



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

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

Dydd Mawrth, 30 Mehefin 2015
Tuesday, 30 June 2015

Cynnwys
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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
Sandy Mewies	Llafur Labour
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

Ann Beynon OBE	Cyfarwyddwraig Cymru, BT Director Wales, BT
Ed Hunt	Cyfarwyddwr y Rhaglen, Cyflymu Cymru, BT Programme Director, Superfast Cymru, BT
Matthew Mortlock	Swyddfa Archwilio Cymru Wales Audit Office
Huw Vaughan Thomas	Archwilydd Cyffredinol Cymru Auditor General for Wales

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

Claire Griffiths	Dirprwy Glerc Deputy Clerk
Michael Kay	Clerc Clerk
Joanest Varney-Jackson	Uwch-gynghorydd Cyfreithiol Senior Legal Adviser

Dechreuodd y cyfarfod am 09:00.
The meeting began at 09:00.

Cyflwyniadau, Ymddiheuriadau a Dirprwyon
Introductions, Apologies and Substitutions

[1] **Darren Millar:** Good morning, everybody. Welcome to today's meeting of the Public Accounts Committee. If I could just make the usual housekeeping notices and explain that the National Assembly for Wales is, of course, a bilingual institution and Members and witnesses should feel free to contribute to today's proceedings through either English or Welsh as they see fit. There is, of course, a headset available for everybody for simultaneous translation, and that can be used for sound amplification as well. I would just encourage everybody to switch off their mobile telephones or put them into silent mode and remind everybody that, in the event of a fire alarm, we should follow the instructions of the ushers. We haven't had any apologies for absence today, and I think we will take some time to reflect on the visit that we had, perhaps in private session, from the States of Jersey Public Accounts

Committee and the Northern Ireland PAC, which I think Members will agree was a very useful visit, which gave us lots of food for thought.

[2] I want to take this opportunity to welcome to the table today Ann Beynon and Ed Hunt. We'll move on to their item in a few moments, taking some evidence on the Welsh Government's broadband strategy, but we have a couple of papers to note before we actually do that.

09:01

Papurau i'w Nodi Papers to Note

[3] **Darren Millar:** We've got two papers, for the record. One is the minutes of our meeting—our last meeting. I'll take it that those are noted. Secondly, we've got a letter from the Auditor General for Wales in relation to a discussion that we had around the Betsi Cadwaladr University Local Health Board governance arrangements in relation to the GP out-of-hours service. I'll take it that that is also noted.

09:02

Buddsoddiad Llywodraeth Cymru yn Isadeiledd Band Eang y Genhedlaeth Nesaf: Sesiwn Dystiolaeth 1 Welsh Government Investment in Next Generation Broadband Infrastructure: Evidence Session 1

[4] **Darren Millar:** The next item, then, is the Welsh Government's investment in next generation broadband. I'm very pleased, as I just said, to welcome Ann Beynon and Ed Hunt, both from BT Openreach. We've had a briefing from the auditor general on the report, which was produced by the Wales Audit Office, and Members have a number of questions, but perhaps I can just start off. Feel free to make some opening remarks in response to this question. Are you content with the pace of progress in the delivery of this important project for Wales? If there has been slippage, where has that slippage occurred, and what are you doing to put that right?

[5] **Ms Beynon:** Well, thank you very much. Diolch yn fawr. We're very pleased to be here. Just to say we are from BT Group, and I think it's important to understand that this is a BT Group contract, which is being delivered for BT Group by Openreach. Just a small technicality. I would say that we are truly pleased with the progress. We believe the report captures very well the challenge that is this massive piece of infrastructure build. Possibly, the enormity and the ambition of it are not able to be conveyed in what is a factual report, but I think what we are building across Wales is truly remarkable. We have just built 20 km along the Llanberis pass, which only takes us to 100 people, but that's what this is all about—getting really modern broadband services to the most hard-to-reach areas, and we're not shirking from the very challenging parts of Wales. So, we are pleased with progress.

[6] Ed can give you some of the statistics in a minute, but just to say that one of the things we did have to do, which was important, was on the targets in the contract: due to the slippage of the state aid clearance at EU and Broadband Delivery UK level, we had to completely reorganise the delivery to meet the European regional development fund deadline. That was a huge undertaking, which we did, and we had to renegotiate key contracts to get that done, but we did it. Therefore, when we talk about the targets in the contract, we are way ahead of those, but we are now working to new targets, because we understood the imperative of making sure that the Welsh Government was able to draw down ERDF funds appropriately

in the time frame that had been previously agreed with the European Commission and which is not moveable.

[7] **Mr Hunt:** Indeed, and, for that reason we focused on, if you like, the lowest-hanging fruit first. We've had to, to make sure that we draw down all of the ERDF funding.

[8] Just a couple of other statistics as well: we're at 455,000 superfast premises as we sit here today, as verified by Welsh Government. The true figure is actually in excess of 510,000 fibre premises. The difference between the two is that Welsh Government go through what's called a testing and verification process, and that clearly has a time lag. As of last Friday, we were at 511,000. We're live in 22 local authorities. Three local authorities have got in excess of 90 per cent coverage. For the Members who are here today and their constituents, if we just take not the regions but the constituencies, you've got 85 per cent average coverage across the constituencies. Then, in the regions, South Wales East has 90 per cent coverage, and North Wales has 76 per cent coverage. If you think about a couple of the local authority areas in Wales, Conway at Christmas had zero. We're in excess of 60 per cent as we sit here today. So, the progress is breathtaking, and the scale is breathtaking, as well.

[9] **Darren Millar:** Okay. Thank you for that. We've got many questions from Members. I'm going to start with Mike Hedges.

[10] **Jocelyn Davies:** Could I—*[Inaudible.]*

[11] **Darren Millar:** Yes, of course.

[12] **Jocelyn Davies:** When you say 60 per cent, what do you mean? Sixty per cent of what?

[13] **Mr Hunt:** Sixty per cent of premises.

[14] **Jocelyn Davies:** Of premises. Right.

[15] **Darren Millar:** It doesn't mean that they are accessing, but it means that it's available for them to access, isn't it? That's right.

[16] **Ms Beynon:** They can; it's the availability. What happened pre-contract award was that there was a massive piece of work undertaken, called an OMR—an open market review—based on premises, and it came up with a figure that is specified in the contract of the number of premises we're expected to reach.

[17] **Darren Millar:** We're going to come on to some of the detail in a few moments. Julie? It is on this?

[18] **Julie Morgan:** Just a point of clarification, really.

[19] **Darren Millar:** Yes, okay.

[20] **Julie Morgan:** Well, it was just actually to ask about how many contracts actually had to be renegotiated.

[21] **Ms Beynon:** Well, we have a main contract with Carillion Telent, and then they have subcontractors who actually build on the ground. We have very small businesses across Wales, actually, who are subcontractors of Carillion Telent. So, that whole chain had to be renegotiated.

- [22] **Julie Morgan:** All right.
- [23] **Ms Beynon:** We had to bring new contractors on board and increase the number of people, and recruit more people. So, there was a huge, huge amount of work that had to go on to get that done.
- [24] **Darren Millar:** You've talked about the low-hanging fruit. I think we're going to move on to some of the higher fruit this morning. Mike, and then Jocelyn.
- [25] **Mike Hedges:** Actually, I think it's low-hanging fruit in the Skewen/Llansamlet area, which is beneath Baglan, which has got it, and Morryston, which has got it, and which is basically part of urban Neath Port Talbot/Swansea. There's an awful lot of unhappiness amongst people there that they haven't got it, because Skewen has not been upgraded. Now, this is sort of solid urban south Wales—and I'm sure Ann Beynon knows the area.
- [26] **Ms Beynon:** I know it well. I used to go on holiday to Morryston. I remember it well.
- [27] **Mike Hedges:** Morryston's got it, thankfully, but Llansamlet, which is next door, hasn't. It's all part of the same urban area, and it is causing concern. This is low-hanging fruit.
- [28] **Mr Hunt:** Well, we haven't finished work in that part of Wales yet. We haven't finished work, in fact, all over Wales. So, we've made huge progress around Neath Port Talbot and Swansea, but it's not finished.
- [29] **Mike Hedges:** All right. Why has that Llansamlet and Skewen bit been left out?
- [30] **Mr Hunt:** It hasn't been left out. We just haven't finished it.
- [31] **Mike Hedges:** Well, why hasn't it been done yet?
- [32] **Mr Hunt:** Because we're trying to work across the entirety of Wales, and we can't do everything at the same time. Baglan, incidentally—are you referring to Baglan industrial estate?
- [33] **Mike Hedges:** No, I'm talking about the Baglan area, which is the next one over, isn't it?
- [34] **Mr Hunt:** So, there's the housing estate around Baglan, which has already been done. That's part of the commercial investment.
- [35] **Mike Hedges:** Yes. I said that. I said Baglan had been done and Morryston's been done. It's the bit in between that hasn't.
- [36] **Ms Beynon:** What can happen sometimes—and it would be better to explain this—is that we will saturate an area with suppliers and contractors to build, right? If we come across something that's quite intractable—it could be that there is a question over the land ownership of where we want to build the cabinet, or it could be that we can't get a wayleave from the owner of the land, or it can be technical issues—we may have to move on and leave the odd cabinet behind and come back. That happens.
- [37] **Mike Hedges:** But it's a big area you've left behind. The cabinet is on your own land, as far as I understand.
- [38] **Mr Hunt:** We haven't left it behind. We just haven't finished the work yet.

[39] **Darren Millar:** I think perhaps it would be helpful if you just dropped us a note in respect of that particular area.

[40] **Ms Beynon:** We'll check why.

[41] **Darren Millar:** Obviously, we want to take a wider perspective and look across other parts of Wales as well. You mentioned the profile of the work that you do. Can you just tell us how you prioritise which places you go to first, and why you've left other places until much later?

[42] **Mr Hunt:** At contract signature, there were, I believe, 14 local authorities identified where work needed to commence first. That was something that we published on our map. So, Gwynedd was where we started, followed by Blaenau Gwent, Rhondda Cynon Taf—and I'm trying to think what other ones, now, but anyway—

[43] **Ms Beynon:** Anglesey.

[44] **Mr Hunt:** Anglesey. There were 14 of them. Welsh Government, though, gave us free reign, aside from enterprise zones and growth zones, to deploy as we saw fit in those areas. It's really important that they did that. To constrain the deployment means that deployment actually gets slowed down, so if you're talking about, you know, 'Can you do this area? Can you do that area?', we can do that, but it's very difficult for us, then, to hit 'premises passed' targets. What we're trying to do is roll out the most cost-effective network to as many people as possible, as quickly as possible. If we're seeking to work in pockets and to complete pockets, it's going to slow the whole thing down.

[45] **Ms Beynon:** Yes. That's the whole point about ERDF money. We have to pass as many premises as quickly as possible to draw down the money to make sure we reach that target. It's absolutely key.

[46] **Darren Millar:** Okay. Jocelyn Davies.

[47] **Jocelyn Davies:** I guess the picture you're building, then, is that you do this low-hanging fruit, as you said, for bulk, in terms of the number of premises, but you will be going back and in-filling in places.

[48] **Ms Beynon:** Yes.

[49] **Mr Hunt:** Absolutely.

[50] **Jocelyn Davies:** So, when do we get to that point where you're going to reach a bit higher for the more difficult ones?

[51] **Mr Hunt:** We haven't been neglecting the low-hanging fruit, at all. We've done some very rural parts of Wales.

[52] **Ms Beynon:** Yes. We've done Dinas Mawddwy, for example. Llanberis pass and Dinas Mawddwy would be examples of when we've done a really, really difficult fibre-to-the-premises build, and that's 20 km in one instance and 18 km in the other. It literally means putting new poles up and laying new ducting for the whole of that length. So, people in those areas, therefore—it will have taken us, possibly, a year to 18 months to build those two large pieces of FTTP—at the end of that FTTP provision will get up to 330 Mb of fibre. So, it's quite phenomenal.

[53] **Jocelyn Davies:** So, how did you select those then? Because you've got the low-

hanging fruit, as you say. You've got some that you've just been telling us are very, very difficult; how did you select those?

[54] **Mr Hunt:** Well, you can't, sort of, neglect all of the rural areas, because you're left with too much to do at the end, so what we've been trying to do is the low-hanging fruit, but also tackle some of the really difficult stuff.

[55] **Jocelyn Davies:** So, how did you select which ones of the difficult ones?

[56] **Ms Beynon:** They were in Gwynedd.

[57] **Jocelyn Davies:** Because, I guess there are some people thinking, 'Gosh, I wish I was in that area that's a difficult one and that was being tackled first'. I mean, you're going to have a priority list there.

[58] **Ms Beynon:** Yes.

[59] **Mr Hunt:** Well, whichever came out of—. So, we had a big planning function and whatever came out of the planning function—. As I said, we weren't trying to be selective, because I guess, why is, let's say, a residential area in your region any more important than a residential area in somebody else's constituency?

[60] **Jocelyn Davies:** Well, you just told us it's because it was low-hanging fruit and you needed to cover a lot of premises, so we know why you chose that. But I'm just asking you about the more difficult ones; how you prioritised those.

[61] **Ms Beynon:** Okay, right. As we plan, the planners will look at a geography. Say, they're looking at the area of Gwynedd, which includes Dinas Mawddwy, they would be looking at how to deploy into that geography. They will then look to build as many cabinets as possible, because that's the cheapest and quickest solution; they will then be left with a number for which that solution doesn't work. So, because they are doing that piece of geography, they would be deploying resource into that geography, so they would say, 'Right, this bit is difficult and we know we can't do with fibre-to-cabinet, because we've planned this, now; we know we can't', so they will get on and do it. Now, we wouldn't have been able to select an area of Carmarthenshire at that time, because we hadn't planned Carmarthenshire. So, as we plan each large chunk, it will be more obvious to us what has to be done by FTTP.

[62] **Jocelyn Davies:** What the most logical thing to do is.

[63] **Ms Beynon:** Yes.

[64] **Jocelyn Davies:** Right, okay. Now, you'll know from the auditor general's report that some local authorities, of course, have been discontent with the roll-out of Superfast Cymru because of, I guess, a lack of progress in the early stages, and business parks and industrial estates have been one of those. And, of course, businesses needing to compete with others is important. It's certainly a priority for them. Of course, they're then forced to go for more expensive solutions. So, have you deliberately left out industrial estates and business parks in order that you can get this bulk of people, or bulk of premises, rather?

[65] **Ms Beynon:** No.

[66] **Jocelyn Davies:** No, you haven't.

[67] **Mr Hunt:** No, we haven't. I think what that—

[68] **Jocelyn Davies:** Because you mentioned industrial parks to Mike Hedges. You asked him deliberately, didn't you, if he was referring to an industrial estate?

[69] **Mr Hunt:** Correct, because that particular one isn't in the scope of the Superfast Cymru programme. But, I think what the auditor general's report was referring to were specific areas within Cardiff and Newport that weren't deemed to be within the scope of Superfast Cymru; they were outside of that scope. So, particularly in Cardiff, Cardiff doesn't have state aid clearance, or didn't at the time have state aid clearance to allow intervention. So, that's what I think it's referring to.

09:15

[70] **Jocelyn Davies:** So, you're not doing that because it's in BT Group's commercial interest; it's because it wasn't included.

[71] **Mr Hunt:** So, commercially, in places like Cardiff, on industrial estates, because there tend to be sparse numbers of premises, it still costs the same amount of money to deploy broadband into one of those areas as it does into a heavily residential area, but because there are fewer premises, that means less take-up, which means the commercial viability hurdles are different. So, in those areas, you maybe do need to have the likes of Superfast Cymru coming in if there's state aid clearance in order to enable them. Elsewhere across Wales, industrial estates in Powys and Ceredigion are in scope, and we're doing them.

[72] **Jocelyn Davies:** Okay. You mentioned enterprise zones. Did you want to expand on that? Because, obviously, these are a priority for the Welsh Government for all sorts of reasons.

[73] **Mr Hunt:** Correct. So, we were asked to start work in the enterprise zones and the growth zones—the Powys growth zone and the Teifi valley growth zone—early. We've been making pretty good progress. We haven't completed in those areas yet by any stretch of the imagination, but they are certainly in scope. The connectivity in those areas has been transformed over the last couple of years.

[74] **Ms Beynon:** I think it's worth remembering as well that, as we are delivering to premises, if there's an enterprise zone that has no premises, then it cannot be delivered to.

[75] **Jocelyn Davies:** But they're all different, aren't they?

[76] **Ms Beynon:** Yes, but there are some that are just swathes of empty land, and therefore we wouldn't be building to those empty swathes of land. We would be building where there are existing premises on the fringes. But at the same time, I think it's important to understand that those business parks will have other fibre services. So, what we're building through Superfast Cymru is a fibre broadband network that is particularly targeted at consumers and small businesses. If you are a medium-sized or large business, you need a higher quality fibre service, and those services are available already in those business parks, and they're called Ethernet—and not just from BT, but from other suppliers as well. Particularly in north Wales, the 14 business parks up in north Wales will have BT fibre but there's also fibre provided by companies like FibreSpeed, for example. So, there are services there, but they are at the higher level.

[77] **Jocelyn Davies:** And they're more appropriate for those sorts of businesses.

[78] **Ms Beynon:** For those larger businesses. What they're not appropriate for are the smaller SMEs or microbusinesses.

[79] **Mr Hunt:** Unless your business is absolutely dependent on connectivity, what we call leased line Ethernet options are viable, even for small businesses.

[80] **Ms Beynon:** The leased line services are slightly more expensive; well, more expensive, I would say. But they are platinum services, so you would have service level guarantees built in. So, if your service goes down, your repair time is minimal, the security level on it is significant and it's a symmetric service, so you're buying a platinum service. If you do have a business, even if it's small, that is highly reliant on data, you would buy those services.

[81] **Jocelyn Davies:** Okay, thank you.

[82] **Darren Millar:** I'm going to bring Sandy in in a second, and then Oscar. You talk about the other services being superior to the Superfast Cymru service, but what concerns me is you've just suggested that the Superfast Cymru service is somehow less secure and therefore that raises questions in my mind about whether this is really a satisfactory service. You're pegging it down as a sort of bronze-standard service rather than a platinum service.

[83] **Ms Beynon:** No, of course it's secure. But, if you're a bank, you would be wanting mega-secure services on Ethernet. Of course, it's secure for e-mail and normal services that an SME would run, and it also allows SMEs to store their data securely off site, which is something we'd recommend to all small businesses, really, because if you lose your data, you lose your business. So, once you've got higher speeds, you can then safely store your data off site, and that adds to your security, actually; it's better for you.

[84] **Darren Millar:** Can't you do that over Superfast Cymru?

[85] **Ms Beynon:** Yes, that's what I mean—you can over Superfast Cymru. Absolutely.

[86] **Darren Millar:** Can I just check? You said they tend to cost more, those other services. They tend to cost more, but there are extra service provisions that people might receive.

[87] **Ms Beynon:** Yes.

[88] **Darren Millar:** Isn't the fact that they are more profitable to your company and other companies causing some resistance for you to roll out availability of Superfast Cymru in those other areas?

[89] **Ms Beynon:** No.

[90] **Mr Hunt:** No, because the contract is saying to us—. There are 727,729 premises in our contract. We have to go to a certain number of them. We are not being selective whatsoever in terms of where we go. We'll come in front, for scrutiny, of people like you, no doubt, and that is absolutely not—. We are deploying in industrial estates, and we're not being selective. There's a perception that there could be lost revenue from leased lines, but that's just not the case.

[91] **Ms Beynon:** I think it's just important to understand they are different market segments. I think the interesting thing to reflect upon is that, if you look at city centres, the core heart of Cardiff or the core heart of London, what you're finding is that it isn't commercially attractive to deliver fibre broadband—that is, the Superfast Cymru level of service—into those city centres, because there is a kind of market failure, because people in those city centres will predominantly be buying Ethernet, and therefore the case to invest commercially isn't there. So, ironically, you're probably more likely to get Superfast Cymru

in Ruthin than in the arcades in the middle of Cardiff, because there is no European cover for urban state aid intervention in the core heart of cities, but there is, we argue, market failure.

[92] **Darren Millar:** Just before I bring Sandy in, can you clarify one thing for me? Your own forecasted figures said that you'd have 550,000 premises online by 30 June; you've just suggested that 511,000 is the figure you're going to hit. So, there's been some slippage, has there?

[93] **Mr Hunt:** I don't recall 550,000; that's certainly not a contracted figure.

[94] **Darren Millar:** No, no; I'm not suggesting it's contracted, I'm simply saying that that was the target that—. There's a graph in the auditor general's report, and the figures in there suggest 550,000 by 30 June.

[95] **Mr Hunt:** Well, by close of play this week, we'll probably be north of 520,000. I think what you might be referring to are budgetary forecasts that we've provided in order to help Welsh Government with their financial forecasting, and we're just a few per cent away from that—very ambitious, and well ahead of the contract. So, please understand we are not behind schedule; we are right where we need to be.

[96] **Darren Millar:** But, you're behind your forecast.

[97] **Mr Hunt:** A forecast that was produced some time ago, but by a few per cent. That's not bad.

[98] **Darren Millar:** All right.

[99] **Mr Hunt:** And we're operating in some really difficult parts of Wales as well.

[100] **Darren Millar:** Okay. Sandy Mewies, and then I'll come to Oscar.

[101] **Sandy Mewies:** Good morning. I think, Mr Hunt, you seem to have got these statistics engraved on your mind. They'll probably be with you forever, won't they? *[Laughter.]*

[102] **Mr Hunt:** I've got them written.

[103] **Sandy Mewies:** I quite admire that, really. I understand and I think the 511,000 to 525,000 is probably pretty good, given the circumstances in which you're working, but what I'm hearing—. You see, the problem for me is that it's the people who don't have it that are the problem, not the people who do have it. The people who don't have it, if they're listening to this, might be going, 'Oh my God; it's never going to happen for me'. I think you probably gather your statistics on a county basis, do you, so, for Flintshire, for example, rather than for a constituency?

[104] **Mr Hunt:** No, I've got your constituency figures.

[105] **Sandy Mewies:** Oh, good, because, for Delyn, I looked at your statistics and you were saying that, overall, there's 76 per cent coverage in north Wales, but what would it be, for example, in my constituency?

[106] **Mr Hunt:** BT's fibre coverage in Delyn is 84 per cent.

[107] **Sandy Mewies:** But there are still rural areas that are not getting it, and I know that for a fact.

[108] **Mr Hunt:** Well, we haven't completed them, rather than that they're not getting it.

[109] **Jocelyn Davies:** At the moment.

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

[111] **Mike Hedges:** It's not currently available.

[112] **Sandy Mewies:** They are words, aren't they? However you interpret it, there are people who feel that they are not getting the service when they think they are going to get it. Now, you've made an explanation about the small industrial areas, where it might be easier to cover a large housing estate, for example, rather than a small industrial park, and certainly I've had complaints from people on very small industrial estates who've said, 'I don't understand this, because Mrs So and So up the road has got it in her house', so that might be the explanation for that. What I've had an awful lot of complaints about is your communication. When I've written or asked questions, indeed, I've been told that the reason why BT won't say, 'That area's going to be enabled on that date' is that they don't want to disappoint people. I find that people are enraged by the fact that they keep going back to websites and they'll get a message saying, 'You will be enabled on this date, put an order in'. They do it, they think they've been enabled, they see something coming up for a postcode and they try to put an order in, but they're told that it's not available yet. And you're saying that people will get very annoyed about it, but I certainly know once again—I've done it myself—if people see an Openreach van stopping by a cabinet, I certainly will go and ask, 'What are you doing? Does this mean that this is going to be enabled?' Because certainly in the area I'm talking about now—the Halkyn mountain area—there are cabinets that are enabled, but there are some which—. The messages just seem to vary between—. And this has been going on for a long time, and I wonder why that's happening.

[113] **Mr Hunt:** It's near impossible to predict and to be able to tell people, with certainty, 'Your premises will get superfast broadband on a particular date'. And the way that we've approached it—which we are looking at, incidentally, as a result of the auditor general's report—was borne out of the experience that BT had had over many years of rolling out fibre broadband, because people make decisions, even if you caveat it, on moving house, starting businesses, moving businesses and so on. And if I can't promise you with a high degree of certainty that you're going to have a service on a particular date, then I don't think I should try to do that. The way we've done it on the website so far has been that we talk at an exchange level and, in aggregate, we can say, 'We're going to have cabinets and premises going live at a particular date'. We're pretty good at that, actually. It's true that some do slip backwards—

[114] **Sandy Mewies:** And I would agree that you are pretty good at that—saying, 'That exchange will be enabled by'—but it doesn't make—. So, people then assume that people who are served, their cabinets will then be enabled at a certain time, and that's where—. Can you—.

[115] **Mr Hunt:** And we provide a service on the checker where you can check your individual address or—

[116] **Sandy Mewies:** Postcode.

[117] **Mr Hunt:** —or your actual address or your telephone number as well. So, this has worked fairly well up until now. In September, the whole of the map on our website will pretty much be green—there are just a couple of areas that will be left out. And so now, as a result of the auditor general's report, we're looking at ways that we can improve the

communication down to the next level. We're being really cautious because, as I say, we don't want to give the impression that we're making promises that we can't keep. The variables associated with rolling out broadband are just huge. I'll give you three fairly amusing examples of where we've been delayed: we found a twelfth century drain outside Conwy castle and we had to stop work and re-site the cabinet; we found newts; and we found Japanese knotweed.

[118] **Sandy Mewies:** You find newts all over Delyn.

[119] **Mr Hunt:** And so little things like that can delay you quite significantly.

[120] **Ms Beynon:** But, it is worth explaining that what we do is that, as soon as the exchange has some cabinets live, we declare the exchange live—on the basis that we believe the sooner we get some service to some customers the better. So, the double check is the line checker; people should do both. That we still think is preferable; we shouldn't be waiting until every single cabinet is completed before we declare the exchange live. So, we're hoping we can explain that a bit better to people so that they understand why we do it.

[121] People will then see cabinets stood and not understand why they're not live: well, we may have trouble getting power to them, because this build is very complicated. So, we have to build a new cabinet next to the old copper cabinet, and then we have to get power into that cabinet where the existing cabinets don't have power, so a complete new power source has to be inserted into the cabinet. We sometimes find that we have to re-direct the copper lines. Sometimes, we will go there and realise that these are exchange-only lines, particularly in small villages, so we have to build a cabinet and re-direct all the copper lines—something we call 'CURE'. We've done that in various places. That takes a long time. If that doesn't work, then we have to build FTTP, which takes, again, perhaps 18 months. It's very difficult to predict the FTTP exact go-live date because we're building physical pieces of fibre underground or on poles, and we switch it on when that particular stretch is completed. So, it's not like having a cabinet and saying, 'That cabinet's complete'. So, we're looking at it all. We hear what you're saying—it is a very valid point—but that's the complexity of it. We haven't got certainty.

[122] The only positive thing to say is that there have been instances when we've brought it forward; I think Aberystwyth we brought forward. So, people in Aberystwyth had a nice surprise; they thought it would be later than it actually was. So, it doesn't always slip back; sometimes, it will slip forward as well.

[123] **Sandy Mewies:** I recognise the complexity of it, but it doesn't alter the fact that, yes, you're right, people do make decisions based on this sort of thing, but I wouldn't buy a washing machine without making sure that I've got an electricity supply and that's for sure—there's no point in it. That's a fairly simple analogy, but it works for me.

09:30

[124] So, I hope that you'll be able to send us a note, if you're looking at a new system, of how it's going to work. But I'd also be interested to know—. You've got your low fruit, you've got your difficult areas, you've got to meet this contract, and then there'll be other areas that will be picked up at the end. When will you know what areas aren't going to get it? Because I would very much like to know, eventually, at the end of all this—and there's a lot of work being done—what areas. Will you have a list of areas that, for various reasons, you've not succeeded in joining up, for whatever reason? Will you be publishing those areas so that people then can start considering doing other things?

[125] **Mr Hunt:** We're not quite there yet. In order to reach the contractual targets, we

actually have to overbuild, if that makes sense. So, we have to build more premises capable of accessing fibre than the minimum that we have to achieve under the contract at particular speeds to meet the specification of Welsh Government. Sorry, if I'm being a little bit complicated there. So, that might mean that we've got premises that are able to get, let's say—. Instead of upgrading them to 30 megabits per second, we've upgraded them to, say, 14 megabits, which might be a huge leap away from where they are today, but they count as this so-called last 4 per cent. So, it's not like they're necessarily getting nothing; they're getting something and some of those people are getting something that's really quite decent. Now, I haven't discussed in detail with Welsh Government yet what's going to happen when it emerges and when these places start to become obvious. I know that Welsh Government have got plans in place about how to deal with these people who are in these not-spots, which I think they're going to announce in due course.

[126] **Ms Beynon:** So, in terms of what we're building, we will have at contract end a view of what it is, but, again, the complexity is the point about the speed. So, what we will have a view of will be the contractual requirement of the 24 and the 30; there will be people getting 20 megabits, but that will be counted as being in the last 5 per cent.

[127] **Darren Millar:** Can I just go back to this issue of public communications? Lots of people's hopes get up and are raised and expectations are raised when you announce that certain speeds are going to be available in a certain area by a certain time. I had a situation in my own constituency, in one town, where there was a very clear promise that Superfast Cymru would reach Abergele by Christmas and that people would be able to place their orders. What actually happened was there was a single cabinet, which was switched on, I think, literally, the day before Christmas, or two days before Christmas, and people were still not able to make orders until after the Christmas date. You are still enabling, as I understand it, one or two of the cabinets in that town. So, the expectations were raised significantly. People put off renewing contracts; people got to the end of expensive contracts and just kept on going because they thought, 'Well, by Christmas, I'll be able to make a choice', and that obviously hits people's pockets hard. What are you doing to better explain what you mean when you say, as a company, that superfast broadband will be available in your area by a certain date, because you don't mean that everybody's going to be able to have access?

[128] **Mr Hunt:** The wording on our map is quite careful—

[129] **Darren Millar:** But it's not the wording in your press releases. It's the wording in your press releases, and the public expectation that I'm concerned about. It's all very well saying, 'Go to the website', but as we all know, there are individuals who will check on the website on a regular basis and, sometimes, there'll be a drift on the website, such as, you know, it will be available next month and then suddenly it's four months later because you've found that it's fibre to premises rather than fibre to cabinet that needs to be put in.

[130] **Mr Hunt:** Our press releases won't say 'all premises' within an exchange area.

[131] **Darren Millar:** But they build expectations, don't they? If you say, 'It's available in your area by Christmas', which is what a press release said about a certain location in my own constituency—and, no doubt, in other people's constituencies as well—then that raises expectations. There was no explanation in the press release that it might be that just one cabinet is turned on by that date and that you won't actually be able to take orders until a few days after the cabinet has been turned on. What's the matter with your communications that you can't better communicate that to the public?

[132] **Ms Beynon:** It's up to the retailers. Obviously, Openreach will declare a cabinet ready for service, but not all retailers are as quick off the mark as they should be, possibly, to sell services off that cabinet. We've had that happen. So, that doesn't help. That's beyond our

control. It's up to individual retailers to choose to be active. But, again, I fail to see what advantage there would be in saying, 'We have done cabinet A on this exchange—'. We can't then give a list of cabinets. I don't quite see what the alternative is.

[133] **Darren Millar:** Well, I think just explaining that some people may have access by a certain date is a far more honest reflection of what would have happened by Christmas in my constituency, rather than a big public fanfare, as there was many months before, saying 'This is going to be available by Christmas in your locality'.

[134] **Mr Hunt:** I'll go and check the Abergele press release, but I believe that we would have set the expectation that, 'The first premises in Abergele are able to order fibre broadband' and that we didn't—. We're very careful in our qualification of that.

[135] **Ms Beynon:** I'd like—

[136] **Jocelyn Davies:** Can I just make a point? I'm quite well served in the south-east, and you know that from the statistics, but I hear Assembly Members talking regularly about individual cabinets. That is the scrutiny that we're talking about, that Assembly Members often—and you're talking about it—regularly talk about their excitement that a cabinet is coming online. So, that is the expectation that you're trying to manage, and that's amongst Assembly Members, so I can't imagine what the public must feel like when they're watching the cabinet that is closest to them, and that's the expectation. So, I think you might check your press release, but the way that it's covered is what people read in their local press and the way that it's been interpreted, and I think that you really do need to manage expectations better rather than, you know, perhaps not the exact wording—

[137] **Darren Millar:** It's that the public perception side of things is completely different from the message that you're telling us today.

[138] **Ms Beynon:** But can I just take this up? In my view—and this comes out in the report—a bigger issue is take-up.

[139] **Darren Millar:** Yes, we'll get on to take-up in a few moments.

[140] **Ms Beynon:** This is the problem: if we start to caveat to an excess, the availability, we are going to have an impact on take-up. The reality is that huge numbers of people, thousands of people, now have the availability of this service, but we're not seeing take-up where we would like it to be, so—

[141] **Darren Millar:** Okay, we'll touch on take-up in a second—

[142] **Ms Beynon:** —we have to create a bit of excitement so that people do choose to order, and then—

[143] **Darren Millar:** We've got a few questions on take-up. I'll bring you in in a second, Julie.

[144] **Jocelyn Davies:** Well, if you do, then, you have to accept that you are going to disappoint a lot of people.

[145] **Darren Millar:** Just one at a time. Can I ask one other question? You talked about some of the unforeseen issues, when you were responding to Sandy. You know, the archaeology in a site, or whatever else it might be, but there are some issues that you ought to actually already know about your own network, aren't there? So, for example, where you're rolling out fibre directly to premises, you ought to know that those properties, in advance of

the roll-out programme that you've developed, were actually going to require a little bit more effort and a lot more work to be able to deliver the Superfast Cymru scheme to them.

[146] **Ms Beynon:** We wouldn't know until we'd done the detailed local planning.

[147] **Darren Millar:** Well, why wouldn't you know?

[148] **Ms Beynon:** And even then—. In Capel Curig, there's a case where we had thought at one point we'd have to build FTTP. When we actually then did the next stage of planning, we realised, actually, we could build a cabinet, so, we do manage this programme in a very dynamic way throughout. So, we may assume one solution and then have to come up with another.

[149] **Darren Millar:** Let me perhaps put my question in another way. So, did you know, at the start of the programme, which properties were going to require fibre to premises?

[150] **Ms Beynon:** No.

[151] **Darren Millar:** Why? Why not?

[152] **Mr Hunt:** Well, we had a modelled solution that gave us an idea of which are going to be fibre to the premises and which are going to be fibre to the cabinet, and those assumptions have changed markedly over time. We've got a responsibility, because there is public money involved in this, to make sure we're spending money cost-effectively. Fibre to the cabinet is significantly cheaper in general than fibre to the premises. So, we've whittled down the amount of fibre to the premises that we're delivering. Even today, where we think we're going to be delivering fibre to the premises, we may yet flip it to fibre to the cabinet, if it's cheaper and it's going to give us a satisfactory—

[153] **Darren Millar:** But, my question is: why don't you know your networks sufficiently well to be able to identify those?

[154] **Ms Beynon:** Because you have to do a survey based on a desktop survey. So, you do the best you possibly can. There is no benefit in not doing it properly. You do the best you possibly can with your desktop survey. Then you get down to the nitty-gritty and you actually physically go there and you look at what's on the ground and you plan, and, sometimes, we've found infrastructure we would not have known about from our desktop. For example, in Wrexham, one of our key ducts was now under a traffic island. There was nothing on our computer that could have told us that, because we didn't know they'd built a traffic island on top of our duct, but they had, so we had to get a digger, dig down 6m to find—. So, we don't know that, and you can't tell that. It's only when you get into the planning—

[155] **Darren Millar:** No, but you ought to know your networks sufficiently well to be able to say, 'Well, this property's served directly, rather than through a cabinet.'

[156] **Ms Beynon:** You have 440 exchanges and you have a different topography for all of them. There's no way we would know in precise detail without physically going to—

[157] **Darren Millar:** I understand that—wait just one second. The point I'm making is: you have an existing network, okay—you're telling us that you do not know how your network is served, aren't you?

[158] **Mr Hunt:** Sorry, are you referring to exchange-only lines?

[159] **Darren Millar:** I'm asking about those fibre-to-the-premises points.

[160] **Ms Beynon:** We're building a new network, okay. So, you have a village that has exchange-only lines. So, we will know that village has exchange-only lines. Until we get there, we don't know whether it is feasible to install a cabinet in that village or do we need to build FTTP. We have to look at it in detail to work out which of those two solutions are the best solution. We would not know.

[161] **Darren Millar:** Because it seems to me that the areas with the biggest drift are those with those sorts of properties, aren't they? Where there were estimates of 'We think we can put a cabinet in', and then you've arrived on the scene and thought, 'Actually, we can't put a cabinet in'. So, it's going to four months later than—

[162] **Ms Beynon:** Or the other way around. We will not be able to build FTTP, but we will be able to build a cabinet.

[163] **Darren Millar:** Again, this all links back in to public expectation, doesn't it?

[164] **Ms Beynon:** No, it's a reality of the real world.

[165] **Darren Millar:** It's public expectation, because on websites the date might appear to be June 2014, but then it drifts three or four months because you've identified—

[166] **Ms Beynon:** No. We have a very good video on the website that explains how we build a site. It is quite important that people understand that we're not building something simple. We're building something very, very complicated and we're trying to build it quickly and in a cost-effective matter. Therefore, we have to flex and change all the time, because we're building something new. We're building new backhaul and we're building new core fibre. It's massive; it's like building a new motorway system.

[167] **Mr Hunt:** I have to say, I don't quite understand your question. We know our network well, but we are deploying fibre broadband in some very rural parts of Wales. You have to have people that physically go out there on the ground to take a look around—'What premises are there? How can I cluster them together?'—and crunch all that information together and then decide what the best solution is. The algorithms are generally right, but there are instances where you change, and we're also trying to deliver a cost-effective solution for the public purse as well. If you've got something specific, I'm happy to take that away and give you an answer. I don't understand the question.

[168] **Darren Millar:** I'm simply making the point that I don't think you know sufficiently well your own network, given some of the delays that have been experienced—

[169] **Mr Hunt:** I don't accept that.

[170] **Ms Beynon:** No, I don't think we accept that. The report—

[171] **Darren Millar:**—not just in my constituency but in other parts of Wales, particularly in relation to the fibre-to-premises issues, where many people have checked on the website one day and it has drifted to many months later because of the problems—

[172] **Mr Hunt:** I'll give you another reason why it drifts, and it's back to, for example, ERDF again. We have to deploy the volume. Some of the exchange areas we have are literally one cabinet or one structure. Twelve months previously, we had given a date, let's say March 2015, and in order to make sure we hit the numbers, we were having to concentrate on the lower hanging-fruit areas rather than the more rural areas. And they are reasons, I'm afraid, and we want to make sure that we work with our partners in Welsh Government to

spend all of this ERDF money, and that's been our priority.

[173] **Darren Millar:** It's on this, Jenny, isn't it? And it's on this as well? Okay. I'll bring you in first.

[174] **Jenny Rathbone:** I just wanted to explore what the difference is between FTTP and FTTC, because the original proposal in the Government's mind was that everybody would be getting FTTP—a direct line to the premises. But that was unaffordable, so we're now going with FTTC. I just wondered if you could explain the implications of most people being connected via FTTC, because the only things they're interested in are speed and cost.

[175] **Ms Beynon:** The beauty of FTTC, fibre to the cabinet, is that you don't have to build new copper lines or replace the copper lines that are already there. Because if you think about all the premises in Wales, if you had to replace every single copper line to all the premises with fibre, it would be astronomically expensive and it would take decades, literally. So, that's why FTTC is a far better solution. FTTP does give you higher speed—it is the deluxe model, if you like. But, then you've got to balance the deluxe model against—you know, if a Ford Fiesta does the job, then that should be okay. However, there is a path for the Ford Fiesta. So, even though we are building FTTC, which currently has a maximum speed of 80 Mb, we fully understand that we need to exploit that copper asset even more. So, that's why we're doing a trial in Swansea, which is something you'll have heard of, called G.fast, where we will be increasing the copper, the FTTC capability, up to 500 Mb. So, it's not a second class solution, it's an appropriate solution for the circumstances, given the affordability question. But there is a path to higher speeds even on copper. The paths to higher speeds on fibre are limitless—they're terabits, but there is still a strategy to deploy on copper far higher speeds.

09:45

[176] **Jenny Rathbone:** So, in terms of your obligation to have 40 per cent of the premises up to 100 Mb, how does this new thing you're trialling in Swansea—? Is that one of the pieces in the toolkit?

[177] **Mr Hunt:** No, it's not. G.fast is a few years into the future.

[178] **Ms Beynon:** It's 2020 to 2025.

[179] **Mr Hunt:** The way that we're going to achieve the 100 Mb obligation is through a product called FTTP on Demand that we'll be reintroducing in due course.

[180] **Jenny Rathbone:** Okay. Chair, the other question I had was on access to broadband, which is for the 5 per cent who are not commercially viable. Can I come in on that?

[181] **Darren Millar:** Very briefly. Then I want to bring Julie in.

[182] **Jenny Rathbone:** Yes. I'm just reading the auditor general's report, and I'm surprised that more people who are in this position of having very, very low speeds haven't taken up the opportunity to get the 90 per cent grant from Welsh Government in order to get coverage. Could you just explain why you think that is?

[183] **Mr Hunt:** BT doesn't participate in the Access Broadband Cymru scheme for reasons of state aid. So, I couldn't comment on why people aren't—

[184] **Jenny Rathbone:** Okay. So, it has to be other providers who take the contract?

[185] **Ms Beynon:** Yes. It's a state aid issue—

[186] **Darren Millar:** We can pick that up with Welsh Government. Julie?

[187] **Julie Morgan:** It was back on—*[Inaudible.]* A number of Members have said about concern from constituents about the time and the pace. I haven't had any concerns expressed—

[188] **Ms Beynon:** You've got probably the best coverage in Wales—

[189] **Julie Morgan:** I know, I know. *[Laughter.]*

[190] **Mr Hunt:** It's 98 per cent.

[191] **Julie Morgan:** Yes, that's fantastic. *[Laughter.]* But how easy is it for the public to find out exactly what is happening? Obviously, you said it's on the website—

[192] **Ms Beynon:** Should we explain what we've done? Ed, you go through your list.

[193] **Mr Hunt:** The list is practically endless. We've got three people in BT who are working on what we call the marketing, and the primary thing that they spend their time doing is answering direct queries that come in on e-mail, Facebook or Twitter. We post on Facebook when we've made an area live and we boost those posts so that, if you're living in that area, it's the first thing you see. We find Facebook, incidentally, the most cost-effective and effective way of getting to people. We have 22 marketing plans for the 22 local authorities. We do localised press announcements, branded vans, press adverts, phone kiosks, billboards, we've dropped over 0.5 million leaflets this year, radio advertising, back-of-the-bus advertising, we've exploited the BT retail relationship with the four Welsh rugby regions, we've had branding on the shirts at no cost, Facebook advertising, social media—you name it. We've been doing that very cost-effectively by using the buying power of BT. The list is practically endless. Business breakfasts that we've undertaken—

[194] **Ms Beynon:** With the chambers of commerce.

[195] **Mr Hunt:** We've done sessions with Assembly Members and MPs and their constituents, because they're really powerful ways of dispelling myths, helping people with queries. It's just a never-ending task.

[196] **Ms Beynon:** On these round tables, I think we took away two messages. Again, just to reiterate, one was that people had not fully understood that they had to buy a new product. So, we've amended the information on the website to take that into account and make it really clear for people. And the bit about a cabinet we've picked up again from those meetings. So, we're fully aware that that is a concern, and that's why we are already doing the best we can to address it within the constraints we were describing—

[197] **Julie Morgan:** But no phone—. You haven't got a phone helpdesk?

[198] **Mr Hunt:** No.

[199] **Ms Beynon:** We did have it in the plan, but it was decided that it was too expensive a solution and it wouldn't really have delivered that much benefit.

[200] **Julie Morgan:** So, on e-mail, do you directly reply to individuals saying exactly what is happening in their areas so, on the confusion they may have about when it's coming, you would reply as if someone was asking you directly?

[201] **Mr Hunt:** Yes.

[202] **Ms Beynon:** Absolutely. And to Assembly Members as well. Many of you write to us, and we do our best to give you that information and as much detail as we can.

[203] **Julie Morgan:** Thank you.

[204] **Darren Millar:** Oscar.

[205] **Mohammad Asghar:** Thank you, Chair. I'm very glad that 90 per cent of south-east Wales has been covered. That's good news. The fact is that I also heard many times the term 'cost-effective' when you supply this fast broadband to different areas. Do you ever consider the local economy and how they benefit if you supply this fast broadband—in places like Blaenau Gwent and those areas that are not having this broadband? And that is—

[206] **Ms Beynon:** Blaenavon has it.

[207] **Mohammad Asghar:** I know, but those deprived areas—10 per cent maybe—. I don't know which areas you haven't covered yet, but south-east Wales is a vast area. Ten per cent still is a large area. Could you tell us which areas that are deprived of the economic benefits of having this product?

[208] **Mr Hunt:** Well, Blaenau Gwent has got—and I've got my numbers on my iPhone here—around about 95 per cent coverage. It's extremely high. Rhondda Cynon Taf and Merthyr as well are similar, which are world-class levels. That's where Japan and South Korea are. The 90 per cents are phenomenally high levels. So, we've been—. Blaenau Gwent and Merthyr were amongst the first local authorities that we went to, and I think the results speak for themselves.

[209] **Ms Beynon:** Yes, and if you think that Germany is on 80 per cent, Blaenau Gwent is way above Germany, at 95 per cent. It's phenomenal. This is the message we need your help to get across. The problem we have in these deprived communities is that there's a lack of understanding of how to exploit this technology. I think I go back to that again. This is the next stage. It will just have to be the next critical thing that happens. Now, we're delighted that the report has described the way the Welsh Government is going to proceed now with a business exploitation programme to exploit this. I think that has to be what happens, and it needs to be accelerated and it needs to be deepened, because we can't have this investment of public money without then that having a direct impact on the economy. I fully agree with you. So, we don't want to see our investment—because we are co-investing here—into these communities not resulting in more prosperity. There has to be. Therefore, I would say that the emphasis now needs to be really, really on the usage of this network, because it's a world-class network. We are ahead of most of Europe. We can't have the economy then faltering and not being ahead of Europe as well.

[210] **Mr Hunt:** From a value-for-money perspective, let's describe what take-up means. BT's business case is paying back over around about 15 years, assuming that there's around about a 20 per cent take-up level. For every percentage above 20 per cent there's a gain-share mechanism that kicks in and half the profits are shared with Welsh Government for reinvestment into the network. So, this has to be about exploitation. We've heard a lot today about who's not going to get it and that there are great questions, but we're now in a position where BT's network alone covers 80 per cent of Wales. We need to be exploiting this, and we need to be making sure that—. You know, we don't want 20 per cent take-up, we want—

[211] **Mohammad Asghar:** And when are you going to—?

[212] **Mr Hunt:** —40 per cent take-up and to pay money back into that investment fund.

[213] **Ms Beynon:** That money can then be invested in that 4 per cent. So, there is a mechanism. So, if we get take-up of up to 30 per cent, you're talking about millions of pounds coming back to the Welsh Government to spend on that 4 per cent. That's why I keep going on about take-up. It would be wrong for this committee to think of this as the end of the story. It's not. We've really got to work hard now to get this technology used for the practical payback of the money, but also then for the economic impact it will create.

[214] **Mr Hunt:** And really help businesses exploit it. It's not just about looking at your e-mails a little bit quicker or browsing the web—

[215] **Darren Millar:** And what's the current network take-up across Superfast Cymru now?

[216] **Mr Hunt:** On the cabinets that are over a year old, we're just scraping past that 20 per cent mark. So, obviously, we want to see that a lot higher. I think the absolute level of take-up, which I don't think is such a reliable measure, is around about 14 per cent. It puts Wales in the pack with the rest of the UK, but because we're deploying such huge numbers every quarter, the figures get diluted, which is why we like to look at that one-year figure. So, 20 per cent is not bad. It's not brilliant, but it's not bad. We'd like to get that higher, and we'd like to make sure that we share the benefits of that with the Welsh Government.

[217] **Darren Millar:** To what extent are package costs part of a barrier towards people taking this up? I mean, we've just talked about Blaenau Gwent, for example. Obviously, incomes are depressed in that sort of area, therefore it becomes a much more expensive item, doesn't it?

[218] **Mr Hunt:** The beauty of the network that we've rolled out is that we provide an infrastructure and then you've got a really vibrant retail market that sits above that. That drives competition. You've got intense competition with the big four internet providers like TalkTalk, Sky, BT and Plusnet. That's driving down prices, and also introducing packages. In terms of prices, you've got prices starting from £5 a month, which we looked at yesterday. You need to include line rental on it, and they're fibre packages. And of course then you can get the more sort of gold-plated packages through the likes of Sky, which bundle in TV. BT does the same as well. So, you pay your money, you take your choice, but from £5 a month.

[219] **Ms Beynon:** And if you are on income support, there is the BT Basic product that you can get. So, you can get your broadband for £10 a month all in. So, for anybody on income support and on a certain level of benefits, we've negotiated a deal with the Department for Work and Pensions that they are able to get access for a very, very low price indeed.

[220] **Darren Millar:** Oscar, did you have any more questions?

[221] **Mohammad Asghar:** I have only one last question, Chair. When are you going to reinstate your fibre on demand products?

[222] **Mr Hunt:** We're hoping soon.

[223] **Mohammad Asghar:** How soon?

[224] **Mr Hunt:** The contract asks us to ensure it's in place by 30 June 2016. That's the obligation. We're hoping that it'll be reintroduced sooner than that.

[225] **Darren Millar:** Okay, thanks. Aled.

[226] **Aled Roberts:** Rwyf jest eisiau mynd ar ôl, yn y lle cyntaf, gan symud o safonau byd eang yn ôl i'r gogledd—. Rwy'n meddwl bod yna broblem yn dal i fod efo delwedd, achos os ydych yn edrych ar gyfrifon trydar neu beth bynnag, rydych chi'n gweld busnesau—mae'n debyg rhai bychain—ar ystâd ddiwydiannol yn Wrecsam a hefyd ar y parth menter yng Nglannau Dyfrdwy sydd yn dal i gwyno ac yn dweud bod y gwasanaeth yn annigonol a'i fod yn effeithio ar eu busnesau nhw. Mae busnes hefyd yn y Maelor wledig ar y ffin efo Lloegr yn colli ei wasanaeth ffôn a band eang am wythnos, ac yn cael ei gyflenwi gan BT. Felly, nid wyf yn derbyn mai jest mater o bobl yn cymryd y cynnig yw ef. Rwyf yn meddwl bod yn dal i fod problemau ynglŷn â—un ai nad ydych chi'n cael eich neges drosodd neu mae yna bobl sydd, hwyrach, yn cymysgu'r ffaith nad oes gwasanaethau ar gael efo'r ffaith nad ydynt yn gwybod bod angen iddyn nhw wella eu cyfarpar. Nid wyf yn gwybod sut ydych chi'n dod dros hynny, achos nid yw'n hawdd i ni ddeall, er enghraifft, beth ydy eich cynlluniau chi ar gyfer y Maelor wledig yna ar y ffin efo Lloegr.

[227] **Ms Beynon:** Os caf i ddelio â Wrecsam a Glannau Dyfrdwy i ddechrau, aeth Ed a fi i fyny i Wrecsam ym mis Mawrth i gyfarfod â phrif weithredwraig y cyngor ac fe wnaethom ni gyfarfod â phrif weithredwr Cyngor Sir y Fflint. Fe wnaethom ni hefyd gyfarfod â David Jones, cadeirydd y parc menter yng Nglannau Dyfrdwy. Pwrpas hynny oedd trio esbonio iddyn nhw'r cymhlethdod, achos, rydych chi'n iawn, mae o'n gymhleth iawn. Fe wnaethom ni gynnig i Gyngor Bwrdeistref Sirol Wrecsam y byddem yn cynnal gweithdy ar gyfer cynghorwyr ac ar gyfer trigolion y parc busnes yn Wrecsam. Mi oedd hynny fod i ddigwydd rai wythnosau yn ôl. Yn anffodus, nid oedden nhw'n gallu bwrw ymlaen â hynny. Mae'r cynnig ar agor o hyd.

[228] **Aled Roberts:** Pwy wnaeth ddim bwrw ymlaen?

[229] **Ms Beynon:** Wel, nid oedd y cyngor

Aled Roberts: I just want to pursue, in the first place, moving from global standards back to north Wales—. I think that there is still a problem with image, because if you look at Twitter accounts or whatever, you see businesses—apparently some small ones—on an industrial estate in Wrexham and also in the enterprise zone in Deeside that are still complaining and saying that the service is insufficient and that it affects their businesses. Also there's a business in rural Maelor on the border with England losing its phone and broadband service for a week, and supplied by BT. So, I don't accept that it's just a matter of people taking up the offer. I think there are still problems to do with—either you're not getting your message across or there are people who, perhaps, are confusing the fact that services are not available with the fact that they don't know that they need to improve their equipment. I don't know how you're going get over that, because it's not easy for us to understand, for example, what your plans are for rural Maelor on the border with England.

Ms Beynon: If I can deal with Wrexham and Deeside to begin with, Ed and I went up to Wrexham in March to meet with the chief executive of the council and we met with the chief executive of Flintshire County Council. We also met David Jones, the chair of the enterprise zone in Deeside. The purpose of that was to explain the complexity of this issue, because, you're right, it is very complex. We proposed to Wrexham County Borough Council that we would hold a workshop for councillors and the residents of the business park in Wrexham. That was meant to happen a few weeks ago. Unfortunately, they weren't able to go ahead with that. The offer is still there.

Aled Roberts: Who didn't take up the offer?

Ms Beynon: Well, the council felt that the

yn teimlo bod y dyddiad bellach yn addas. Felly, mi ddaru nhw ganslo'r cyfarfod. Mae'r sefyllfa yn Wrecsam yn gymhleth achos rydym ni'n adeiladu—ac rydym wedi rhoi'r wybodaeth yma i'r cyngor—rhai *cabinets*. Rydym hefyd yn adeiladu FTTP—*fibre to the premises*—cryn dipyn ohono fo, ar y parc busnes, ond mae yna ran o'r parc busnes nad yw'n rhan o'r cytundeb o gwbl. Mae yna driongl nad yw yn ein cytundeb ni. Os ydych yn edrych ar Ddyfrdwy a'r parth menter, mae gennych Sealand, ac rydym yn dal i adeiladu'r cabinet yn Sealand, lle mae tir gwag i bob pwrpas, ac wedyn mae gennych chi barc Glannau Dyfrdwy ei hun. Mae'r un peth yn bodoli fanna. Rydym yn dal i fod yn adeiladu ar y parc busnes. Rydym yn adeiladu, er enghraifft, darn mawr o ffibr i'r *premises* ym Mhenarlâg, ond mi fydd yna ran o'r parc yna nad yw yn ein cytundeb ni. Felly, mae gennych chi yn y parciau busnes gylchoedd bach nad yw yn ein cytundeb ni. Mae rheini'n dod o dan gytundeb newydd sydd gan Lywodraeth Cymru. Maen nhw wedi cyhoeddi tendr newydd ar gyfer parciau busnes ac mae hwnnw i'w gyhoeddi yn fuan, rwy'n deall. Ddarau ni ddim ymateb iddo fo achos nid oeddem ni'n teimlo ei fod yn ddeniadol iawn. Felly, mater i Lywodraeth Cymru bellach ydy datrys y bylchau yna yn ein cytundeb ni. Nid ydynt yn bethau yr ydym ni yn gallu eu hadeiladu.

[230] **Aled Roberts:** Felly, a fydd yr isadeiledd yn yr ardaloedd hynny yn wahanol? A fydd o'n rhwydwaith ar wahân i'ch rhwydwaith chi? A fydd hynny'n creu problemau o gwbl?

[231] **Ms Beynon:** Nid fy lle i ydy dweud. Nid ein rhwydwaith ni fydd yn y rhannau bach yna o'r parciau busnes. Fe fydd yna rwydwaith gwahanol. Mae yna, wrth gwrs, rwydweithiau eraill yn y parciau busnes yna hefyd. Roeddwn i'n cyfeirio gynnu at FibreSpeed, ac mae'r gwasanaethau Ethernet ar gael yn y parciau busnes fel y maen nhw ar gael gan BT yn y parciau busnes hynny. Beth sydd ar goll ydy'r lefel yna y mae cwmnïau bychain ei hangen. Rydym ni mewn cysylltiad agos efo'r parc busnes ac rydym ni'n gweithio'n agos efo swyddogion Llywodraeth Cymru hefyd sydd yn siarad efo cadeiryddion y parciau busnes yn gyson. Felly, rydym ni'n gobeithio bod y

date wasn't appropriate. So, they cancelled the meeting. The situation in Wrexham is complex because we are building—and we have given this information to the council—some cabinets. We're also building FTTP—fibre to the premises—a great deal of it, on the business park, but there is a part of the business park that isn't a part of the agreement at all. There is a triangle that isn't part of our agreement. If you look at Deeside and the enterprise zone, you have Sealand, and we're still building the cabinet in Sealand, where there is spare land to all intents and purposes, and then you have the Deeside park itself. The same issue exists there. We're still building on the business park. We're building, for example, a large FTTP provision in Hawarden, but there will be part of that park that isn't part of our agreement. So, you do have in the business parks small areas that aren't included in our contract. They come under a new contract that the Welsh Government has. They've published a new tender for business parks and that is to be announced very soon, I understand. We didn't respond to that because we didn't feel that it was very attractive. So, it's a matter for the Welsh Government to solve those gaps in our contract. They're not things that we can build.

Aled Roberts: So, will the infrastructure in those areas be different? Will it be a separate network to your network? Will that cause problems at all?

Ms Beynon: It's not my place to say. It won't be our network in those small parts of the business parks. There will be a different network. There are, of course, other networks in the business parks too. I was referring earlier to FibreSpeed, and the Ethernet services are available in the business parks as they are from BT in those business parks. What is missing is that level that small businesses need. We are in close contact with the business park and we're working closely with Welsh Government officials too who are speaking with the chairs of the business parks on a regular basis. So, we hope that the chairs and the people in the business parks also receive information through the Welsh

cadeiryddion a'r bobl ar y parciau busnes yn cael gwybodaeth hefyd drwy Lywodraeth Cymru, achos nid y ni sy'n perchnogi yn ei gyfanrwydd beth ydy'r isadeiledd ymhob un o'r parciau busnes hynny.

Government, because it's not us who takes ownership of what the infrastructure is in all of those business parks.

10:00

[232] Felly, beth yr ydym ni'n trio ei wneud ydy cyfathrebu'r hyn yr ydym ni'n ei adeiladu'r gorau y gallwn ni. Ynghylch ardal wledig Maelor, nid wyf yn hollol sicr lle, yn benodol, sydd gennych chi mewn golwg, ond buaswn i'n meddwl bod Maelor yn y cynllun.

So, what we're trying to do is communicate what we're building as best we can. In terms of the rural area of Maelor, I'm not entirely sure where you have in mind, but I would think that Maelor is part of the scheme.

[233] **Aled Roberts:** Fe wnaif ddod yn ôl atoch chi.

Aled Roberts: I will come back to you.

[234] **Ms Beynon:** Ie. Os gallwch chi ddod yn ôl efo'r manylion.

Ms Beynon: Yes. If you could come back to us with the details.

[235] **Aled Roberts:** Océ. A gaf i jest ofyn hyn i chi, yn dilyn hynny? Fe wnawn ni ei gymryd yn ganiataol bod eich rhwydwaith chi wedi dod i'r safon, a'r mater ar ôl hynny ydy perswadio pobl i wella eu cyfarpar, neu beth bynnag. A oes yna hefyd ddryswch yn cael ei greu hyd yn oed gan elfennau gwahanol o fewn eich cwmni chi, sy'n danfon gwybodaeth allan yn dweud, er enghraifft, 'A ydych chi eisiau dod ar deledu BT? Gallwn ni roi'r pecyn yma i chi.' A phan fo pobl yn ymateb i BT, maen nhw'n dweud wrthynt, 'O na, sori; nid yw'r gwasanaeth yn eich ardal chi'n ddigon da'. Felly, a ydych chi wedi meddwl bod rhyw ddryswch yn cael ei greu yno, lle rydych chi'n codi gobeithion, lle mae yna wahanol rannau o'ch cwmni chi'n—

Aled Roberts: Okay. Could I just ask you this, following on from that? We take it that your network is up to the required standard and it's a matter then to persuade people to improve their equipment and so forth. Is there also confusion caused even by different aspects of your company, which send out information saying, for example, 'Do you want to come on BT tv? We can give you this package.' And when people respond to BT, they tell them, 'Oh no, sorry; the service in your area is not good enough'. So, do you think that there is some confusion caused by that, whereby you raise people's hopes, where different parts of your company—

[236] **Ms Beynon:** Mae'n anodd. Hynny yw, mater i BT Retail ydy hynny. Byddwn i'n disgwyl y bydd ganddynt gynllun marchnata eu hunain a fydd yn cael ei dargedu i'r ardaloedd hynny lle mae'r gwasanaeth ar gael. Buaswn i'n meddwl ei fod bron yn amhosib creu ffin berffaith rhwng lle y mae ar gael a lle nad ydy o ar gael. Felly, gallaf weld ei fod yn bosib bod pobl wedi derbyn gwybodaeth gyhoeddusrwydd ac nad yw'r gwasanaeth ar gael. Ni allaf ddweud fy mod i wedi gweld enghreifftiau sylwedol o hynny'n digwydd, ond mae'n bosib. Ni fuaswn i'n meddwl bod hynny'n cael ei wneud yn fwriadol, achos y

Ms Beynon: It's difficult. That's a matter for BT Retail. I would expect that they would have their own marketing plan that would be targeted at those areas where the service is available. I would think that it's almost impossible to create a perfect boundary between where it's available and where it isn't available. So, I could see that it's possible that people have received publicity information and the service is not available. I can't say that I have seen significant examples of that happening, but it is possible. I wouldn't think that that is done deliberately, because the aim is to give information to customers that is correct, but it's also true to

nod ydy rhoi gwybodaeth i gwsmeriaid sydd yn gywir, ond mae'n wir hefyd, wrth gwrs, bod beth maen nhw'n ei wneud—ac maen nhw'n weithgar dros ben—ydy eu bod yn trio creu galw ar gyfer y gwasanaethau. Fel yr oeddwn i'n ei ddweud gynnau, mae'n bwysig iawn bod y cyfanwerthwyr, cwmnïau fel BT Retail, TalkTalk, Sky a'r cwmnïau llai, yn marchnata'r gwasanaethau yma mor galed ag y medran nhw, achos mae hynny i gyd yn helpu Llywodraeth Cymru yn y pen draw i gael mwy o arian yn ôl ac i gryfhau'r economi. Felly, nid yw'n berffaith, o bosib, ond nid wyf yn meddwl bod neb yn fwriadol yn trio camarwain neb.

[237] **Aled Roberts:** Ocê. Jest un cwestiwn olaf. Roeddwn i'n falch iawn o'r cyfle i fod yn brentis i Openreach ac nid oeddwn i wedi sylweddoli pa mor gymhleth oedd y sefyllfa cyn imi dreulio'r diwrnod yno, i ddweud y gwir. Ond a oes gennych chi unrhyw bryderon ynghylch yr ardaloedd gwledig hynny lle mae'r cabinet yn cael ei uwchraddio, ond bod eich rhwydwaith chi mor hanesyddol yn yr ardaloedd hynny bod hynny'n mynd i amharu ar berfformiad y gwasanaeth yn y pen draw?

[238] **Ms Beynon:** Mae hynny'n anodd, achos, mewn ardaloedd gwledig, mae yna rai llefydd, wrth gwrs, lle nad oes newid wedi bod yn yr isadeiledd am ddegawdau, felly. Ble bynnag mae rhywun yn darganfod bod yna broblem sylweddol—ac fe gawsom broblem yn Llanegryn yn ddiweddar, er enghraifft, ac fe ddaru ni osod cebl mawr newydd i fwydo'r ardal yna—rydym yn trio'n gorau glas i newid ceblau mawr, hyd yn oed, pan ydym yn gweld eu bod wedi dod i ben eu bywyd. Mae hi'n anodd, weithiau, pan fo pobl ar ddiwedd llinellau hirion o gopr; mae'n anodd iawn gwybod beth ydy'r ateb i hynny. Unwaith rydych chi dros ddwy filltir o'r cabinet, mae'n creu problemau, ond dyna le mae'r cynlluniau eraill yma yn gorfod dod i mewn, buaswn i'n awgrymu—efallai bod pobl, wedyn, yn gorfod cael gwasanaeth lloeren i gael gwasanaeth cyson. Mae yna gyfrifoldeb arnom ni, wrth gwrs, i roi ffôn i bawb—mae yna *universal service obligation* arnom ni, felly mae'n rhaid i bawb gael ffôn—ond nid oes yna unrhyw oblygiadau arnom ni i roi band llydan i bawb.

say, of course, that what they're doing—and they are very active—is that they are trying to create demand for the services. As I said earlier, it's very important that the wholesalers, companies such as BT Retail, TalkTalk, Sky and the smaller companies, do market these services as hard as they can, because that all helps the Welsh Government, ultimately, to draw more money back into strengthening the economy. So, it's not perfect, perhaps, but I don't think that anyone is deliberately trying to mislead anyone.

Aled Roberts: Okay. Just one final question. I was very pleased to have the opportunity to become an apprentice for Openreach and I didn't realise how complex the situation was until I spent the day there, to tell you the truth. But do you have any concerns about those rural areas where the cabinet is being upgraded, but your network is so old in those areas that that is going to affect the performance of the service, ultimately?

Ms Beynon: That's difficult, because, in rural areas, there are some areas, of course, where there's been no change in the infrastructure for decades. Wherever somebody finds that there are significant problems—and we had a problem in Llanegryn recently, for example, and we had to lay a new cable to supply that area—we try our level best to change large cables, even, when they've come to the end of their lifespan. But it's very difficult, sometimes, when people are at the end of very long copper lines; it's very difficult to know what the answer to that is. Once you're over two miles away from the cabinet, it creates problems, but that's where these new schemes have to come in, I would suggest—perhaps people then have to have a satellite service to get a consistent service. We do have an obligation, of course, to provide a phone service for everyone—that's a universal service obligation, so everyone has to have a phone—but there are no obligations for us to give broadband to everyone.

[239] **Aled Roberts:** A oes yna unrhyw drafodaethau ynghylch rhoi'r—.

Aled Roberts: Are there any discussions about giving the—.

[240] **Ms Beynon:** Mae'n ddadl sydd yn wastad yn codi'i phen, ond rwy'n meddwl bod pobl wedi sylweddoli bod hi'n rhywbeth—byddai'n rhaid i chi roi ffin ariannol i'r peth, beth bynnag. Mae hi'n bosib, hyd at ryw lefel, i orfodi band llydan, ond rwy'n meddwl bod gorfodi hynny heb fod yna ryw fath o do ariannol yn afreal, a dweud y gwir. Ni fuasech chi eisiau gorfodi—. Dywedwch fod yna rywun sy'n byw mewn plasty yng nghanol y wlad nad oedd yn cael band llydan, nid ydych chi'n mynd i orfodi cwmni i roi band llydan sy'n mynd i gostio miloedd ar filoedd o bunnoedd, os ydych chi'n disgwyl i'r pwrs cyhoeddus dalu miloedd ar filoedd o bunnoedd i rywun felly, nac ydych? Mae synnwyr cyffredin yn gorfod dod i mewn i'r mater.

Ms Beynon: It is an argument that always raises its head, but I'm sure that people have realised that there would need to be a financial boundary to those discussions. It's possible, up to some level, to have a broadband obligation, but I think having that obligation without there being some sort of financial limit would be unrealistic, to be honest. You wouldn't want there to be an obligation—. Say somebody lived in a mansion in the middle of the country and didn't have broadband, you're not going to oblige a company to provide broadband that's going to cost thousands and thousands of pounds, if you're expecting the public purse to spend thousands and thousands of pounds on such a person, are you? Common sense has come into these decisions.

[241] **Aled Roberts:** O fewn gwledydd eraill lle mae'r rhwydwaith wedi cael ei drosglwyddo, i bob pwrpas, i gwmni preifat, a oes yna oblygiadau ar y cwmni preifat yna i gynnal a chadw'r rhwydwaith?

Aled Roberts: In other countries where the network has been transferred, to all intents and purposes, to a private company, are there any obligations on the private company to maintain that network?

[242] **Ms Beynon:** Oes.

Ms Beynon: Yes.

[243] **Aled Roberts:** Mae'n anodd credu bod gennym ni rwydwaith lle mae yna rai ardaloedd nad ydynt wedi cael unrhyw fath o fuddsoddiad am ddegawdau. Os ydy hynny'n amharu ar berfformiad ffôn—rwy'n derbyn mai ffôn rydym ni'n sôn amdano, ac nid band eang—a oes yna oblygiadau arnoch chi fel cwmni i wella?

Aled Roberts: It's difficult to believe that we have a network where there are some areas that haven't had any investment for decades. If that affects phone performance—I accept that we're talking about phones not broadband—are there any obligations on you as a company to improve that?

[244] **Ms Beynon:** Oes, mae'n rhaid i ni sicrhau bod pobl yn gallu cael gwasanaethau ffôn. Mae hynny'n weddol sylfaenol. Nid yw cynnal a chadw'r rhwydwaith, wedi ei drawsnewid ar ol buddsoddiad sylweddol, yn disgyn ar y pwrs cyhoeddus. Mae cost y cynnal a chadw yna i gyd yn mynd i fod ar BT, wrth gwrs. Felly, rydym wedi cymryd cyfrifoldeb am gynnal a chadw'r rhwydwaith fel rhan o'r cytundeb yma.

Ms Beynon: Yes, we do have to ensure that people can have phone services. That's a fundamental obligation. The maintenance of the network, having been transformed following significant investment, has never fallen to the public purse. The cost of that maintenance is all going to be on BT, of course. So, we have taken responsibility for maintaining the network as part of this agreement.

[245] **Darren Millar:** Mike, you wanted a question.

[246] **Mike Hedges:** I took your advice and I looked up the rates, et cetera. Can you explain why the downstream line rate is between three and four times the upstream line rate?

[247] **Mr Hunt:** Because most people download rather than upload.

[248] **Aled Roberts:** For us Luddites, can you explain ‘downstream’ and ‘upstream’?

[249] **Mr Hunt:** If you’re watching TV—. Let’s say, for example, you’re taking a service such as Netflix—other services are available—or your kids are watching YouTube clips, predominantly, that’s information that’s coming to you. So, people tend to consume information at their home, rather than—. Obviously, they upload photos and so on and so forth, but it just reflects how people tend to be using the connection.

[250] **Ms Beynon:** Just to say, we are continually revising and we project forward what we believe future usage of networks will be. Therefore, when we introduced G.fast, which I mentioned earlier on, whereas initially we believed that download speed would be the most critical factor, it has the capability of being balanced to be equal—for the upload and download speeds to be symmetric.

[251] **Mike Hedges:** Sorry, I didn’t explain myself very well. For some businesses, upload speed is more important than download speed. But the question I’m asking is: why? Is it a conscious decision you’ve made to make it a third or a quarter of the speed?

[252] **Mr Hunt:** Yes.

[253] **Ms Beynon:** Yes, because that’s what the market tells us people want.

[254] **Darren Millar:** And that’s to allow for the capacity on the lines as well, I assume.

[255] **Ms Beynon:** Well, it’s what people are doing currently with their bandwidth.

[256] **Mike Hedges:** But, for some businesses, for example, uploading may well be more important to them.

[257] **Ms Beynon:** And then they would need an Ethernet service.

[258] **Darren Millar:** Right. Just a couple of final questions: in relation to the way that this network has been enhanced, obviously a lot of it is through fibre to cabinet, rather than fibre to premises, because of the additional costs associated with the fibre to premises. Is that a network that you think is going to be fit for purpose for the next 50 to 60 years?

[259] **Ms Beynon:** As I was just describing, yes. Absolutely.

[260] **Darren Millar:** You’re confident of that. You don’t think that it’s going to fall behind in any way, given that, in some other parts of the country, where they’ve had roll out, it’s been fibre right through to people’s premises.

[261] **Mr Hunt:** Not in huge significant numbers. In Cornwall, where they’ve got to in terms of fibre to the premises today is going to be slightly smaller than where we think we’re going to get to with fibre to the premises in Wales. The thing to remember about fibre to the premises is it’s not only more costly, it’s more time consuming. So, imagine if I was coming here today and telling you that parts of your constituency aren’t going to get broadband until about 2022-23. You’d probably be quite upset. The other thing to point out, if we just compare ourselves again to other countries—. Ann and I hosted mayors from the United States just after the NATO summit, and we described to them what we’re doing. In terms of pricing, in terms of competition, they can’t believe what we’ve got here in Wales. They’re absolutely staggered by the co-investment that a private company has done with the private sector in order to upgrade broadband—12 Mbps in parts of New York State is superfast.

[262] **Darren Millar:** Just touching on your contract now, obviously the total cost of the contract is £231 million. You're making a contribution of £26 million—

[263] **Ms Beynon:** And the ongoing costs.

[264] **Darren Millar:** And the ongoing costs, but, of course, it's to your advantage.

[265] **Ms Beynon:** Well, it's still a cost.

[266] **Darren Millar:** You've been able to benefit as well, though, from the public investment. Can I just check, in terms of that contract, is your contribution capped if the total cost of the programme turns out at £200 million rather than £231 million? Does the public sector benefit, or is it you that benefits, because you don't have to make—

[267] **Mr Hunt:** No. So, we're carrying the risk. So, if it costs us, let's say, £500 million, the public sector contribution is capped; we stomach the overspend. If there's underspend, correspondingly, the public sector benefits from that.

[268] **Darren Millar:** Okay, and in terms of the contract as well, again, it was interesting that there seemed to be more risk for you than in some of the other contracts to deliver broadband elsewhere in the UK. Why were you prepared to accept that level of risk? Is that because you were quite certain in terms of where this thing was going in terms of costs?

[269] **Mr Hunt:** Wales came along earlier than the framework that was run through the Department for Culture, Media and Sport. I wasn't around, unfortunately, when the contract was being procured, but it was highly competitive in the early stages, and we wanted to win the contract. There were some extremely robust negotiations, even when it was down to just BT and Welsh Government, in order to come up with a contract that transfers all of the risk to BT.

[270] **Darren Millar:** In terms of BDUK's involvement, were they involved in the contract process, or was it just Welsh Government and BT in the end?

[271] **Ms Beynon:** No, because it's a Welsh Government contract. The only time they, then, started to get involved was when it was to do with the state aid clearance. As it says in the report, the Welsh Government considered applying for state aid clearance itself, but was advised by BDUK to wait until they got clearance for the whole of the UK. As we all know, that clearance took six or seven months longer than everybody would've liked; hence, we had to do a huge amount of work to reprogramme the delivery, because of the concertina effect that had on the delivery.

[272] **Darren Millar:** Oscar.

[273] **Mohammad Asghar:** Could you tell me that you've got just the monopoly of all the supply of broadband in Wales, then? Is there no other company involved?

[274] **Mr Hunt:** As an incumbent, amongst the top five countries in the European Union, BT has the lowest—

[275] **Mohammad Asghar:** My question is: have you got the monopoly on broadband in Wales?

[276] **Ms Beynon:** No, we have no monopoly.

[277] **Mohammad Asghar:** Is any other company involved with it?

[278] **Ms Beynon:** No, we don't have a monopoly. I think that's really important. We are not a monopoly. So, there was a regulatory agreement in the UK in the early part of this century, the early 2000s, that we have to open our network to every provider on a retail basis. That has to be open and transparent, and it is open and transparent; everybody agrees that. Because we've done that, we've become the Railtrack, if you like, of the telecoms industry. You have competition and choice, and that's why the pricing of broadband in the UK is the cheapest in Europe: because of competition and choice. So, we do not have a monopoly, any more than Railtrack has a monopoly. We are there to openly provide access, and we have to do the investment.

[279] **Mohammad Asghar:** My point was: were there any tenders with other companies, or were you the only one?

[280] **Ms Beynon:** There were initially other companies, we understand.

[281] **Darren Millar:** The report's very clear that there was an open competition.

[282] Can I just ask one final question? In terms of the target, of 691,000 premises being expected to be surpassed by June 2016, you are confident that that will be achieved?

[283] **Mr Hunt:** It's an enormous undertaking. We've got a huge amount of work still to undertake, and we've got confidence that we're going to achieve the numbers in the contract.

[284] **Darren Millar:** In the contract?

[285] **Mr Hunt:** Yes.

[286] **Darren Millar:** Okay. That brings us to the end of our questioning. Thank you very much Ann Beynon and Ed Hunt. You'll receive a copy of the transcript of today's proceedings, and there'll also be a note from the clerks in relation to any additional information that you've said that you'll provide to the committee, but we're very grateful indeed for your oral evidence. Thank you.

10:13

**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 o weddill y cyfarfod yn unol â Rheol Sefydlog 17.42(vi).

that the committee resolves to exclude the public from the remainder of the meeting in accordance with Standing Order 17.42(vi).

Cynigiwyd y cynnig.

Motion moved.

[287] **Darren Millar:** Item 4, then, on our agenda, and I'll move a motion under Standing Order 17.42 to resolve to exclude the public for items 5, 6, 7 and 8 of today's meeting. 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 10:13.
The public part of the meeting ended at 10:13.*