre is what we are talking about. Let us be clear about that.

Lindsey Fussell: Yes, of course. It would probably be helpful there for me to say a bit about the approach we have outlined in relation to full fibre and geography. We set out our approach to this for consultation in March and will be publishing our proposals for remedies, as we would call them, towards the end of the year. We have said that, as you say, for much of the country, competition between those networks that build fibre infrastructure will be the best way of ensuring good quality and low prices for consumers. We recognise there are parts of the country where companies would be less incentivised to invest. Therefore, we need to adopt a different approach to promote investment in those areas.

We have identified three parts of the country, three different geographies. One is where competition is already present or will be present, and we define that as having three or more competing networks, one of which is, as you say, almost always Openreach, if not always Openreach. There, we would expect to be able to deregulate and rely on competition.

The second area would be what we describe as prospectively competitive, so there may be some competition there and we think there is scope for me. What is really important there is making sure that alternative networks

can roll out at low prices. That is why we have opened up BT's ducts and poles throughout the UK to make it easier and cheaper for other networks.

Angela Smith: Well done for that!

Lindsey Fussell: The final area, which we have estimated as around a third, is that part of the UK where it is likely that only Openreach would be able to invest on a commercial basis. We have suggested there that we need to take a different approach, whereby we allow Openreach to recover the efficient cost of rolling out a fibre network and allow it to recover that cost across the whole of its base, so that Openreach is incentivised to roll out fibre in those areas.

We recognise, and I know you spoke about this in the last session, that even in those areas, at the extreme, there will be parts of the UK where it will not be economically viable for Openreach to invest, even with that regulatory approach. I should say that regulatory approach is quite similar to the utility approach you see used for water and so on. That is where public funding has to come in, because there will be parts that even our regulatory approach will not make viable.

Q195 **Angela Smith:** I understand that and I am trying to think if there are areas in my constituency that may qualify on those grounds. I am still not clear about how much pressure the regulator is going to bring to bear on BT to ensure it maximises investment from its own resources into this fibre network.

You mentioned water. Ofwat has now developed some very stringent requirements on the part of water companies to ensure that investment is maximised but, at the same time, prices to consumers are well and truly kept within reasonable bounds when it comes to increases in bills. What are you doing to make sure bills are kept at a reasonable cost and BT is not giving massive dividends to shareholders but is investing its resources into providing this network? It is about social purpose surely. We need a social purpose for Openreach.

Lindsey Fussell: It all comes down to the design of that regulation for the final third. That is something we are working up at the moment. We will be consulting on it at the end of the year. Our aim precisely will be to incentivise, to make it attractive for Openreach to invest in those areas, while, at the same time, protecting consumers from excessive price rises. That is what we will be seeking to achieve.

Q196 **Angela Smith:** Do you think Openreach and the other operators could benefit from having a public interest commitment in their articles of incorporation?

Lindsey Fussell: If I am honest, it is not something I have given huge amounts of thought to. When you are regulating private sector companies, there are different incentives in play about their decision-making.

Q197 **Chair:** Sorry to interrupt. The point that Angela makes is a good one. The trouble with Openreach in particular, and BT, is that they are private companies but they have a virtual monopoly in many places.

Angela Smith: As water has.

Chair: Yes. You said they were the only people delivering in certain areas. How do you make sure they do not just overprice the whole thing? Normally, private companies work on competition but there is not any real competition in a lot of these areas. That is what you are there for. Do you bite them enough? Do you have enough teeth? Are they sharp enough?

Lindsey Fussell: I would like to think so. In terms of pricing, that comes down to the conversation we were just having about our price caps and the way we set those. It is worth saying that, if they choose not to invest in that final area, we would expect to constrain consumer prices pretty tightly, although that is of course not the outcome we would want to see. We certainly would not want to allow them to charge high prices to consumers who are not gaining from full fibre.

Generally, across the industry, we would like to see a greater focus, and we have been pretty open about this, on a culture of fairness to customers, by which we mean fair treatment, fair practices, fair pricing, and a recognition that perhaps we have moved from these companies have being genuinely innovative technology companies that delivered through innovation, which is very exciting, to it now being an essential service. That requires perhaps a rather different attitude towards customer service.

Q198 **Angela Smith:** That is a really important point. To develop further this comparison, Ofwat has given, I think, 12 months to the water companies that enjoy a monopoly position to demonstrate a clear public interest commitment to their customers and the areas they serve. The intention is in many instances to alter the articles that underpin the way they work, the water companies, at a corporate level. I am wondering, as you have just made the point that we are now looking at an essential service, whether Ofcom ought to be thinking about doing something similar.

Lindsey Fussell: I am certainly happy to take that away and look at what Ofcom has done.

Chair: Yes, take it away and look at it.

Q199 **Angela Smith:** Thank you very much. Can I ask about phone lines? At the moment, I think it is only Virgin—it may have altered by now—that can provide broadband infrastructure that does not require a phone line. This is going to increase the more we get fibre networks rolled out.

Lindsey Fussell: That is right.

Q200 **Angela Smith:** Many customers, including me, resent the fact that we are forced to pay for a phone line that we do not use. Has Ofcom

considered that?

Lindsey Fussell: We have. There are some common misunderstandings here, the view being that you are somehow paying for a phone line and, as it were, the broadband comes free alongside it. You are paying for a line to your property, a copper line normally at the moment, down which you can receive both voice and broadband services.

Providing that broadband service is considerably more expensive than providing the voice line, because the copper line needs to be of considerably better quality. For most consumers, they are not really paying separately for a landline that they are not using. They are paying for a broadband service, which can also deliver voice. There are people who only want to use the landline, and we have stepped in to reduce prices quite significantly for those consumers.

Q201 **Angela Smith:** That is very important. Finally on this, before I move on, what have you done to incentivise independent network providers, such as Gigaclear, to offer competition to BT in rural areas? Ideally, we want to see as much competition as possible. I think you referred to it briefly earlier, but we would like to hear more.

Lindsey Fussell: I did. I could not agree more that those providers are critical. It is interesting to see that we have already seen Openreach respond this year to the threat and the reality of competition from alternative network providers that have made their own announcements about full-fibre rollout.

We think it is really important that we make it quick and cheap for those providers to roll out and provide that competition. That is about opening up BT's and Openreach's ducts and poles, so they can take advantage of those, rather than digging their own trenches or finding other ways to lay their fibre. They can take advantage of that duct and pole access. We know that has made a huge difference in FTTP rollout—fibre rollout—in, for example, Spain and Portugal, and we hope it will have the same really dramatic effect here.

Angela Smith: So do I.

Q202 **Chair:** Do you believe BT is co-operating?

Lindsey Fussell: We have placed a whole range of requirements on BT about how it makes information available on the state of the ducts, poles and so on.

Chair: Openreach and BT act rather like a monopoly sometimes. It is important that you really take them on, because they are so big. I am not anti-BT and Openreach, but they are very dominant and some of the other companies find it difficult to get in.

Q203 **Angela Smith:** It is that information about the ducts and the poles.

Chair: It is, and where they are. That is right.

Angela Smith: Sadly, they have not always been very transparent in the past about that.

Lindsey Fussell: I agree.

Q204 **Chair:** Sometimes BT will go in an area and pick off half the village. It makes it very difficult for the other operator to come in. You cannot necessarily say they did it on purpose, but you have that suspicion. That is where you need to be really aware.

Lindsey Fussell: I agree. The alternative network providers are not backwards in coming forward and telling us when they think BT is not being co-operative. We do not lack for information.

Q205 **Dr Johnson:** You talked about the 40,000 non-economic households. I am sure there are a number in my constituency that will meet the non-economic threshold for getting broadband that currently do not know who they are. What counts as non-economic? Is that £3,500, as is the current threshold?

If you went up to £5,000, or even £10,000, how many of those remaining households would be covered? Given that this is, as I think everyone has accepted, a utility necessity service, in the same way as other services such as the NHS, the fire brigade, the police, which we would never suggest do not apply to someone because of where they live, what is a reasonable cut off? I personally think £3,500 is far from it.

Lindsey Fussell: I will separate that out slightly. When we are talking about £3,400, we are talking about the USO. We do not quite yet know how many properties will fall outside that, whether it is 40,000, 110,000 or somewhere in between. When we did the cost modelling, we found that once you reach around 99.5% coverage the cost curve rises very steeply. The most expensive properties could be £45,000 or £50,000 to connect. It is obviously for Government and Parliament ultimately to set that limit in legislation. Raising it to £3,500, or £3,600 perhaps, would not necessarily bring in lots more properties. You are looking at a very steep cost curve.

When you turn to the full-fibre rollout, I do not think we have a cost to be able to say, "At this point, it would be uneconomic for Openreach to roll out to that area". Clearly, it is potentially more expensive to roll out full fibre, although some of the USO connections will be full fibre because that is the cheapest way of providing it. There will clearly come a point where, because they are so few properties being connected, the cost, even with regulatory incentives in place, becomes too much.

Q206 **Dr Johnson:** Do you think it is reasonable to have a cost at all? We are told how necessary this service is, and you seem to have agreed how necessary it is, for provision of healthcare and other public services. These people living in these rural properties are not paying a different tax rate from everybody else, and their taxes have contributed to everybody else getting this service. We would never suggest that because they live



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in a rural area they would not be entitled to every other public service going. Is it actually reasonable to define a cost at all?

Chair: Caroline, you are right to a degree, but, if you look at electric supply, some of the most rural areas never get a supply. They have to use generators. Over the years we have mopped up most people, but I do not think they necessarily have the automatic right to electricity, and you would think that was almost more important. It is an interesting one, but Caroline is right that we are going to have to up the money. You cannot just suddenly up the money to a vast amount, because then the companies will suck it all in anyway. That is the trouble the Government have. You cannot be limitless in the money you put forward. What do you think? Perhaps you can be. I do not know.

Katie Pettifer: I will leave that question for Government. We have not done an estimate on fibre.

Q207 **Chair:** It is a good point that Caroline makes, but there has to be a bar somewhere. We had better leave it there, Caroline.

Why have you weakened your first rural commitments and watered down your coverage obligations from 92% to 90% in the 700MHz spectrum auction? Surely you should be more ambitious, not less ambitious.

Katie Pettifer: The way it works when we are auctioning the spectrum is that we offer a coverage obligation effectively for a discount on the spectrum. Ultimately, what we are auctioning has to be something that the operators will buy, is worth their while to do and costs them less to deliver than the value of the spectrum they are getting, because that is the constraint for us. We consulted initially on having two obligations for operators to get to 92% of the country, of the UK's geography, which we said in the consultation was very ambitious. We were deliberately pushing it as far as we could.

Two things happened following that. We got a lot more detailed information on costs from the operators in response to the consultation. We have a legal duty to take that into account and act proportionately, to make sure what we are proposing is proportionate. Also, we decided to take a different approach to the extended area sites, which are part of the ESN, Emergency Services Network, scheme. We had initially said we would include coverage from those sites, which are being built by the Home Office and we thought would give operators quite a good way of extending their coverage. We decided to take a different approach and exclude coverage from those sites from our obligations, so we went down.

Q208 **Chair:** Was that for security reasons?

Katie Pettifer: At the point we made the proposals, not many of the sites had been built. We felt it was a more concrete proposition for the operators to say we will exclude the coverage than taking into account coverage on sites that have not yet been provided.



Q209 **Chair:** If you are downgrading it all the time, how are you ever going to get the higher percentage if you do not put it into the bid? That is the trouble.

Katie Pettifer: We have pushed up the boundaries of what we think we can achieve with the obligation as far as we can in line with our legal duties. It is interesting that, having made those proposals, the operators have now come forward with this proposed deal with the Government.

Q210 **Chair:** That is right. We have a final question on that, so we will park that one there. On the final part of this question, you have not included indoor coverage targets in the spectrum auction. My mobile does not work in the farmhouse at all. It can be an advantage sometimes. Where are we on that?

Katie Pettifer: We have previously auctioned an obligation for indoor premises coverage. I think O2 had one to get to 98%, which it did, of the UK's premises. I think over 99% now have coverage from at least one operator. It does not help if it is not your operator obviously, which is the issue. In this auction, we decided we wanted to focus the coverage on areas where people live, work and travel, and particularly on filling in some of the partial not-spots in rural communities.

We had a range of measures we could apply. In our proposal we said that the operator would need to get to 90% of the UK's geography and cover 140,000 new premises, in the sense of bringing good outdoor 4G coverage to 140,000 premises that do not currently have it. That will also improve their indoor coverage, because it is simply additional signal strength. We chose to anchor the obligation to outdoor coverage because the rest of the obligation was on outdoor coverage.

Q211 **Chair:** This is the final one. How many homes will not be covered by the 90% coverage target?

Katie Pettifer: It very much depends where operators choose to build. At the moment, each operator has a footprint of upwards of 200,000 premises that it does not give good outdoor 4G coverage to.

Q212 **Dr Johnson:** One of the things we have been talking about in this inquiry has been roaming and the fact that, if you go abroad, you are able to jump from network to network in a seamless fashion. Why are we not doing that in the UK? What powers do you have to mandate network operators to share nicely?

Katie Pettifer: You noted in the earlier session that the operators have historically been very resistant to roaming. It is also something we had a concern about, because once you require them to roam on to each other's networks you remove the incentive to build out new coverage. The position they have now put forward, the proposition they are negotiating with the Government, would involve them doing something that is a variant but achieves a similar result, which is infrastructure sharing.

I have seen the Mobile UK submission. They are proposing that they would fill in partial not-spots by sharing each other's infrastructure to get them all up to, I think, 88% coverage of the UK, which is a significant improvement. At the moment, only 67% of the UK has coverage from all four.

It potentially offers a better solution to consumers. If we were to have rural roaming, what we fear consumers would find—and the reason we have always said that, to make it work, the operators have to be on board with it—is that they would drop off networks repeatedly and have large gaps before they came back on. Effectively, once your phone dropped below a certain level of signal, you would drop off, spend some time finding another one and hop about between networks. If they share their infrastructure instead to cover the same footprint, consumers should not have that problem because they stay on the same network.

Q213 Dr Johnson: Why does that not happen when you travel abroad?

Katie Pettifer: When you travel abroad, the roaming setup is basically that you will roam to the operator or operators with whom your operator has a commercial agreement. Your phone is not necessarily dropping off when signal strength gets to a certain level and trying to join another one. It feels more seamless when you travel abroad.

Q214 Chair: It is a geographical area that changes automatically. Is that what you are saying?

Katie Pettifer: Yes. We can see the attractions of roaming. Intuitively, it feels like a very good solution to filling in the partial not-spots. We said to the Government when we gave them some advice on how to improve mobile coverage last year that roaming and infrastructuring were two options for improving rural coverage. It looks like the operators are trying to work towards the second. If they can achieve that, that is a very good outcome for consumers. They have asked for some public money to get to the final few percent, so there is a negotiation they have to have with Government on that.

Chair: We are going to have to leave it there. Would you like to outline a couple of questions you might like to ask, Caroline, and then we can have it in writing?

Q215 Dr Johnson: I just want to list them. Would rural roaming result in less investment from mobile network operators in rural areas, as Mobile UK has argued? What are your thoughts on the shared rural network proposal that the mobile network operators have given us? What do you regard as the best option to achieve the 95% coverage by 2022? Given that is still quite a long way off, would you agree to setting interim targets for coverage?

I have a final little question. For those people who live in these houses that I am terribly worried about, who want fibre to the premises or to be covered by the USO, who think they are currently going to be covered but might not be, if they get Wi-Fi in the intervening time does that reduce their



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eligibility for the Government's support?

Chair: That has given you plenty of homework. We appreciate your time. Like I said, would you mind getting some answers back to us in writing to those last questions? It has been a very good session today, with the Ministers first and then you. I think you are doing it, but we need to reinforce to you, especially with BT and Openreach, because in many areas of the country they own the infrastructure, they need to be held to account particularly toughly. I am sure you are more than up to it but, if we can encourage you to be even tougher on them, we will do so. Thank you both very much.