



Cynulliad Cenedlaethol Cymru **The National Assembly for Wales**

Y Pwyllgor Cyfrifon Cyhoeddus **The Public Accounts Committee**

Dydd Mawrth, 7 Gorffennaf 2015
Tuesday, 7 July 2015

Cynnwys
Contents

[Cyflwyniadau, Ymddiheuriadau a Dirprwyon](#)
[Introductions, Apologies and Substitutions](#)

[Buddsoddiad Llywodraeth Cymru yn Seilwaith Band Eang y Genhedlaeth Nesaf: Sesiwn Dystiolaeth 2](#)
[Welsh Government Investment in Next Generation Broadband Infrastructure: Evidence Session 2](#)

[Papurau i'w Nodi](#)
[Papers to Note](#)

[Cynnig o dan Reol Sefydlog 17.42 i Benderfynu Gwahardd y Cyhoedd o'r Cyfarfod](#)
[Motion under Standing Order 17.42 to Resolve to Exclude the Public from the Meeting](#)

Cofnodir y trafodion yn yr iaith y llefarwyd hwy ynndi yn y pwyllgor. Yn ogystal, cynhwysir trawsgrifiad o'r cyfieithu ar y pryd.

The proceedings are recorded in the language in which they were spoken in the committee. In addition, a transcription of the simultaneous interpretation is included.

Aelodau'r pwyllgor yn bresennol
Committee members in attendance

Mohammad Asghar	Ceidwadwyr Cymreig Welsh Conservatives
Jocelyn Davies	Plaid Cymru The Party of Wales
Mike Hedges	Llafur Labour
Ann Jones	Llafur (yn dirprwyo ar ran Sandy Mewies) Labour (substitute for Sandy Mewies)
Darren Millar	Ceidwadwyr Cymreig (Cadeirydd y Pwyllgor) Welsh Conservatives (Committee Chair)
Julie Morgan	Llafur Labour
Jenny Rathbone	Llafur Labour
Aled Roberts	Democratiaid Rhyddfrydol Cymru Welsh Liberal Democrats

Eraill yn bresennol
Others in attendance

Simon Jones	Cyfarwyddwr, Cyllid a Pherfformiad, Grŵp yr Economi, Sgiliau a Chyfoeth Naturiol, Llywodraeth Cymru Director, Finance and Performance, Economy, Skills and Natural Resources Group, Welsh Government
James Price	Dirprwy Ysgrifennydd Parhaol, Grŵp yr Economi, Sgiliau a Chyfoeth Naturiol, Llywodraeth Cymru Deputy Permanent Secretary, Economy, Skills and Natural Resources Group, Welsh Government

Swyddogion Cynulliad Cenedlaethol Cymru yn bresennol
National Assembly for Wales officials in attendance

Claire Griffiths	Dirprwy Glerc Deputy Clerk
Michael Kay	Clerc Clerk
Matthew Mortlock	Swyddfa Archwilio Cymru Wales Audit Office
Joanest Varney-Jackson	Uwch-gynghorydd Cyfreithiol Senior Legal Adviser

Dechreuodd y cyfarfod am 09:03.
The meeting began at 09:03.

Cyflwyniadau, Ymddiheuriadau a Dirprwyon
Introductions, Apologies and Substitutions

[1] **Darren Millar:** Good morning, everybody. Welcome to today's meeting of the Public Accounts Committee. The usual housekeeping notices: to remind everybody that the National Assembly for Wales is a bilingual institution and that Members and witnesses should feel free to contribute to today's proceedings through either English or Welsh, as they see fit. And, of course, there are headsets available for everybody for translation and sound amplification. If I could encourage everyone to switch off their mobile phones and remind everybody also that, in the event of a fire alarm, we should follow the instructions of the

ushers. We've received apologies this morning from Sandy Mewies, but I'm very pleased to be able to welcome Ann Jones as her substitute for today.

Buddsoddiad Llywodraeth Cymru yn Seilwaith Band Eang y Genhedlaeth
Nesaf: Sesiwn Dystiolaeth 2
Welsh Government Investment in Next Generation Broadband Infrastructure:
Evidence Session 2

[2] **Darren Millar:** Item 2 on our agenda is the Welsh Government's investment in next generation broadband infrastructure. This is our second evidence session, and I'm very pleased to be able to welcome James Price, the deputy permanent secretary, economy, skills and natural resources group at the Welsh Government—a new title there, James.

[3] **Mr Price:** Thank you.

[4] **Darren Millar:** And Simon Jones, director of finance and performance, economy, skills and natural resources group at the Welsh Government. Welcome to you both.

[5] **Mr Jones:** Good morning.

[6] **Darren Millar:** We've received, obviously, a briefing from the auditor general on their report on the Welsh Government's investment in next generation broadband, and we took evidence last week as a committee from BT and gleaned quite a lot of information from that evidence session. I don't know if you want to make any opening remarks, but feel free to do so in response to my first question, and then I'll open it up to the floor. It looks as though this is pretty good news, that the Welsh Government has done a pretty good job in securing the Superfast Cymru broadband project. But do you accept that there are things that could have improved, and what is your response to the recommendations in the auditor general's report?

[7] **Mr Price:** Okay. So, this is potentially going to be quite a complex session, so Simon might be doing a lot of the talking, but I can probably manage that one. So, clearly, we accept that we could have done things better. I think, every time I come here, I always say that we can learn and need to learn. I think that's certainly the case on a number of things, all the way through what we've done here. I also think that, compared to all of our comparator cases across the UK and probably across Europe, we've done a reasonable job.

[8] **Darren Millar:** Did you want to add anything, Mr Jones?

[9] **Mr Jones:** Yes. Could I just outline what it is we're trying to do? You've seen the report, but perhaps I could just kind of summarise kind of the key things. There is a sentence, for me, that summarises what we're doing: we're going to pay, via a grant, a share of the eligible capital costs for the minimum infrastructure required to serve the eligible premises. So, that's a long-winded way of saying that we're going to give BT some money to improve their network, and they've got to do the minimum amount of work required—capital money only—to be able to provide speeds in accordance with the targets in the contract. That summarises all that we're doing and that's kind of been the mantra for the way that we've managed the contract. I can go into some of the specifics, but perhaps we'll get to some of those later on.

[10] **Darren Millar:** Yes, we will get to some of the specifics. One of the issues that was certainly raised last week, and was an issue of concern for Members, was communication. So, I'm going to bring Julie Morgan in on that issue.

[11] **Julie Morgan:** Thank you very much, and good morning. In the questioning of BT last week, and in the auditor general's report, there was some criticism of the communication arrangements, and I wonder what your general response is to that criticism.

[12] **Mr Price:** Okay. I think that I would accept that we could try and improve things. In fact, we are trying to improve the way we communicate things. In preparing for this committee, Simon and I went through, just yesterday in fact, what we have done, the changes that have already been made, and then how we're going to try and make it even better in the future. But also, we were challenging ourselves as to why it has proved quite as difficult as it is to communicate effectively with different groups, and I think there are a number of reasons for that. The first one is the scale of the project that we're running here. I'm not sure whether these figures are correct, but the scheme we're running in Wales is certainly at least twice as big as any other scheme in the UK, potentially between three and five times of anything else in the UK. Like any other infrastructure project that we've talked about before—roads et cetera—putting the infrastructure in is quite complicated. A set of things have to be done, including a series of permissions from different people: roads and street works, planning permission et cetera, et cetera. If any one of those things goes offline, it has the effect of moving one cabinet backwards or forwards quite significantly.

[13] I think, therefore, there's a genuine challenge and a genuine tension between wanting to give all of the information upfront about when things are going to happen, and then finding that, through no fault of our own and no control issues within BT, things move about just in a sense of maybe a planning issue or maybe a power to the cabinet issue, et cetera, et cetera. We have made some changes to try and make that much better, and we certainly appreciate that, in order to get the most out of this project at the earliest possible time, we need to get the communication as good as it can be. Simon can maybe talk to some of the things we've done to try and improve that.

[14] **Mr Jones:** Can I just add to the scale piece? I'm not sure you heard last week BT talking about 3,000-odd cabinets that they are going to be installing. So, every one of those cabinets needs planning permission, it needs a power supply taking to it, where there's no power supply at the moment, it needs fibre taking to it—and, actually, some of those fibre runs can be many kilometres—and it needs a whole load of work to the copper network around it. To get the power and the copper to that cabinet, then BT need to enter into wayleave agreements with local landowners. Some of those cables are taken through the public highway, so that's relatively straightforward in terms of permissions, but some of those cables are actually taken across private land. One private landowner, holding out on granting a wayleave or delaying it, can actually delay the installation of a whole cabinet. So, there are all sorts of things, which mean that the sequence of events can be disturbed. Therefore, it's very difficult to talk on a grand scale about when individual premises are going to get serviced. We could, potentially, have an army of people monitoring individual progress on individual lines to be able to give individual messages to end users. So, because of the scale, it's a very difficult thing for us to do.

[15] **Julie Morgan:** Are you saying, then, that you're not able to tell individual businesses and households what's happening?

[16] **Mr Jones:** No. Sorry, that isn't the case. What we're able to do is talk in general terms, but not be absolutely specific and say, 'On this date, we guarantee you will get service' because, as I think BT described last week, if we were to make those commitments, then people make other plans on the back of that, and I think that exposes us to other risks as well, if we are absolutely upfront. What we've found is that, even though, in our previous communications we've caveated the messages that we've given, people are inclined to take that as some kind of set-in-stone message. So, what we've tried to do is change the way that we present those caveats. Also, we're talking now about trying to tell people when areas will

be completed, rather than when we're starting in a particular area, so they get an idea about the timing within which their service is likely to become live, rather than when services start to become live within an area.

[17] **Julie Morgan:** I think, originally, there were plans for a help desk and a telephone line. I think this came up at the last evidence session. Do you think, looking back, it would've been good to have those in so that this sort of information could be told on the phone to people?

[18] **Mr Jones:** Well, I think we do provide that information through all sorts of other media—through Facebook and Twitter and e-mail and all sorts of other media. Just in terms of the manpower it might've required to run a call centre, we were really struggling to justify the value for money of running a call centre function, when, actually, there are other ways of solving the same problem.

[19] **Julie Morgan:** And what about building up the relationship with the local authorities? What have you been doing on that?

[20] **Mr Jones:** So, we've done a significant amount of work with each local authority. We've now got relationships with all 22, because we're live and building in all 22 local authority areas, but, prior to our starting, our team went out and sat down with the planners, with the highway people, with the economic development guys in each local authority to describe what the project would be bringing to them, the way that we would be working, the way that we would seek permissions, and what have you from the local authority. That relationship has matured in all cases with the local authorities. Actually, I'd say we have pretty good relationships with all the authorities in Wales. That relationship has matured. So, now we're talking to them all about how we make the most of the infrastructure that we're building. We're pretty well advanced in most local authority areas now, so our attention is beginning to turn to things like exploitation and take-up in those areas. So, we've got in-depth conversations going on with all the local authorities about that.

[21] **Julie Morgan:** What about this issue of local authorities allowing BT to put stickers on cabinets to say they have been updated? Have you been involved in this?

[22] **Mr Jones:** Yes, we have, yes.

[23] **Julie Morgan:** Do you want to tell us what you done about it?

[24] **Mr Jones:** So, we've worked with all the local authorities, and with BT. I mean, it's a sensitive issue, putting these stickers on the cabinets. You can see that there might be objections to those stickers appearing on the cabinets, but, for us, we want people to be aware that the service is available, and the stickers appear on the cabinets when the service is available. So, it's quite an effective tool for us—quite an effective low-cost tool for us—to tell people about the availability of the service. That's really important for us, for reasons around take-up, which I know BT described to you last week.

[25] **Julie Morgan:** Right. Thank you.

[26] **Darren Millar:** I'm going to bring in a couple of Members who've got questions on this specific communications issue. Jocelyn and then Jenny. Jocelyn.

[27] **Jocelyn Davies:** I ought to declare an interest, I suppose, because I am a BT customer. They send me a leaflet advertising some fantastic new service—they know my address; I can't get it. Well, I can now, but at the time I was receiving leaflets from them, I couldn't get it. You mentioned giving money to improve their network, because, obviously,

they've been the one in control of the network. Aren't you a bit disappointed that BT didn't know what their network consisted of? What we were hearing last week is they did a desktop exercise, but when they actually got there, it didn't look like they thought it would look like, and the delays—it seemed to me, it was putting more to that than it was to planning. Did you assume that they would know what their network consisted of?

[28] **Mr Jones:** The reality is some of that network hasn't been touched for 50 years, so—

[29] **Jocelyn Davies:** Well they've had people, local people—. I mean, maybe all the people that they had locally have gone, I don't know, but they've had control of that network. You'd think they'd know what their exchanges were, and what their existing infrastructure was.

09:15

[30] Did you assume that they knew, because it seemed to me, from listening to them last week, that that was one of their greatest problems? Planning didn't seem to be a problem that they'd highlighted significantly to us last week. It was more that they didn't know what they had in their ownership all this time on the ground.

[31] **Mr Jones:** Well, there may be an element of that, and they're better placed to answer that than we are, I think.

[32] **Jocelyn Davies:** Did you assume it, though, when you gave them the contract?

[33] **Mr Jones:** We would reckon that they would understand their network in general terms. I'm sure there will always be specific cases, with a network as complicated as they have, where some of their records may be found wanting.

[34] **Mr Price:** I was going to make a more general point, because, to be honest, I don't know the answer to your question, but I—

[35] **Jocelyn Davies:** Did the Welsh Government assume BT knew what their network would look like—

[36] **Mr Price:** In order for us to be awarding a contract, we wouldn't have had to assume that they knew what their network was, but we would have had to assume that they were reasonably confident in what they were bidding to us, which would indicate that they ought to know reasonably what their network was, because otherwise they couldn't—so, yes. But it would be their risk, frankly, if they got that wrong.

[37] The more general point I was going to make, without wishing to get into defending BT—and I'm not going to, anyway—is that the asset management plans of most infrastructure providers are not as good as they ought to be. Network Rail's is not as good as it ought to be. The trunk road network—we're still trying to improve that. So, this is an ongoing issue. I was actually mentioning to Simon yesterday just a personal experience I had, and questioning how frequently this experience I'll describe might have occurred. When I moved house, there was a CableTel box outside of my house, and I phoned up NTL and they said, 'There are no cables in your area', and it was my wife, actually, who kept going on and on and on to them, and eventually they brought an engineer out and discovered that the whole housing estate had dark fibre in it, but they didn't know, as it wasn't on their system. That was other than BT. So, there clearly is an issue, and I guess it's an issue that is being addressed more as a result of this.

[38] **Jocelyn Davies:** On the communication of it, how do you feel about people receiving

leaflets from BT for a service that they can't get yet? It's very frustrating for people, then, when they try to get a service that's being advertised to them. If you use websites, Twitter, Facebook and so on, you're assuming that people have already got access to the network that they're trying to get on, and the telephone helpline might've been useful for those people who don't yet have access to that service. We can't assume that everybody's on the internet.

[39] **Mr Price:** No, I quite agree. As I said before, I think, Simon, there are things you've done to improve it that maybe you could take people through: so the functionality on the website—I appreciate the fact, though, that if you're not on the web, that's going to be difficult—and the fact that we have been trying to make new information as good as possible, notwithstanding all of the issues that we've got in doing that. So, from a policy perspective, I think that we would want to be, ideally, promoting the service just before it came, and we have done a bit of that, so 'superfast is coming'—you see that on the side of the vans, and there have been leaflet drops, et cetera. But there obviously would be an optimal time for that, and if you tell people too early, all you're going to get is frustration and then people forgetting about it. So, I don't think we've cracked this one completely, and I don't think anyone did across the UK, but I'm confident that the team is doing everything within their power and is working with BT to try and make sure they do everything within their power to do that as well. But there are things that have been done, aren't there?

[40] **Mr Jones:** Yes, so we have improved the way the website looks, so the postcode checker has been updated, and, as I say, we're changing the way that we communicate about when areas are going live. So, rather than saying, 'This area will be live from this point in time', we're now beginning to say to people when an area will be complete. So, we're changing the language to try and help people understand that not everybody is going to be switched on in an area at the same time. There will be reasons why certain pockets will be later than others, and there'll be certain pockets that will be earlier than others. There are a whole raft of things that we're doing about learning from the things that are in the report, but actually there's kind of another dynamic at play here.

[41] When we started the project, we had about 45 per cent superfast coverage in Wales, so we had the lowest percentage superfast broadband coverage of any part of the UK, so the scale of our problem was bigger than anywhere else. We've now been going for a while; so, actually, coverage in Wales is about 79 per cent, I think, today. So, there's still a significant percentage of people who can't get it, but actually that number has dropped dramatically. So, when we first started, there was a kind of a need to communicate to a huge number of people. Now, that number of people who we need to communicate with about when they're going to be getting the service is decreasing all the time. We're all aware of the few per cent who aren't going to get service at the end. Actually, as time goes on, that percentage of people who aren't going to get service at the end increases as a proportion of the audience that we're talking to. So, there will come a point in the near future when, actually, we're going to need to change our message so that it isn't just about, 'When are you going to get a service from the BT contract?'; it's going to be, 'What can you do to be able to get a service from a range of other means?' So, we will be changing the message at some point in the future to be able to deal with that wider issue.

[42] **Darren Millar:** I'm going to bring Jenny in now. Before you move on, though, I want to come back on the communications issue after you, Jenny.

[43] **Jenny Rathbone:** Well, I just wanted to pick up—. You said that private landowners who block access to their land can really hold things up, and I just wondered how often that has occurred and what powers you have to unblock that very quickly.

[44] **Mr Jones:** At the moment we have limited powers to be able to unblock that, but that is something that's being examined at the moment. It happens relatively rarely with the roll

out of fibre to the cabinet, which has been a predominant technology that we've deployed up until now; but actually, when we move into fibre to the premises, which is what the remainder of the contract is largely about, frankly, it becomes much more of an issue because there's much more infrastructure that is carried on poles using that technology. A lot of the fibre that we've got to put in under fibre to the cabinet is actually buried in ducts. So, we're now moving to fibre on poles. It's getting those poles across people's land that's more tricky. So, I expect that problem will be more of a challenge for us.

[45] **Jenny Rathbone:** Okay. Because it's pretty outrageous that some large private landowners can block access for the village the other side. So, you say you've got limited powers.

[46] **Mr Jones:** Yes.

[47] **Jenny Rathbone:** What powers are they?

[48] **Mr Jones:** I think, other than kind of lobbying and naming and shaming at the moment, we probably don't have a huge amount of weapons in our armoury there. I think, you know, there's a community piece to this as well; so, the community can get involved. I think if we start advising communities that have been caught out by this, that will help in some cases. But some of these landowners are not, you know, kind of huge estates—

[49] **Mr Price:** Someone's garden or—

[50] **Mr Jones:** It might be somebody's garden or it might be—. I mean, our friends in BT call them brass plaque companies. So, there might be a parcel of land that's owned by a company that's got headquarters in London somewhere and that's just a post box for some overseas corporation. It's quite difficult, then, to be able to unblock that and have a dialogue with those organisations.

[51] **Jenny Rathbone:** So, will you be able to send us a list of all these people who've been blocking it so that we can name and shame them?

[52] **Mr Price:** We can ask BT.

[53] **Mr Jones:** Yes, we can dig that out and share with you the ones that are suspended. There will be a limited number, which we've kind of said, 'Right, the shutters are down on that one, therefore we can't do those premises', because we're constantly trying to find ways around that. But we can find you the ones where we have got absolute blocks on, yes. Sure.

[54] **Jenny Rathbone:** Okay. And what are you doing to actually change that? Because I think the public would be rather shocked if they knew that some company in a foreign land somewhere has the ability to simply not reply and therefore prevent a community getting the broadband.

[55] **Mr Jones:** This isn't just a problem in Wales.

[56] **Jenny Rathbone:** I appreciate that.

[57] **Mr Jones:** This is a UK issue. Actually, you know, when we talk about the final 4 per cent, some of those premises in the final 4 per cent will be—. The reason they'll be in there is not because there's any kind of huge technological issue or huge expense of getting services to people; it'll be precisely because of this. So, it is being looked at at a UK level. I know that our colleagues in Scotland are also challenged with this issue. We have a regular dialogue with colleagues from around the UK about how to take this forward.

[58] **Jenny Rathbone:** Okay, but the oxygen of publicity at the moment is your only tool?

[59] **Mr Jones:** Yes.

[60] **Darren Millar:** Can I just ask, going back to this issue of communications: were communications built into the contract with BT, and if so, what did the contract say should be communicated and when it should be communicated to members of the public?

[61] **Mr Jones:** Okay. Shall I take that?

[62] **Mr Price:** Yes.

[63] **Mr Jones:** There's an allowance of up to £1.7 million within the contract for what we call marketing. Through that, BT employ a team of individuals to update the website, to kind of populate the Facebook and Twitter accounts, to deal with the e-mail correspondence, and to be behind some of the campaigns that you see with the leaflets being dropped. BT have done a deal through BT Retail sponsorship of the rugby, so they have hoardings at rugby matches. That team of people is co-ordinating all of those activities.

[64] **Darren Millar:** That sounds like that's promoting BT. Shouldn't this be about promoting superfast broadband?

[65] **Mr Jones:** Okay, so—

[66] **Darren Millar:** So, what specifically was within the contract that was promoting superfast broadband—not any particular retailer, but superfast broadband? Did you set out as a Welsh Government what those communication requirements should or should not be?

[67] **Mr Jones:** Yes—

[68] **Darren Millar:** And how can you be sure that the £1.3 million that you say was in the contract was actually spent on promoting superfast broadband—*[Interruption.]*—or the £1.7 million rather, and not BT itself?

[69] **Mr Jones:** Okay. So, we oversee the activities that that team carries out. So, actually, there are officials that sign off on every activity that they undertake. Whilst it's BT staff that carry that out, those BT staff really are facing the Openreach part of the BT business rather than the retail part of the business. The one caveat there is around the activities that they have around the rugby, but that was because they essentially got some free availability of adverts and inserts in programmes—

[70] **Darren Millar:** So, was that payment coming from the public purse—the advertising for the rugby?

[71] **Mr Jones:** No, no, no—I think they managed—

[72] **Darren Millar:** So, did you have to sign that off? You said that officials signed off on all these things—

[73] **Mr Jones:** Yes, so—

[74] **Darren Millar:** Everything that was signed off on was not about promoting BT?

[75] **Mr Jones:** No. that wasn't about promoting BT. That was using the channel that was

available to us to promote Superfast Cymru, not to promote BT. So, you will have seen the adverts—well, hopefully, you will have seen the adverts around the place. They all talk about Superfast Cymru, rather than BT or BT Retail or anything like that. So, they are focused on Superfast Cymru. This is a function of the way that the regulator oversees BT. Openreach provide, if you like, the plumbing across Wales. I think BT referred to it last week as the rail track of the telecoms industry. I'm not quite sure that's the best analogy, but there we are. But they do provide an infrastructure that is available on an open access wholesale basis to their competitors to use. We've been very clear in the contract that we have with BT that that has to be the case, and it's very heavily regulated by Ofcom. In fact, we've even put some price controls into our contract, so the prices that BT charge those retail service providers to access the network in Wales are benchmarked against major cities in the UK. So, it's very much a wholesale thing, but we have to deal with—. You know, BT are the biggest telecoms provider in the UK. They own the copper network that's being upgraded, so, as a function of that, we have to deal with them.

[76] **Darren Millar:** So, the £1.7 million—you must have had an idea as to what that was going to deliver, yes?

[77] **Mr Jones:** Yes.

[78] **Darren Millar:** So, could you send us a note just on what you were expecting to deliver for that £1.7 million in terms of public communications and communications with businesses regarding the availability of broadband? And can I ask one final question on the planning-related issues? Where do permitted development rights fit in here? If you're replacing one cabinet with another cabinet immediately next door, which is what happened in most cases, why is that a problem? Why couldn't that be done under permitted development rights? We've just got a planning Bill surging its way through—

[79] **Mr Jones:** Yes. So, in most cases, it's not actually replacing a cabinet. A new cabinet appears alongside the old green cabinet that would maybe have been there for 50 years. So, it's a new cabinet, and these things are quite a size. So, there is an issue around getting permissions to have those installed. It may not be planning. It may be just permission to actually install that on the highway land, on the footpath on the side of the road.

[80] **Darren Millar:** Right, so it's not always planning.

[81] **Mr Jones:** There is a whole raft of different permissions required—

[82] **Darren Millar:** So, is there a different approach by local authority, then, as to the arrangements for situating these immediately adjacent to an existing cabinet?

[83] **Mr Jones:** Well, it's not just by local authority; it's by individual circumstance, because, in some places, we can install the cabinet immediately next to the old one. In some places, by doing so, because these cabinets are much larger, we might actually narrow the footpath to such an extent that the footpath becomes unusable. So, we therefore need to find another location.

09:30

[84] **Darren Millar:** So, just for the sake of clarity, are there any permitted development rights that BT or any of the telecoms industries are able to access in the same way that there are permitted development rights for, perhaps, other utility companies to be able to access and improve their services?

[85] **Mr Jones:** I believe there are. I think that came through before the Wales planning

Bill went through, yes.

[86] **Darren Millar:** Right. So, there are permitted development rights in place.

[87] **Mr Jones:** There are, but I don't think that covers the entirety of what BT are doing under their contract.

[88] **Mr Price:** Shall we provide a note?

[89] **Mr Jones:** Yes, we can do that.

[90] **Mr Price:** That would probably be the best thing. Chair, can I just make one other comment on communication, which I think is relevant to the conversation we're having? When the contract was first specified—. To a certain extent, all the way through this, there has been some tension between people's wish to see the Government spending quite large sums of money on communication and a view, really, that the Government's role here was to spend the minimum necessary to get the infrastructure in place on the basis that once the infrastructure was in place, the market would make money out of using the infrastructure, and therefore it was more for the market to be communicating with people and trying to sell services than us. Now, I appreciate there's an equally strong answer the other way, but it's been quite difficult to work out exactly where along that continuum we should be. Clearly, we could be at the other end of the spectrum, where different operators are basically taking supernormal profits as a result of our marketing activity. So, there's a balance to be struck.

[91] **Darren Millar:** But you had an idea of what should be publicly funded communications.

[92] **Mr Price:** Yes, and we'll give you a note on that.

[93] **Darren Millar:** I'm going to bring in Aled—I'll come back to you, Jenny, on the other issue—and then Mike.

[94] **Aled Roberts:** Rwy'n derbyn y pwynt ynglŷn â maint y gyllideb gyfathrebu, ond rwyf i jest eisiau gofyn a yw'n bosib i'ch nodyn chi ddelio efo'r ffordd mae'r gyllideb yn cael ei defnyddio'n ddaearyddol. Rwy'n poeni, braidd, os ydych chi'n sôn am gyllideb sy'n ymwneud â rygbi, oherwydd mae yna ardaloedd yng Nghymru, wrth gwrs, lle nad yw rygbi'n boblogaidd.

Aled Roberts: I accept the point regarding the size of the communication budget, but I just want to ask whether it's possible for your note to also deal with the way the budget is used geographically. I'm slightly concerned if you're talking about a budget that relates to rugby, because there are areas in Wales, of course, where rugby isn't popular.

[95] A gaf i hefyd ofyn i chi: beth ydy cyfrifoldebau BT ynglŷn ag ardaloedd sydd, erbyn hyn, yn derbyn band eang? Rwy'n meddwl, un o'r ffigurau yr oeddem ni'n siomedig efo'r wythnos diwethaf oedd bod dim ond tua 20 y cant o'r boblogaeth mewn rhai o'r ardaloedd sydd wedi'u cysylltu ers rhai misoedd erbyn hyn yn defnyddio band eang, a'r ffaith bod angen cyfarpar newydd ar nifer o bobl cyn eu bod yn gallu defnyddio'r band eang cyflym.

May I also ask you: what are BT's responsibilities regarding an area that is receiving broadband now? I think one of the figures that we were disappointed with last week was that only 20 per cent of the population in some areas that have been connected for a few months now are using broadband, and the fact that there was a need for new equipment for a number of people before they could use superfast broadband.

[96] Hefyd, beth ydy'r trefniadau ynglŷn Also, what are the arrangements regarding

â'r cwsmeriaid hynny sydd ddim yn derbyn those customers who don't receive BT gwasanaethau BT? Mae'n rhaid i mi services? I must admit that my area has gyfaddef, mae fy ardal i'n derbyn band eang broadband now. I'm not a BT customer and erbyn hyn. Nid wyf yn gwsmer i BT ac nid I'm not aware that I've received any wyf yn ymwybodol fy mod wedi derbyn information at all. unrhyw wybodaeth o gwbl.

[97] **Mr Jones:** Okay. So, if I take the question about the 20 per cent take-up, for premises that have been connected, or have had the service available for over a year—I should say there's a distinction there I should be clear about—the figure is close to 22 per cent take-up. Now, I know you characterise that as a bit disappointing, but, actually, that's a really strong position for us, given where we are with the project.

[98] **Aled Roberts:** I think that was the best figure that was quoted to us last week.

[99] **Mr Jones:** Yes. I think the average, across the intervention area for all premises is about 13 per cent. So, that includes premises that have just been enabled. So, on any day, or any week, there might be 30 or 40 new cabinets installed, which might be bringing in thousands of new customers. So, that's always going to dilute the average take-up down. So, we tend to look at the one-year rolling average.

[100] I suppose, if we take a step back and think about what that means for us in financial terms, we've got seven years of an operational phase, once BT finish, where every percentage point above 21 per cent means that we have a share of BT's profits. So, actually, the fact that we're at 22 per cent now and we're a year before the operational phase begins is great news for us. That means that we're exposing ourselves to significant amounts of clawback coming back from BT, which we can then reinvest in rolling out the rest of the network. So, as a comparator, I think Cornwall, which have been going for maybe 18 months longer than us, are kind of in the 25 to 30 per cent take-up range. So, we're not that far behind the place that is held up as the exemplar for the UK. So, we are reasonably content with where we are with take-up. Clearly, the more we can get, the better it is, because the more money that we'll get back to be able to reinvest in the network.

[101] **Mr Price:** And the more effect it's having on the communities and businesses—

[102] **Mr Jones:** Yes, that's right, in terms of achieving our business case objectives; you're absolutely right there, James. You mentioned new equipment that needs to be procured when people take the service up. Well, actually, generally speaking, it's the service providers that will provide that equipment. I think Openreach charge of a flat fee of about £100 for every new connection, but most of the service providers amortise that cost in the package that you buy, so most of the service providers—

[103] **Aled Roberts:** No, I'm not talking about the cost; I'm talking about where, if it's not a BT provider to your service, what is the responsibility within the contract for BT, given that they've been given the roll-out? Where is the responsibility on BT? Jocelyn mentioned that, as a BT customer, she's received information. I'm bit concerned that there's no provision for non-BT users, and that BT should still have a responsibility, albeit that they might not be profiting from that individual householder or business.

[104] **Mr Jones:** The regulator makes sure that BT—Openreach, I should say—tells the entire market at the same time when new premises are switched on. That's a regulated activity. Now, BT Retail are perhaps swifter off the mark than others, and we've seen that actually; we've seen that BT Retail have perhaps been more successful in doing this. But organisations like Sky and TalkTalk are beginning to come to the party much more. When I first got involved in this project two or three years ago, I would see very little advertising by

Sky and TalkTalk for superfast broadband, but, increasingly, I'm seeing, on billboards and tv adverts now, that those organisations are reaching out to potential customers and making offers for deals. But what we've done is we've created a wholesale obligation to BT Openreach essentially, and how the rest of the market responds is really an issue for the rest of the market and for the regulator to make sure that BT Openreach are actually offering that service in an open and equal manner.

[105] **Aled Roberts:** Beth nad wyf yn deall ar hyn o bryd yw eich bod chi wedi dweud eich bod yn defnyddio £1.7 miliwn o arian cyhoeddus i hysbysebu'r ffaith bod y gwasanaeth yma ar gael. Nid wy'n deall sut—. Rydych wedi dweud bod BT yn gwneud hyn a'r llall. Y cwestiwn ydy: sut mae BT yn defnyddio rhan o'r £1.7 miliwn ar gyfer y bobl nad ydynt yn cael eu cyflenwi gan BT?

Aled Roberts: What I don't understand at the moment is that you've said that you're using £1.7 million of public money to advertise the fact that this service is available. I don't understand how—. You've said that BT is doing such and such. The question is: how is BT using a share of the £1.7 million for people who aren't being supplied by BT?

[106] **Mr Jones:** So, the messaging that we give out is completely agnostic of who the end service provider will be. The leaflets that we send out don't mention any service provider, any retail service provider—they are about the service itself, and we say in them, 'Contact your service provider to get the service.' We don't tell anybody to go to BT or any other provider. That's a matter for the end user.

[107] **Aled Roberts:** And you've got information regarding the geographical spread of that information.

[108] **Mr Jones:** Yes.

[109] **Aled Roberts:** Which you'll provide a note for us on.

[110] **Mr Jones:** Yes.

[111] **Darren Millar:** Can I just ask about this profit share? This was mentioned by BT last week. So, it's half the profits of every percentage above 20 per cent that you as a Welsh Government receive, yes?

[112] **Mr Jones:** Yes.

[113] **Darren Millar:** How do you know that you're getting half of the money in? How are you able to monitor BT? This is a complex organisation, isn't it? How on earth are you able to determine whether the profits that you're receiving are a fair reflection of the profits that they're making from those customers?

[114] **Mr Jones:** You're right; it is an extremely complex organisation and it will be an extremely challenging piece of work. There are various data sets that BT are required to give us under the contract, which we will use to make sure that what they tell us can be audited and checked against. And we're not alone in this. This claw-back mechanism is actually mirrored in the other 45 contracts around the rest of the UK. So, this isn't a problem that we alone will have to face: the methodology for ensuring that we get best value from BT, and that they are straightforward with us, that problem is shared across the UK. But I'm not underestimating the challenge of making sure that we get our fair share.

[115] **Darren Millar:** So, you didn't agree a methodology upfront, in terms of how you would determine what was profit and what wasn't.

[116] **Mr Jones:** Yes, we have. There is a formula in the contract—

[117] **Darren Millar:** Sorry, you gave me the impression that you hadn't worked out yet how you're—

[118] **Mr Jones:** Sorry. So, there's a formula in the contract that takes inputs from a number of different sources, and for us to be absolutely sure that we're getting best value for money, and that BT are providing all the information that we need, we've got to be able to go back to first principles on all of those variables.

[119] **Mr Price:** Chair, I think the reality on all of these things is, even with semi-open book accounting, which I think is what we've got here, really, there's always a challenge to make sure that you're not being exploited. I think that's really what Simon's getting at. Exactly how we will do that I think we'll find out when we get into it and we find out whether, locally, people are playing games, or whether they're not. To a certain extent, the level of pushback we get will also be an indication of whether we're at the right level or not. But the fact we've got—

[120] **Darren Millar:** But you do have a methodology for testing the data that are coming to you, which is the issue.

[121] **Mr Price:** Yes, but we would want to be checking that anyway, pushing a little bit further, because until you do it, you never really know. That's my experience with these things.

[122] **Darren Millar:** And of course you rely on BT to tell you what proportion of the population are switched on, as well, don't you? The people using the service.

[123] **Mr Jones:** Sorry, I wasn't being very clear earlier. It's exactly those kinds of data that are at the heart of trying to understand what we get. So, actually understanding at a premises by premises level who has taken the service and who hasn't is the fundamental input to the calculation that is in the contract.

[124] **Darren Millar:** Okay. Mike.

[125] **Mike Hedges:** There are three phases to the question. The first one is: last week BT said the up-speed is a third of the speed of the down-speed, and that was acceptable. Do you find that acceptable?

[126] **Mr Jones:** I think that's very much dependent on the usage profile of the end customer. I think for consumers—and they'll probably make up the majority of users of this—actually, that's probably a fair reflection, because most consumers will be taking content from the internet and bringing it to themselves. I think the challenge comes when you have business users, who will want to have a much more symmetric service because they will want to be taking advantage of technologies like the cloud, where they'll actually want to run their businesses remotely from where they are, essentially. That symmetry becomes more of an issue. Whilst BT are providing an asymmetric service, so that the down-speed is significantly more than the up-speed, we should also remember that the up-speed is significantly more than has been available in the past. When products like fibre on demand become available, actually that up-speed will be as much as we're expecting in the downstream speed in the contract.

[127] **Mike Hedges:** I'm not often given to making predictions, but one I will make is that, in 20 years' time, today's superfast will be slow, by definition. I also know that speed is

controlled by the slowest moving part; what scientists used to call the rate-controlling step. We're talking about fibre to cabinet and fibre to premises, and I've got confused by some of the answers I've heard so far. BT say they're putting fibre to cabinets; you started talking about fibre to premises. If you have copper to premises and fibre to cabinets, doesn't that slow down the available speed?

[128] **Mr Price:** I won't give a technical answer, but Simon can come in on the technical thing. I think the point to bear in mind is that the contract specifies the outcomes that will be achieved, and the outcomes have to be achieved. BT will have to use whatever technology is necessary to achieve those outcomes. So, to a certain extent, provided they achieve—well, not to a certain extent; completely—. Provided they achieve the outcomes that they have to achieve, we don't care how they achieve those outcomes. The reality is that copper does slow it down, but it depends what the condition of the copper is, how long the copper's travelling for, et cetera, et cetera. That is why there is some fibre to the premises within the mix, but there may well be other solutions within the mix as well.

[129] **Mr Jones:** I suppose the other thing to add to that is that, as James said, we're pretty agnostic about what technology they use, but what BT have told us is that, actually, the mix of fibre to the cabinet and fibre to the premises has changed over time. So, we will get less fibre to the premises now than they'd originally bid for in the contract, and, as James said, we don't really mind, as long as they're achieving the outcomes. The upside for us is that building fibre to the cabinet is a lot cheaper than building fibre to the premises, so we'll get a better-value solution from them.

09:45

[130] **Mike Hedges:** For my last question, I'll start with a comment: copper will always slow it down. All that you've just said is how much you will slow it down by in terms of length and quality, et cetera, but it'll always slow it down by definition of the different speeds, if it's fibre and copper runner. But the question I've got is: some areas, and I'm going to talk about Skewen, Llansamlet and Birchgrove again, have got some old NTL, which is now Virgin, to some of the premises. That seems to be a reason why BT are not covering that area, but not all of the premises and not all of the properties are covered by that. In areas where you've got some coverage from a third party, will BT still be expected to ensure that it's available to everybody? I'm talking about urban areas. I can understand you saying about a remote farm somewhere, but we're talking about fairly solid urban areas. Will some urban areas miss out because they're partially covered by a third party?

[131] **Mr Jones:** The simple answer is 'quite possibly'. The reason for that is the way that we engaged with the market to understand where there had been market failure. So, we carried out these things called open market reviews in 2011 and 2012, and we did another one last year, and the questions that are asked at the moment under the open market reviews are about availability of superfast services in postcode areas. So, if a service provider comes along and says, 'Yes, I've got superfast services in that postcode', that excludes that postcode from—. We're not allowed, under the current state aid rules, if that postcode has got any superfast broadband in there, to go in there. I suspect that, as we move through the cycle and as we get closer to the end of this, we will run more open market reviews and end up having to be much more precise and probably move from postcode analysis down to premises analysis.

[132] **Mike Hedges:** Okay, thank you.

[133] **Darren Millar:** I'm going to go to Ann first, who has a supplementary, and then I'm going to come to Jenny.

[134] **Ann Jones:** I want to know what the extent of the dialogue is between yourselves and BT around the fact that fibre on demand isn't yet available—they say that they'll put it on soon, and yet they've got less than 12 months now to actually complete that.

[135] **Mr Price:** Shall I give a very simple answer to that? We've been discussing that on an ongoing basis and there will be an announcement—

[136] **Ann Jones:** Shortly.

[137] **Mr Price:** Shortly.

[138] **Ann Jones:** That's what we keep being told.

[139] **Mr Price:** Then more shortly than it was last time. [*Laughter.*]

[140] **Ann Jones:** I would have preferred it to be very, very shortly—that is, that you would have done it previously—because the businesses and people in areas that haven't got this, and yet they see it in areas 100 yards down the road, for them to be told, 'Oh, it's likely to be coming' is like, 'Coming to you soon'. It's like telling a child that Father Christmas is coming now and then expecting them to shut up and wait without nagging you. But you've got to nag. So, what dialogue have you had, and are you confident that BT are going to roll this out, if they haven't got fibre on demand?

[141] **Mr Price:** So, I think 'significant dialogue' is the answer to that. I'm confident that it will be sorted.

[142] **Ann Jones:** So, you are confident. So, I can go back to all my businesses now and say that you are confident that they will get what they want—

[143] **Mr Price:** Yes. I ask Simon all these questions every day.

[144] **Ann Jones:** —sooner rather than later.

[145] **Mr Price:** Yes. I'm standing on his toes. [*Laughter.*]

[146] **Darren Millar:** So, are we talking three months, six months? Do you have a timescale in mind?

[147] **Ann Jones:** Should they put it on the list for Father Christmas to visit, or should they—. Will that be sorted?

[148] **Darren Millar:** Before Christmas? Chinese New Year? When can we expect it?

[149] **Mr Price:** What would probably be appropriate would be for us to send you note a very quickly on this one.

[150] **Darren Millar:** Okay.

[151] **Ann Jones:** And what happens if—. Are there any specific financial penalties in the contract that, if this doesn't happen—. Because I can't see it happening. I mean, businesses have been promised the earth and it's not coming through. So, are there any financial penalties should BT not be able to get this?

[152] **Mr Jones:** So, there is no financial penalty against the fibre-on-demand requirement. It's a contractual requirement, so, in theory, we would have contractual remedies if they don't

deliver the entirety of their deliverables. But, as I say, we're confident that that is going to be dealt with soon. I think that fibre on demand is just one piece of the jigsaw; there are a whole load of other things that BT are providing under the contract. They're providing a 30 Mbps service across wherever they're going. So, that will suit some businesses, but not all.

[153] **Ann Jones:** They've got less than 12 months to complete this contract, haven't they?

[154] **Darren Millar:** But you'll send us a note in terms of timescales. Okay. Jenny Rathbone.

[155] **Jenny Rathbone:** I just want to go back a step to ask you to talk about the way in which the programme has been skewed by the need to collect the convergence and competitive funding by the deadlines that have now been set, and what that means in terms of which premises have been abandoned in order to get these targets of 500,000 premises by this June et cetera. So, could you just tell us how the European funding has skewed the way in which you've managed this contract?

[156] **Mr Jones:** I don't think it's true to say that premises have been abandoned. There will be some premises that won't get service as quickly as they would have done otherwise. But, the contrary to that is also true—that there are more premises that have got service earlier than would have otherwise been the case. So, for any given location, there's probably a better chance that you will have received service because of this pressure under the European regional development fund than if it hadn't been there. So, I'm not quite sure that I accept the principle of the question that the ERDF push was a bad thing. Actually, in our minds, it was quite a good thing, to be able to crystallise BT's thinking, to make sure that they focused on delivery and on being able to get premises under the belt. It's a far easier proposition for us to come and talk to you today, with 0.5 million premises passed than perhaps if it has been 100,000 or so fewer. So—

[157] **Jenny Rathbone:** It's just the low-hanging fruit problem.

[158] **Mr Jones:** Yes, and I know that that's the way that BT described it last week. That's one way of describing it, but, actually, what we've gone for is passing premises at volume, as rapidly as we could.

[159] **Mr Price:** And it certainly didn't feel like that at the time to us. The problem we were facing at the time was looking down the barrel of what Simon just described, which was being 100,000 short and not being able to deliver and then having to send money back to Europe. So, we think the amount of fuss that we had at the time to get this through, the balance is more the other way—i.e. we were able to use the availability of European funding as a massive incentive and as a stick to ensure that we got these premises passed. But, I take your point that we have been left with some of the more difficult premises to do, but we're committed to doing that through a whole range of—

[160] **Jenny Rathbone:** Okay, I'll come on to that in a second. But, as the deadline for the ERDF competitiveness funding has now passed, because it was the 30 June, have you achieved your target, because if you haven't verified them, you presumably can't claim for them? Is that right?

[161] **Mr Jones:** I think we have achieved that target there. We achieved those prior to the deadline, so we're okay on that one.

[162] **Jenny Rathbone:** Okay, because of the 500,000 premises, how many were in the competitive areas?

[163] **Mr Jones:** I can't quantify the numbers for you, but there was about £24 million associated with the competitiveness premises, so £9.5 million, which came out of Europe, and then the balance which we had to make up.

[164] **Jenny Rathbone:** Okay. And the deadline for achievement by 31 December is going to be achieved.

[165] **Mr Jones:** Yes. It's a challenge. This stuff isn't easy. I think BT have probably, by their own admission, passed the ones that are the lowest hanging fruit, to use their expression. They've still got a lot of work to do, but, by definition, everywhere we go is difficult. The reason why we only had 45 per cent coverage in Wales was because the other 55 per cent didn't stack up as a commercial build-out for anybody to do. So, everywhere is difficult; what we're talking about is degrees of difficulty now.

[166] **Jenny Rathbone:** So, you're hoping to achieve 95 per cent coverage by the end of this year.

[167] **Mr Jones:** We are pushing BT to hit their contractual targets, yes, that's right. It's an incredible challenge. As James said, this is the biggest of these contracts in the UK, and, by achieving it, it will be a significant achievement for the Welsh Government to have done this.

[168] **Jenny Rathbone:** Okay. Focusing now on the difficult-to-connect premises, you mentioned that they might be in areas where there is a stroppy landlord or an absent landlord. But, Access Broadband Cymru, which is designed to offer something to people who aren't covered by superfast—. The offer is very attractive at 90 per cent of the cost, up to £900, and yet the actual number of people taking it up is, I think, 340. I just wondered if you can tell us why that's a modest sum, given that it's an attractive offer?

[169] **Mr Jones:** Well, I guess part of it is down to the success of the roll-out of the project. In the previous iteration of the contract—the broadband support scheme, as it was called—we provided support to about 5,000 end-users, and that was at a time when we only had 45 per cent coverage of superfast broadband in Wales. Because we've been successful and we're now touching 80 per cent, actually, the cohort of people who want to take the service is shrinking every day. One of the requirements of the ABC scheme is that people take the service for a year, which I think is a reasonable thing, because we don't want to invest a load of money and then see that not used. But, because I guess people out there understand that Superfast Cymru is coming to them, it's a difficult balance for some people to say, 'Well, shall I go and commit to something for 12 months when Superfast Cymru is just around the corner?' So, that has an effect on the appetite of people to take the service.

[170] The other thing about it is that the threshold for ABC is that if you have less than 2 Mbps. Now, I know there are a significant number of premises in Wales that still have less than 2 Mbps, but that number is diminishing all the time. So, there are factors around the scheme that mean that there is a low take-up of it at the moment. But, the Deputy Minister for Skills and Technology has announced some planned changes to that scheme already, and there will be further announcements about that in the future as well.

[171] **Jenny Rathbone:** So, when will you know where these difficult-to-reach premises are—the ones that haven't benefited from superfast?

[172] **Mr Jones:** We haven't got that contractually nailed with BT yet, but, in conversation, they tell us that, perhaps by the end of this year, they will have finished their detailed planning of everywhere where they're building, and it's at the point when they finish their detailed planning that we'll have clarity about where they're unable to go.

[173] **Jenny Rathbone:** Okay. So, at the moment, you've no idea whether it's confined to particular areas based on topography or any—

[174] **Mr Jones:** No. Well—

[175] **Mr Price:** They'll be all over the place.

[176] **Mr Jones:** They'll be all over the place. Some of them might be the classic farmhouse on top of the hill. Others might be communities for the wayleave issues that we've talked about. And, actually, despite whatever planning BT might do, the wayleave issues can still affect us, because, as they're building, those issues will come to the fore. So, it's very difficult for us to say with any certainty, 'This location will definitely not be getting the service'. And I think the other thing that BT said to you last week is that, essentially, they are trying to go everywhere at the moment, because they've got such demanding targets. What will happen is that premises will fall away for one reason or another, but they're planning to try and build to pretty much everywhere.

[177] **Jenny Rathbone:** Okay.

[178] **Darren Millar:** The policy ambition is 100 per cent of homes having access to superfast broadband. You said 95 per cent will be by the end of the year. When can we expect the rest of the gap to be completed by the Access Broadband Cymru scheme or some other scheme in order to see every home get the policy ambition of the Welsh Government? Is that within 12 months?

[179] **Mr Price:** Again, there will be announcements on this in the near future, but I think the thing to remember is that we are not providing access to 100 per cent. We're providing people with the ability to access at 100 per cent.

[180] **Darren Millar:** It sounds as though BT's planning here, as to who is and who isn't going to be able to access it, is a bit haphazard. If they're not able to identify now the 4 per cent so that you can then focus the attention of that 4 per cent on other avenues to get themselves connected, then why can't they give you that information? I mean, as I understand it, through the work of one of the cross-party groups in the Assembly on digital communications, people can get very detailed numbers of the properties in their own constituencies that will not be connected. Now, if there is a detailed number, then, presumably, there is the detail behind that number as to which properties aren't able to access—you know, which ones are in this 4 per cent that we've all been talking about. So, why isn't that available to you so that you can focus the communications in relation to the Access Broadband Cymru scheme, or its successor, to the other opportunities that might be available?

10:00

[181] **Mr Price:** I understand the challenge and the question. It's one I've been talking with Simon about. I think the reality is that we may know what 2 per cent of those premises are, but we don't know what the other 2 per cent are. These are just indicative numbers I'm using here. The reason why we don't know what they all are is that BT haven't yet physically attempted to pass all premises. Until we do that, we won't know where the issue is. So, we won't know if there's a wayleave issue—

[182] **Darren Millar:** So, why can't we make a start on the 2 per cent that we know are definitely included within the 4 per cent? Why can't we start communicating this end?

[183] **Mr Price:** It's not that we're not doing any work on this. We've got significant work

under way as to what the solution might be for that 4 per cent. So, that is being done and that will be communicated over the next few months, I guess. I think communicating with individuals will run us straight into the same problem we talked about right at the very beginning, in that we'll be communicating the wrong thing. We need to make sure we get this right, not communicate the wrong thing to someone, not tell someone they're not going to get something and then find that they are. So, I appreciate that it's very frustrating for people. I appreciate that we ought to try and get higher quality information, and that's something I'm happy to take as a challenge away from here. But it's not a challenge that Simon is not aware of, and it's not a challenge that he's not working on every day either.

[184] **Darren Millar:** But just for the record, on the one in 50 homes that BT do know about, you think that they're able to share that information with you.

[185] **Mr Jones:** I don't think that we're quite there yet, Chair. I think they haven't finished their detailed planning exercise. So, the way they run this is they've got a computer model, which kind of spews out where they think they're going to be able to go, and they've done that for all of Wales. They have a team of people who actually go out on site and do surveys to validate the computer model. Until they've done that—the entire site walk, if you like, of Wales—we won't have that information. I'm told that we won't have that until Christmas time. So, I don't believe we're yet in that position, Chair, to be honest.

[186] **Darren Millar:** Well, we know 2 per cent. It's the other 2 per cent that you're talking about, isn't it?

[187] **Mr Price:** I think Simon is sort of saying that we probably don't even know what the 2 per cent is if—

[188] **Darren Millar:** Well, what gave you the impression that we knew what the 2 per cent was, James?

[189] **Mr Price:** People will tell you if you come and talk to them that they've been told by local BT people, I think, typically, 'You'll never get it at these particular premises'. What I'm saying is, even if we got all that information—and I'm sure we could get hold of that information—I don't think we'd be able to do anything with it, because, until it's been validated, it would not be a good value for money situation.

[190] **Darren Millar:** Well, it would stop raising the expectations of those people, though, wouldn't it? At least they would be able to understand and say, 'Look, I'm in this difficult-to-reach category'.

[191] **Mr Price:** Well, the flipside of that, Chair—and I know that this is a bit of pedantry, maybe, on my behalf now—is that, if we told one of them they couldn't get it and they went and ordered another service, and then it turned out they could, potentially we would provide bad value for money for them. So, I think the best thing we could do is get the full set of information as quickly as we possibly can and then communicate it as quickly and as—

[192] **Darren Millar:** Of course, it's very convenient for BT Openreach, as a retail provider as well, isn't it, to be able to tell people, 'You can't get this from any provider'? 'You're going to need to wait for us, effectively', isn't it? Anyway, Oscar, and then Aled Roberts for the final question.

[193] **Mohammad Asghar:** Thank you very much, Chair. My question is probably for Simon on value for money. So, BT is a public company and their interest lies to the shareholders rather than anything else. As you're prudent Welsh Government officials, have you really seen the BT accounts since 2012—you know, 2013, 2014 and now 2015? What

sort of income have they generated from Welsh projects?

[194] **Mr Price:** Can I just give a headline answer to that, because I ask these questions regularly? The key thing to note on this is we're paying for the cost only. There's no profit element in any of the infrastructure. So, any profits BT or anyone else make will be in the future through the running of services over the network. There is no profit to be made in putting the network in.

[195] **Mohammad Asghar:** No, my question is: have you seen the accounts, not profits made? It's a different thing. Have you seen their accounts?

[196] **Mr Price:** Well, they're publicly available.

[197] **Mohammad Asghar:** I know, but the fact is—. Welsh projects I'm asking about. Serious public money is involved there.

[198] **Mr Price:** Yes, absolutely. On the money that we are giving BT, it's not allowed to go into profit. We only pay for the costs of what is incurred in terms of putting the infrastructure into the ground.

[199] **Mr Jones:** Perhaps if I can just expand on that a little bit. In order to be able to do that, we have quite a sophisticated set of processes to be able to validate those costs. So, we have a team of auditors that goes through every invoice that BT present to us, to ensure that that invoice is actually related to the work. So, it's helping to pass eligible premises. We also make sure that that invoice relates to building the minimum infrastructure required to provide the service, and then we take whatever that invoice is for and compare how much BT have spent on the same thing in their commercial roll-out. So, if they're buying a cabinet—one of these green cabinets on the side of the road—we actually ask BT to demonstrate to us that they paid no more for that cabinet than when they were paying for it as part of their own fully funded investment. And to us, actually, that's quite a good way of benchmarking that BT aren't ripping us off, because if they were prepared to pay that much money for that cabinet out of their own pocket, it's right that we should pay the same amount.

[200] **Mohammad Asghar:** That's only half of the answer. The second is that it's only crosses and ticks and invoices, you're telling me. I want to know whether BT is only cherry-picking the jobs for the supply of broadband rather than supplying the whole rolling out, zone by zone, and completing the whole project.

[201] **Mr Jones:** So, there are a series of financial penalties in the contract, and if they don't achieve their targets, we will invoke—. There is what we call a 'liquidated damages clause' in the contract, so if they don't get to 90 per cent of the premises, at 30 Mbps, BT have to pay us a significant amount of money for every premises that they miss. So, it's not in their interest to just cherry-pick odd premises not to go to, because they've got this huge target that they've got to achieve, without which they will have a load of penalties against them.

[202] **Mohammad Asghar:** You just said that they paid you a lot of money.

[203] **Mr Jones:** They will have to, yes, if they don't achieve the target.

[204] **Mohammad Asghar:** Oh, right. So, what lessons have you learned, on the management and this contractual—

[205] **Mr Jones:** I think we've learnt from other contracts. We've created a whole series of controls in this contract, which actually aren't available in the wider UK contract. So, that

liquidated damages clause that I referred to isn't in use anywhere else in the UK. BT haven't signed up to that anywhere other than in Wales. So, we've got a protection here that is not available in other parts of the UK

[206] **Darren Millar:** Aled Roberts—final question.

[207] **Aled Roberts:** Mae fy nghwestiwn olaf i ar brosiectau mewnlenwi. Roedd BT yn cyfaddef wythnos diwethaf bod ardaloedd diwydiannol yng Nghymru sydd ddim o fewn prosiect Superfast Cymru, yn cynnwys parth menter Glannau Dyfrdwy, a hefyd ystâd ddiwydiannol Wrecsam. Mae eich tystiolaeth chi yn dweud bod 46,000 o safleoedd yn cael eu cynnwys o fewn, rwy'n meddwl, prosiect mewnlenwi cam 1. Roedden nhw'n dweud bod hwnnw allan i dendr ar hyn o bryd. A allwch chi ddweud wrthym pryd fyddwch yn gwneud unrhyw fath o gyhoeddiad ar lwyddiant y tendr yna? A hefyd, mae yna sôn hefyd yn y dystiolaeth, hwyrach, bod yna gam 2. Os nad ydych yn gallu dweud wrthym y bore yma, a allwch chi roi rhestr i ni o'r ardaloedd diwydiannol hynny sydd wedi cael eu cynnwys o fewn cam 1, a'r rhai sydd dal ar ôl i gael eu cynnwys o fewn cam 2?

Aled Roberts: My final question is on infill projects. BT admitted last week that there industrial areas in Wales that aren't included within the Superfast Cymru project, including the Deeside enterprise zone, and also Wrexham industrial estate. Your evidence states that there are 46,000 sites included within, I think, the stage 1 infill project. They said that that is out to tender at the moment. Could you tell us when you will be making any kind of announcement on the success of that tender? And also, there is mention in the evidence that there will perhaps be a stage 2. If you can't tell us this morning, could you give us a list of those industrial areas that are included within stage 1, and those that remain to be included within stage 2?

[208] **Mr Jones:** Okay. Sorry, this is a bit like groundhog day, but there'll be an announcement on this shortly, dealing with all of the issues that you've raised, actually. But, I think, once that announcement is made, we'll be happy to come back to you with details of locations that are covered under those additional contracts that you've talked about.

[209] **Aled Roberts:** And are there any still that would be outside part 1 and part 2?

[210] **Mr Jones:** No. The ones that will be left after part 1 will essentially be the 5 per cent that BT don't get to under their contract. So, part 2 is about hoovering up that 5 per cent.

[211] **Aled Roberts:** Okay.

[212] **Darren Millar:** And on that note, that brings us to the end of our evidence session. If I can thank James Price and Simon Jones for their attendance today. You'll receive a copy of the transcript of the meeting, and, of course, if there are any inaccuracies in that, could you let the clerks know? You'll also receive a note just on the additional information you've agreed to provide us with. Thank you very much indeed.

10:10

Papurau i'w Nodi Papers to Note

[213] **Darren Millar:** On to item 3, then. We've got a number of papers to note, Members. We've got the minutes of our meeting held on 30 June 2015. I'll take it that those are noted.

[214] We've had a letter from Owen Evans in relation to our covering teachers' absence

work. This just touches on the recommendation that there should be a lead governor on human resources matters. The Government are suggesting that they do plan to include, in their guidance on effective management of workforce attendance to governing bodies, the suggestion that governing bodies consider designating the responsibilities to lead on absence management issues. It seems to be very soft and carefully couched in words.

[215] **Jocelyn Davies:** Well, they don't do anything, do they?

[216] **Darren Millar:** I do know, though, obviously, that there's another committee looking at these issues, and no doubt that committee will be able to pick up on it. We'll send a copy of this letter to that committee to inform its work, if Members are happy. Are you happy with that? Okay.

[217] We have one final paper, and that is on welfare reform from the Welsh Government. They've given us a copy of the draft of the pan-Wales discretionary housing payment scheme paper. You'll remember this was quite elusive—nobody seemed to want to share this because of confidentiality and commercial reasons, but we've got a copy now for the record and we can consider that as part of our draft report that we're developing, which we will be considering next week as a committee. Are you happy to note it? Yes; that's great. Excellent.

10:11

Cynnig o dan Reol Sefydlog 17.42 i Benderfynu Gwahardd y Cyhoedd o'r Cyfarfod

Motion under Standing Order 17.42 to Resolve to Exclude the Public from the Meeting

Cynnig:

Motion:

bod y pwyllgor yn penderfynu gwahardd y cyhoedd ar gyfer eitemau 5, 6 a 7 o'r cyfarfod heddiw ac ar gyfer y cyfarfod ar 14 Gorffennaf 2015 yn unol â Rheol Sefydlog 17.42(vi).

that the committee resolves to exclude the public for items 5, 6 and 7 of today's meeting and for the meeting on 14 July 2015 in accordance with Standing Order 17.42(vi).

*Cynigiwyd y cynnig.
Motion moved.*

[218] **Darren Millar:** I'll move the motion under Standing Order 17.42 then to resolve to exclude the public for items 5, 6 and 7 of today's meeting, and for our meeting on 14 July. Does any Member object? There are no objections, so we'll move into private session. Thank you.

*Derbyniwyd y cynnig.
Motion agreed.*

*Daeth rhan gyhoeddus y cyfarfod i ben am 10:11.
The public part of the meeting ended at 10:11.*