

# Agenda – Economy, Infrastructure and Skills

## Committee

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Meeting Venue:

**Committee Room 3 – Senedd**

Meeting date: Thursday, 19 January  
2017

Meeting time: 09.45

For further information contact:

**Gareth Price**

Committee Clerk

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### Private pre-meeting (09:45–10:00)

#### 1 Introductions, apologies, substitutions and declarations of interest

#### 2 Traffic Commissioner for the Welsh Traffic Area – Committee update

(10:00–11:00)

(Pages 1 – 11)

Nick Jones, Traffic Commissioner for the Welsh Traffic Area

Attached Documents:

Research brief

### Break (11:00–11:15)

#### 3 Alternative Community Broadband schemes – Digital infrastructure in Wales

(11:15–12:30)

(Pages 12 – 27)

Claire Brown, Sales & Marketing Director, Spectrum Internet

Giles Phelps, Managing Director, Spectrum Internet

Duncan Taylor, Ger-y-Gors Community Forum



Cynulliad  
Cenedlaethol  
Cymru

National  
Assembly for  
Wales

Attached Documents:

Research brief

EIS(5)-02-17 (p1) Spectrum Internet

## **4 Paper(s) to note**

### **4.1 Welsh Government response to the Committee's inquiry on Business rates in Wales**

(Pages 28 – 32)

Attached Documents:

EIS(5)-02-17 (p2) Welsh Government response to the Committee's inquiry on Business rates in Wales

### **Lunch (12:30–14:00)**

## **5 Mobile phone providers – Digital infrastructure in Wales**

(14:00–15:00)

(Pages 33 – 44)

Hamish MacLoed, Director, Mobile UK

Paul James, Head of Public Affairs, Telefonica O2 UK

Dr Simon Miller, Head of Government & Regulatory Engagement, Three

Graham Dunn, Senior Government Affairs Manager, Vodafone

Richard Wainer, Head of Public Affairs, EE

Attached Documents:

EIS(5)-02-17 (p3) Mobile UK

EIS(5)-02-17 (p4) Three

### **Private de-brief (15:00–15:15)**

# Agenda Item 2

Document is Restricted

# Agenda Item 3

Document is Restricted

# Inquiry in to Superfast broadband in Wales

## Response from Spectrum Internet

### About Us

Spectrum Internet provides high-speed, superfast and ultrafast broadband across Wales and the South West of England. As an Internet Service Provider (ISP) we supply large businesses with leased line fibre optic connections as well as SME's and residential communities with broadband services.

We believe that everyone should be able to connect, communicate and collaborate and so we have literally go the extra metres installing our own fibre infrastructure and trialling new methods of delivering connectivity to bring speeds up to date for businesses and communities where there has been no offering from BT or Virgin. To date we have completed a number of schemes offering FTTC in Cardiff gate Business Park, Gower and Monmouthshire, a wireless to cabinet in St Brides Wentlooge, and several FTTP solutions for businesses in Carmarthenshire and Cardiff.

<https://spectruminternet.com/welsh-minister-alun-cairns-visits-superfast-newport-businesses/>

<https://spectruminternet.com/spectrum-internet-bring-gigabit-fibre-to-cardiff-gate-international-business-park/>

Q: What is the performance to date of the roll-out and take-up of Superfast Cymru, including the extent to which the project has been communicated to people in the intervention area and interim targets have been met?

We published some thoughts on our website back in November 2016 following an article about the performance <https://spectruminternet.com/welsh-government-superfast-cymru/>

To our mind, take-up has been as expected and is following a pattern. To begin with take-up was poor but this has increased as the project has reached those affected by poorer broadband. From what we have seen this seems to be the pattern throughout UK. We believe this is because no one specified cover should begin in the harder to reach or worse affected areas first.

Most people still aren't aware of what they can do with superfast. Costs still going up and down and it is still not clear, what packages offer what to the consumer. Businesses are so far behind in their understanding what superfast can bring for them so there is also a wider economic concern.

Q: What work can Welsh Government do to improve mobile coverage, including use of the planning system?

In rural areas the MNO's will argue that the cost to run in rural areas are high. Also we have experience where landowners have been reluctant or have tried to hold the provider to ransom over wayleaves. We suggest a radical approach – not only look at the planning restriction but also compulsory purchase of land so they can then offer the network operators sites and they could then charge for the use of that site.

Roaming is an excellent solution but the only way that will happen is if there is legislation. If WG has the power to do so, they could lead the UK. If more spectrum was made available then if OfCom only offered to MNO's in return for increased coverage in certain worst covered areas then there would be better coverage.

Q: What has been the efficacy of the Welsh Government's other broadband schemes, such as Access Broadband Cymru and Ultrafast Connectivity Vouchers?

Both of these voucher schemes are very useful – particularly for communities that can 'pool' them together to create a solution that benefits, say a whole village. However, the administration is hard work for us and we have found almost preventative.

Whilst we believe it is important that any application and service should be scrutinised, we have recently witnessed an auditor recommending that a voucher be turned down for a growing success organisation and told to get an ordinary Virgin broadband connection. That's like suggesting Lewis Hamilton racing in a golf buggy!

How could ABC/Ultrafast be better? There needs to be more consultation with industry as there has been very little to date. We believe that there needs to be better resourcing and correct resourcing for the scheme. Can some of the processed be automated?

One idea would be to change it so that it is not necessarily grant funding. For example, it could be debt funding so that WG could look to recover some of the fund in the future – that may provide better longer term solutions coming forward.

What are the plans for the Superfast Cymru successor scheme?

This hasn't been made clear yet and we are still waiting on Welsh Government on what the successor will look like. We are in no doubt that it must be divided into smaller lots rather than as a whole nation, as the Superfast Cymru project. This will give the opportunity for 'alt-nets,' like us who have access to external funding sources and as well as the likes of BT and Virgin to bid in lots.

Local authorities can also therefore look to set up partnerships (e.g. SPV's) to work alongside the private sector and then prioritise where they think require the connectivity first. We would also suggest a debt equity model rather than grant funding.

How could alternative technologies be used to improve superfast broadband and mobile coverage?

This depends on what you want to achieve. Do you want Wales to become a leading nation with a future-proof infrastructure? If so, the only alternative technology is fibre optic. It is expensive (compared to other technologies) and would mean years of planning and a longer payback but it is the only one that can offer you reliable speeds, quality and infrastructure reliability and the ability to upgrade as costs fall and demand increases.

If you mean, what are the 'band-aid' solutions for those that have been left behind, then a combination of wireless solutions which could include FWA and satellite. But these should be a solution for absolute last resort.

How could Welsh Government learn from international examples of public sector intervention in the roll-out of broadband and mobile coverage?

If we want to become a leading nation, we won't get there by copying others. We believe we know what needs to be done, it's now about achieving it.

# Agenda Item 4.1

## Written Response by the Welsh Government to the Report of the Economy Infrastructure and Skills Committee entitled Business Rates in Wales

9 January 2017

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I welcome the report of the Economy, Infrastructure and Skills Committee.

The Welsh Government intends to take steps to improve the local government finance system, including local taxation. There are opportunities to make the local tax liability across businesses, other ratepayers and households fairer. There are also steps which could be taken to simplify the system of local government funding so that people can understand and engage with how and where decisions are made about the funding and delivery of local services.

The feedback provided by this report, as well as from the wider business community and other stakeholders adds to the evidence base to inform this policy development.

My detailed responses to the recommendations in the report are given below.

### **Recommendation 1**

*The Committee recommends that the Welsh Government should commit to improving the transparency and consistency of business rates.*

### **Response: Accept in principle**

The non-domestic rates (NDR) system in its current form has operated since 1990 and, as such, many aspects are well understood by ratepayers and other key stakeholders. Nevertheless there are aspects which are inherently complex.

The Valuation Office Agency (VOA) is responsible for assessing and determining the values of individual properties. It is recognised that on occasion ratepayers, or their agents, seek further information in order to understand their rateable value and how it has been determined. However, as an executive agency of HMRC, the VOA is bound by the Commissioners for Revenue and Customs Act 2005 which prohibits the disclosure of certain taxpayer information. Furthermore, certain valuation data is commercially sensitive and cannot therefore be published. Despite these limitations, the VOA is working to facilitate the provision of more information to ratepayers in respect of their valuations and the Welsh Government will continue to work with the VOA to enable this. The provisions taken by the Welsh Government in the Enterprise Act 2016 to facilitate the sharing of more information between the VOA and local authorities are a clear example of this.

Regarding the provision of temporary relief, the Welsh Government acknowledges the Committee's comments that such schemes can add to the complexity of the rating system. From 2018 onwards, the temporary small



business rates relief scheme (SBRR) which has been extended to 2017-18 will be replaced with a new scheme which will be permanently provided as part of the NDR system.

### **Financial Implications**

Any additional costs associated with the provision of data by the VOA will be determined as part of the annual funding discussions between the VOA and the Welsh Government.

The costs of providing a permanent SBRR scheme will be considered in drawing up the proposals in developing the new scheme.

### **Recommendation 2**

*The Committee recommends that the Welsh Government should provide clarity on future direction.*

### **Response: Accept**

The Welsh Government has been clear that supporting small businesses is the immediate priority for the NDR system. This is being delivered through the extension of the Small Business Rates Relief scheme to 2017-18 and the commitment to develop a new permanent scheme from 2018, as well as the provision of transitional rate relief to help mitigate the impact of the revaluation exercise.

In the medium term, the focus will be on delivering administrative improvements to lessen the burden on ratepayers. This will include measures to tackle abuse within the system, to improve data-sharing and to reform the appeals process.

In the longer term, the Welsh Government will explore more wide-ranging and longer term reform of the local government finance system, looking internationally at the best examples. This work will concentrate on the applied and practical exploration of ideas rehearsed in academic literature to determine what the benefits might be for the Welsh public service and wider economy. However, it is important to recognise that primary legislation would be needed for many changes. Therefore, the Welsh Government aims to get to a position by the end of this Assembly term where the range of possibilities, including alternative forms of taxation, have been assessed with a number of options emerging for consultation early in the Sixth Assembly. A working group of external experts has been established to provide advice and the Welsh Government is committed to open discussions about this work.

### **Financial Implications**

The financial implications are specific to the individual policy measures. The short-term priorities and exploratory work can all be met within existing budgets.

The associated financial implications will be a key consideration of the longer term proposals for reform, including possible alternative taxation systems.

### **Recommendation 3**

*The Committee recommends that the Welsh Government should fill the data gap around the businesses benefitting from the major reliefs funded by the Welsh Government by collecting this information centrally and publishing headline data.*

### **Response: Accept in principle**

The Welsh Government already collects and publishes a wide range of data in relation to non-domestic rates collected in Wales. This includes the amount of support provided to ratepayers under each of the relief schemes prescribed in legislation, with the data broken down to local authority level. Data has also recently been published in relation to the temporary relief schemes provided by the Welsh Government between 2012-13 and 2015-16. This is available at the following link:

<http://gov.wales/docs/det/publications/161229-business-rates-relief-scheme-data-en.pdf>

The Welsh Government will explore the feasibility, administrative implications, and benefits of collecting and publishing additional data on NDR reliefs, as part of the annual returns submitted by local authorities. It will be important to secure clarity about the benefits to be derived from adding to data already available, and to be confident that these benefits exceed the costs of securing and publishing that data.

The Valuation Office Agency also publishes a range of statistical reports in relation to the non-domestic rating list. This includes the regular 'stock of properties report' which details the number of hereditaments across England and Wales, and provides an analysis of the distribution of properties across rateable value ranges and market sectors. As mentioned above, there are statutory restrictions on the publication of certain data relating to taxation.

### **Financial Implications**

Until the feasibility work is undertaken, it is not possible to assess the financial implications of collecting additional NDR data as part of local authorities' annual returns. There may be associated administrative and/or software development costs.

### **Recommendation 4**

*The Committee recommends that the Welsh Government should reform the appeals process in Wales so that it is faster and fairer.*

## **Response: Accept**

While a mechanism for challenge and redress is an integral part of any taxation system, under the current NDR appeals process more than two-thirds of challenges brought in Wales do not result in any changes to the rateable value of a property. Furthermore, only 15% of all the appeals listed by the Valuation Tribunal for Wales are actually settled by the Tribunal.

This does not represent an effective use of scarce public resources and the strain it puts on the system means, on average, ratepayers can be engaged in the process for more than a year before their case is resolved. This creates financial uncertainty for businesses and local authorities. As such, the Welsh Government is committed to bringing forward proposals for reforming the appeals system where possible within the legislative competence of the Assembly.

As NDR appeals comprise three-quarters of the Valuation Tribunal for Wales' (VTW) workload, regulatory changes are necessary to provide the VTW the necessary powers and flexibility to adapt to more fundamental changes to the wider appeals process and the associated impact on its workload. Consequently, as the first step in reforming the NDR appeals process a consultation is being published regarding the operation and governance of the VTW.

Regarding more fundamental changes to the wider appeals process, specifically the roles and responsibilities of ratepayers (and their agents) and the Valuation Office Agency, the Welsh Government is aware of the UK Government's reforms to the appeals system in England and has taken powers in the Enterprise Act 2016 to enable similar reforms to be implemented in Wales. However, the Welsh Government is also conscious of the concerns that some of the proposals in England have generated, in particular the criticism that the changes tip the system too far in favour of the Government rather than the ratepayer. As such, the Welsh Government intends to carry out as full assessment as possible of the potential changes and, while a consultation on appeal reforms will be published in the Spring, it is not proposed that any changes will be implemented until the 2018 financial year.

## **Financial Implications**

Any associated costs will be drawn from existing programme budgets and will be considered as part of the annual funding discussions between the Welsh Government, the Valuation Tribunal for Wales' and the Valuation Office Agency.

## **Recommendation 5**

*The Committee recommends that the Welsh Government should move revaluations to a three-year cycle.*

## **Response: Accept in principle**

The Welsh Government is aware of calls from some stakeholders for more frequent revaluations, particularly following the 2017 revaluation exercise where, in some areas, fluctuations in rateable values appear to have been more marked as a result of the length of time since the previous revaluation exercise in 2010.

At the same time, the VOA has indicated that more frequent revaluations could potentially result in increased volatility in ratepayers' bills as the revaluations could hit different points in the property market cycle.

It is also clear that, due to the number of practical and administrative issues that would need to be addressed, more frequent valuations would not simply equate to simply shortening the revaluation cycle in its current form.

The UK Government has also considered the potential for shortening the revaluation cycle and, before the summer, consulted on proposals for delivering more frequent valuations. Given the complexity of making changes in this area, it will be important to draw on lessons that can be learned when the UK Government publishes its consultation response.

As such, the Welsh Government will continue to explore with the VOA the possibility of providing more frequent revaluations, including the associated administrative, legislative and financial implications, and the likely impact on ratepayers.

## **Financial Implications**

Any additional costs associated with this exploratory work will be met from within existing budgets.

Mark Drakeford AM  
Cabinet Secretary for Finance and Local Government

# Agenda Item 5

Cynulliad Cenedlaethol Cymru / National Assembly for Wales

Pwyllgor yr Economi, Seilwaith a Sgiliau / Economy, Infrastructure and Skills

Committee

Seilwaith digidol Cymru / Digital infrastructure in Wales

Ymateb gan Mobile UK/ Evidence from Mobile UK



**The National Assembly for Wales' Economy, Infrastructure and Skills Committee inquiry into digital infrastructure in Wales**

**Evidence from Mobile UK**

Mobile UK is the trade association for the UK's mobile network operators: EE, Telefonica UK (O2), Three and Vodafone. Our goal is to realise the power of mobile to improve the lives of our customers and the prosperity of the UK.

Mobile UK welcomes the chance to provide evidence to the Welsh Assembly's very timely inquiry into digital infrastructure in Wales. Our submission focuses on mobile infrastructure. In summary:

- The landscape and geography of Wales presents operators with one of the most challenging regions to cover with a mobile signal, with the costs of additional deployment often exceeding any likely revenue gain. But mobile coverage is as important to people in Wales as it is to anyone else and action is required to bring Wales into line with the other nations of the UK.
- It is our experience that the best results are achieved if Government, operators and other stakeholders work cooperatively. Changes across a broad range of policy need to be considered:
  - Reform to planning regulations for telecommunications apparatus, in particular enhancements to Permitted Development Rights
  - Reform to planning regulations for housing and other construction, requiring developers to make greater provision for electronic communications
  - Other improvements within local authority planning (LPA): updating planning guidance, better training and more resources for planning officers, so that LPAs do not become a bottleneck
  - The business rates regime: make marginal investment more viable with business rates exemptions in selected areas (for example National Parks)
  - Access to public assets and other landowners: encourage Government to **much** more to make it easier for mobile operators to access suitable locations on which to place their apparatus

- develop partnership schemes for the parts of Wales where there is no commercial business case but where additional societal gains can accrue from wider coverage (for example, in the efficient delivery of public services)
- Coordination across Government: all measures will be much more effective if there is good coordination between government departments and between the Westminster Government and the Welsh Assembly Government.

## Introduction

1. In all areas of daily life, the preferred platform for communications and online activity is increasingly mobile. This behavioural change is touching on many aspects of society. A generation of 'digital natives' is shaping a world that is driven by connectivity, innovation and a focus on 'mobile-first'.
2. 95% of us have a mobile (and about a third of us, more than one) and in the last three years mobile data volumes have tripled<sup>1</sup>, as customers expand the range of usage. Over 6 million 'things' are also now connected over mobile networks, a number that is set to rise very rapidly with applications such as smart metering and the connected vehicle.
3. Mobile operators have played a central role in driving this progress by continually investing in their networks, value added services, and subscriber acquisition. In the current cycle mobile operators are investing around £2 billion per annum in new coverage, capacity and capability. In turn, business and consumer customers have shown extraordinary ingenuity in harnessing the power of mobile, to be more creative and productive, to offer new services, and to improve lives.
4. As a result, world-leading mobile infrastructure has now become central to a nation's or a region's competitive advantage.
5. As populations become more city based, those cities that offer the best environment ('smart', low carbon, mobile), underpinned by high speed mobile networks, will attract a talented workforce (and its tax base), creating a virtuous circle of improvement (a new industrial revolution).
6. Likewise, in the countryside, mobile networks will be needed to sustain active rural economies, to make farming more competitive in global markets, and to support rural communities, businesses and tourism. There is no room for complacency and plenty of opportunity.

## Mobile networks in Wales

7. Ofcom's recent Connected Nations Report illustrated that in a number of respects mobile coverage in Wales lags behind other regions of the United Kingdom<sup>2</sup>. For example, outdoor coverage from all operators reached 66% of premises in Wales as against 88% in the UK as a whole.

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<sup>1</sup> Ofcom Communications Market Report

<sup>2</sup> <https://www.ofcom.org.uk/research-and-data/infrastructure-research/connected-nations-2016>

8. From one perspective, this is perhaps not surprising. The landscape and geography of Wales presents operators with one of the most challenging regions to cover with a mobile signal, with the costs of deployment often exceeding any likely revenue gain. But mobile coverage is as important to people in Wales as it is to anyone else and action is required to bring Wales into line with the other nations of the UK.
9. It is Mobile UK's experience that the best results are achieved when Government, regulators, mobile operators and other interested parties agree a way forward across a broad range of policy.
10. For example, in England planning reforms for telecommunications development have recently been brought into force. In Northern Ireland, the Executive has recently undertaken a consultation and Scotland has created a 'mobile action plan'. The Scottish Government has started to put in train some of the actions identified in the plan, such as a recent consultation on changes to planning regulations and introducing some pilot locations for business rate exemptions.
11. Mobile UK and its members stand ready to work in a similarly collaborative manner with Welsh Government ministers, the Welsh Assembly and all other stakeholders.
12. Changes across a broad range of policy should be considered:
  - Reform to planning regulations for telecommunications apparatus
  - Reform to planning regulations for housing and other construction
  - Other improvements within local authority planning
  - The business rates regime
  - Access to public assets and other landowners
  - Special partnership schemes
  - Coordination across Government

#### **Reform to planning regulations for telecommunications apparatus**

13. Reform of planning regulation for telecommunications apparatus has at least two aspects:
  - a) improving the processes whereby telecommunications development gets processed through Local Planning Authorities;
  - b) granting more flexibility over what apparatus can be built under Permitted Development Rights ('PD');
14. Timely permission for infrastructure means that new network can be rolled out faster, providing services to customers sooner. As a comparison with the current Scottish system, some operators report that within a particular Scottish local authority 92% of proposals went through as Permitted Development, facilitating completion of the



planning element of the project within just 11 months. Comparably, the Permitted Development figure for a similar number of proposals across various Welsh local authorities with similar geography was 35%, taking 26 months.

15. To be clear, Mobile UK is also calling for further reform of the Scottish system; this is an illustration of how far behind the current Welsh system is.
16. Greater flexibility over PD makes it easier to add capacity in urban areas (particularly as network design moves towards 5G and small antenna), better coverage on roads and rail, and wider geographic coverage in rural areas. Network designers are good at building networks within the existing PD rules, but clearly it would be better to have PD rules that allow the network designers to build the network in the most efficient way possible.
17. Examples of changes to PD rights that would be beneficial are:

***Ground based masts up to 30 metres***

30 metres would be higher than is allowed in England, but the landscape in Wales is very challenging. Placing masts is not just a matter of finding a location with good coverage potential; it is also necessary to get physical access, power and a connection into the core network (which may need line of sight for a wireless connection). Extra height can deliver flexibility and options. PD rights need to be expanded both for new masts and extensions to existing masts.

***Locations for rooftop and small antennas***

Demand for mobile data is increasing. Not only is more capacity required, but also transmitter sites (base stations) will need to be placed closer to where they are needed so as to deliver higher data speeds and/or lower latency (response times). The latter is especially relevant for sensory applications. Many of the new small antenna will be small – comparable to alarm boxes – and there is plenty of scope for PD rights to extended for rooftop and small antenna on dwelling houses, street furniture and many other locations.

***Roadside and trackside***

Improving coverage on roads and railways is a major priority and so it would be very helpful to reduce the distance restriction on apparatus being placed near a highway. The closer the antenna is to the highway, the easier it is to maximise coverage by shaping the signal to where it is needed. A much smaller distance than the current 20 metres would be appropriate (e.g. small antenna on top of bus tops or traffic lights). Similarly with small cells proposed on telegraph poles such a restriction ‘within 20m of a Highway’ will negate the benefits of relaxing rights for such installations. For fixed line, this is not applicable so why for mobile? In addition within 20m of a Highway is not specific enough; a Highway is a designation which can extend across the verge and footpath beside a road. It would be better to set the [reduced] distance from the edge of the road or track itself.

### ***Redevelopment and other emergency needs***

Quite regularly, mobile operators have to find alternative locations when a site on which a base station is placed becomes unexpectedly unavailable (e.g. the landowner needs to redevelop) or impaired (a neighbour builds a structure that severely blocks coverage). Relocation is time consuming and uncertain. It will be very beneficial for operators to be able to install temporary sites for up to 18 months, under PD, to allow enough time to make alternative permanent arrangements.

### **Reform to planning regulations for housing and other construction**

18. At present there is insufficient onus on property developers to take account of the communications needs of the future occupiers of developments. Modern, environmentally-friendly building materials, moreover, can make it harder for mobile signals to penetrate indoors.
19. Building regulations should support provision for both external and internal coverage, and planning permission granted only on this basis. For new, large scheme developments, be they for residential or business use, a condition of planning approval should be that the developer funds the introduction of appropriate coverage.

### **Other improvements within local authority planning**

20. The national planning policy for Wales (re-issued 9<sup>th</sup> November 2016) has a strong influence on how local authorities treat planning applications for telecommunications apparatus.
21. Alongside this, it is time for the current guidance in Wales (TAN19) to be reviewed and updated, in order to maximise the efficiency and understanding with which applications are processed. It is vital that these departments are properly trained and resourced, so that they do not become a bottleneck to achieving planning.

### **The business rates regime**

22. Scotland is piloting an exemption from business rates for new mast development in more remote areas, in order to remove one barrier to rollout. And the UK Government's Autumn Statement included measures for rates relief for new fibre deployment. Surely this could be taken forward for new mobile sites in remote/not spot areas, plus transmission hop sites and any other rateable infrastructure. In Wales, perhaps such an exemption could cover all the National Park area, where it is particularly costly to deploy mobile infrastructure.

### **Access to public assets and other landowners**

23. The state, in its many forms, owns a large portfolio of assets – land, buildings, street-works and many other structures that could be used for locating telecommunications apparatus. In spite of commitments from central Government to make it easier for operators to use public assets, very little progress has been made in this area, partly because of concerns around being seen to give state aid, partly because of standing orders from Treasury to maximise revenue from Government owned assets and partly because of the difficulty of processing agreements.

24. Mobile UK believes that significant progress could be made if there was more focus on this topic. If customers' future expectations for coverage and capacity are to be met, many thousands more mobile sites will have to be installed (mostly in urban areas). The reform of the Electronic Communications Code presents the opportunity to make this more viable by exerting downward pressure on market prices. As these 'market' prices are self referencing (i.e. the compensation paid to landowners for one site is set by reference to similar sites), leadership by state controlled entities has a knock-on effect in the private sector, making network deployment much more affordable (and thus minimising the impact on the prices paid by customers).

### **Special partnership schemes**

25. Mobile UK believes that, although commercial network deployment will reach a significant portion of the landmass of Wales, there will be scope for partnership between state and the private sector to cover the most hard to reach areas – regions where there is no commercial business case but where additional societal gains can accrue from wider coverage (for example, in the efficient delivery of public services).
26. Lessons can be learned from the discontinued Mobile Infrastructure Project, by integrating any project more closely with the operators' business as usual processes, and at the same time maintaining fair competition and transparency.

### **Coordination across Government**

27. As has recently been acknowledged by the National Infrastructure Commission, electronic communications infrastructure is fundamental to our future prosperity and competitiveness.
28. Upgrading this infrastructure, they also pointed out, can be achieved at a fraction of the cost of upgrading roads, railways, airports, and similar. While competition among private actors will be the primary driver of innovation and change, the Government at Westminster and all Government's of the nations can make a significant contribution. We agree with the NIC, though, that this will lead strong leadership and coordinated action across the machinery of Government.

Cynulliad Cenedlaethol Cymru / National Assembly for Wales

Pwyllgor yr Economi, Seilwaith a Sgiliau / Economy, Infrastructure and Skills  
Committee

Seilwaith digidol Cymru / Digital infrastructure in Wales

Ymateb gan Three / Evidence from Three

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2 January 2017

Russell George AM  
Chair  
Economy, Infrastructure and Skills Committee  
National Assembly for Wales  
Cardiff Bay  
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CF99 1NA

**Three (Hutchison 3G UK Ltd) response to the Welsh Assembly Economy, Infrastructure and Skills Committee Inquiry into Digital Infrastructure in Wales.**

Dear Russell,

1. This is Three's (Hutchison 3G UK Limited) response to the Infrastructure and Skills Committee Inquiry into Digital Infrastructure in Wales. Digital connectivity remains vital to consumers and businesses across Wales; it is essential that policymakers and industry work together to ensure the best possible coverage and quality of service.
2. Three is the UK's challenger mobile network. Since we launched in 2003 we have focused on ensuring that our customers are able to make the most of their devices through market-leading propositions such as 4G at-no-extra-cost. Through Feel at Home, Three customers can now call, text and use their data abroad at no extra cost in 42 destinations.
3. Three carries 37% of the UK's mobile data, more than any other operator.<sup>1</sup> We are therefore uniquely placed to understand what digital infrastructure is required in order to provide this connectivity and also the regulatory bottlenecks that are currently inhibiting investment and rollout.
4. Consumers increasingly expect high speed and reliable data services, whether living, working or visiting Wales. Three offers its 3G and 4G mobile data services to more than 95% of the Welsh population. We are in the middle of a network upgrade plan that will result in new technology and equipment being deployed across our network of sites. This included the deployment of new mobile spectrum, at 800MHz. This new spectrum covers three times the distance of our previous allocation, and offers better coverage indoors, delivering 4G coverage in areas that previously had no coverage at all.
5. However we recognise that more needs to be done to meet the growing demand from consumers and businesses, particularly in rural and hard to reach areas. The Welsh

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<sup>1</sup> Enders Analysis UK mobile data traffic

Assembly has a key role to play in enabling mobile networks to deliver this better coverage.

6. While this includes making use of the Assembly's own powers over areas such as planning and business rates, it is vitally important that the Assembly is also an effective voice lobbying Westminster and Ofcom on reserved matters.
7. There are three areas in particular that are in need of reform to enable better connectivity; spectrum, business rates and planning reform.

**i) Ensuring a fair and equitable distribution of spectrum between mobile operators.**

8. Spectrum is the single most important asset for mobile operators. The more spectrum or bandwidth an operator has, the better, faster and more reliable service the operator can provide. Spectrum is a **finite** national resource and therefore it is the responsibility of Ofcom to auction these airwaves to ensure the best possible coverage and choice for consumers.
9. Ofcom has acknowledged that the balance between operators' holdings is key in determining **quality, choice** and **coverage** for consumers. However following its merger, BT/EE now owns 42% of the UK's usable mobile spectrum. By contrast, Three and O2 have only have 15% and 14% respectively. The UK now has the largest imbalance in spectrum holdings in the G20.

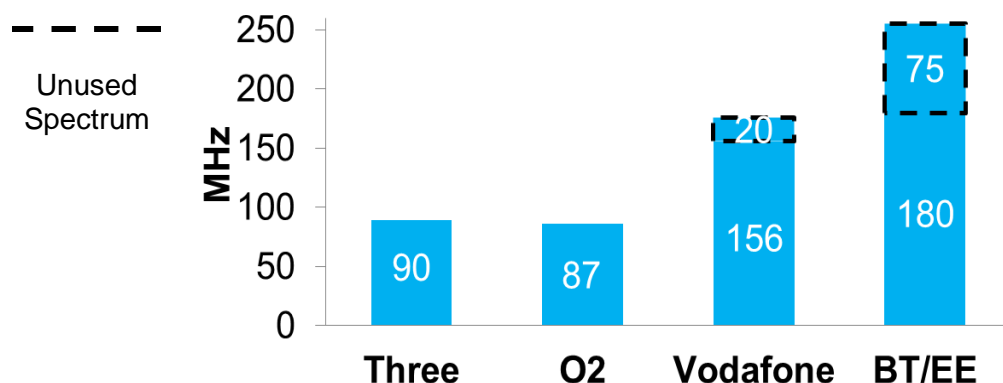


Figure 1 – Total UK spectrum holdings by operator.

10. The current spectrum imbalance is against consumer interest in three key respects.
  - i. **Coverage:** Ofcom's laissez-faire approach to spectrum policy has led to the hoarding of spectrum. BT/EE and Vodafone have 95MHz of unused spectrum which should, as a national resource, be being used to improve coverage. This has created a digital divide in the, with many consumers unable to access the most basic service. In Wales 4G coverage population coverage across all four networks is only 43.9%<sup>2</sup>.

<sup>2</sup> Ofcom Communications Market Review, 2016, p157, [http://stakeholders.ofcom.org.uk/binaries/research/cmr/cmr16/uk/UK\\_Telecoms.pdf](http://stakeholders.ofcom.org.uk/binaries/research/cmr/cmr16/uk/UK_Telecoms.pdf)

- ii. **Prices:** Imbalance in spectrum holdings means reduced competition and choice for consumers. Ofcom's International Communications Market Report found a 12% increase in UK mobile prices in 2015, having fallen by two-thirds since Three first entered the market in 2003, when spectrum holdings were more equitable.
  - iii. **Capacity:** Data consumption is predicted to be 80 times higher by 2030. Yet due to the hoarding of spectrum, half of UK mobile operators are already capacity constrained. If either of the two smallest operators by spectrum holdings were to get access to the UK's unused spectrum holdings, they'd be able to offer data speeds **three times faster** than they do today. It is vital that all operators have access to sufficient spectrum.
11. Ofcom is currently consulting on the auction of **2.3GHz** and **3.4GHz** spectrum, the last major release of spectrum for the foreseeable future. The Welsh Assembly must participate in this debate, as Ofcom's decisions will determine the level of 4G and 5G coverage in Wales for the foreseeable future.
  12. While Ofcom has acknowledged the need to cap operators' spectrum holdings, the proposed level of 42% of usable spectrum fails to address the current disparity and the harm it causes to UK consumers. Ofcom must instead introduce a **30% cap** on spectrum holdings, meaning that no single operator could hold more than 30% of spectrum usable for mobile. A cap set at 30% will bring the UK in line with other countries, rebalance spectrum holdings and preserve competition — for the benefit of consumers.
  13. It is also important that this cap must apply to all mobile spectrum, not just the 2.3GHz band as Ofcom has proposed for their cap. This band makes up only a quarter of the release and therefore will not address the underlying competition concerns. As it stands BT/EE and the other incumbent operators will between them be able to buy all of the 150Mhz of 3.4GHz spectrum; **spectrum that will be necessary for the rollout of 5G in Wales.**
  14. The result of Ofcom's current proposals, only one or two mobile operators will be able to offer 5G services. They are repeating the mistakes made at the 4G auction which saw the UK, and in particular Wales, have one of the slowest rollouts of 4G services in Europe, with customers also initially having to pay hefty premiums for the service.

## ii) **Planning Reform.**

15. With the Governments in both Westminster and Holyrood progressing planning reforms, Wales will soon have one of the most restrictive planning frameworks in the UK. In particular operators face greater restrictions around the height of masts under the Permitted Development framework. Changes will be necessary to ensure Wales' planning framework keeps pace and is able to deliver the connectivity that communities want. These changes should enable:
  - Increases in mast height and width for both existing and new masts under the Permitted Development framework. This would have the greatest impact on coverage; taller masts can double the coverage footprint of a mast site. Protections could be put

in place for sensitive areas, and local authorities would still have extensive rights of refusal but on more limited grounds (i.e. not on the basis of aesthetics alone).

- Deployment of 'small cells'. New 'small cells' on existing structures should be considered under Permitted Development (without prior approval), with the exception of listed buildings or scheduled monuments.
- Emergency Works. There should be an increase in the Permitted Development window for emergency works to better reflect the actual time needed to find, acquire, build and integrate replacement sites.

**iii) Business rates reform.**

16. The Welsh Assembly Government also has the ability to enable improvements in coverage through reform of the business rates regime. Rates currently account for 11% of our network expenditure. The Assembly Government should investigate whether rate relief in the most rural and isolated areas could enable improvements, which in turn would deliver significant economic and social benefits for those communities.

17. If you should have any questions please do not hesitate to get in touch on 07989194029 or [Simon.Miller@Three.co.uk](mailto:Simon.Miller@Three.co.uk).



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