



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

Y Pwyllgor Menter a Busnes **The Enterprise and Business Committee**

Dydd Iau, 2 Mai 2013
Thursday, 2 May 2013

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of the Meeting and for the Meeting on 2 May

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

These proceedings are reported 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

Mick Antoniw	Llafur Labour
Byron Davies	Ceidwadwyr Cymreig Welsh Conservatives
Keith Davies	Llafur Labour
Julie James	Llafur Labour
Alun Ffred Jones	Plaid Cymru The Party of Wales
Eluned Parrott	Democratiaid Rhyddfrydol Cymru Welsh Liberal Democrats
Nick Ramsay	Ceidwadwyr Cymreig (Cadeirydd y Pwyllgor) Welsh Conservatives (Committee Chair)
David Rees	Llafur Labour
Joyce Watson	Llafur Labour

**Eraill yn bresennol
Others in attendance**

Edwina Hart	Aelod Cynulliad, Llafur (Gweinidog yr Economi, Gwyddoniaeth a Thrafnidiaeth) Assembly Member, Labour (the Minister for Economy, Science and Transport)
Rob Hunter	Cyfarwyddwr Cyllid a Pherfformiad, Llywodraeth Cymru Director of Finance and Performance, Welsh Government
Simon Jones	Pennaeth Cyflenwi Seilwaith TGCh, Llywodraeth Cymru Head of ICT Infrastructure Delivery, Welsh Government

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

Ffion Emyr Bourton	Dirprwy Glerc Deputy Clerk
Siân Phipps	Clerc Clerk
Robin Wilkinson	Ymchwilydd Researcher

*Dechreuodd y cyfarfod am 1.58 p.m.
The meeting began at 1.58 p.m.*

**Cyflwyniad, Ymddiheuriadau a Dirprwyon
Introduction, Apologies and Substitutions**

[1] **Nick Ramsay:** Good afternoon and welcome to Members, witnesses and members of the public to this afternoon's meeting of the Enterprise and Business Committee. The meeting is bilingual and headphones can be used for simultaneous translation from Welsh to English on channel 1 or for amplification on channel 0. The meeting is being broadcast and a transcript of the proceedings will be published. I ask Members to turn off their mobile phones and there is no need to touch the microphones as they will operate automatically. In the event of a fire alarm, please follow the ushers. We have received one apology today, from Dafydd

Elis-Thomas, and there are no substitutions.

1.59 p.m.

**Band Eang y Genhedlaeth Nesaf—Sesiwn i Graffu ar Waith y Gweinidog
Next Generation Broadband—Ministerial Scrutiny Session**

[2] **Nick Ramsay:** This afternoon is a one-off scrutiny session on the roll-out of next generation broadband under the Superfast Cymru programme. The committee made a long-standing commitment to look at this issue once the European Commission approved the UK national broadband scheme and state aid approval for the Wales programme under the scheme was issued by the UK Government. That process was completed on 11 January 2013. I extend a warm welcome to our witnesses. Would you like to give your name and position for the Record of Proceedings?

[3] **The Minister for Economy, Science and Transport (Edwina Hart):** I am Edwina Hart, the Minister for business.

[4] **Mr Hunter:** I am Rob Hunter, the director of finance for the department for business.

[5] **Mr Jones:** I am Simon Jones, the head of information communication technology infrastructure for the department for business.

[6] **Nick Ramsay:** Thank you for being with us today. We have a number of questions for you, so I propose that we go straight into those. The first is from Byron Davies.

[7] **Byron Davies:** Following a delay in obtaining state aid and major projects approval, the forecasted end for the project has been moved back to the end of 2016. Given these slippages, how confident are you that the roll-out will be completed in 2016?

2.00 p.m.

[8] **Edwina Hart:** The delay reflects the difficulties that the UK Government had in obtaining state aid approval. The roll-out plan has been prepared. It takes into account everything within the project, because we have looked at our priorities. We think that the programme is now performing well against the revised programme. BT is making good progress on its outstanding issues, so I do not expect any other delays with the programme. I cannot anticipate anything, not unless you know of something further, Simon, in terms of the practical discussions with BT.

[9] **Mr Jones:** No, Minister. BT reports that it is well on programme at the moment. It has made a good start. As you can imagine, with a contract of this size, it takes a little while to mobilise all the supply chains, but that is well under way now. There is a big recruitment exercise under way to deliver on its commitments. Therefore, as things stand, we are confident that BT will meet the revised end date.

[10] **Edwina Hart:** Furthermore, Members need to appreciate that we have all the issues around planning, and the highway authorities are also involved in the roll-out programme, which, hopefully, we are making good progress with.

[11] **Byron Davies:** Thank you for that. What work is being undertaken by the Welsh Government to tackle digital exclusion? I am thinking in particular about the barriers that prevent people from accessing broadband services. Is that a part of the Superfast Cymru project?

[12] **Edwina Hart:** Digital exclusion is an issue that has been worrying us across Government. We have a Minister who is responsible for looking at the issues around exclusion for various groups. I have had several discussions about how we deal with the digital divide, and digital exclusion. It is about where we could locate communal facilities, and whether we could use the network. I have discussed with the supermarkets whether they can help in any way, so that people could go online there, and we could have a system where people would be able to help individuals. Therefore, we have looked at all that.

[13] We are significantly working with BT to look at that agenda, because we want to ensure that it is about business properties, as well as residential properties. Another important issue is fair access in rural areas, which is a difficult issue. When we look at the map of Wales and the location of the 4% that are not covered, we see that they are in a mixture of areas, but they are mainly in remote, rural areas. We are concerned that we deal with them, which is why I intend to keep my broadband scheme. I do not believe that people—and BT—are necessarily happy that we are going to keep a separate broadband scheme. However, we are redeveloping, and we will hopefully have some announcements for Members in September, so that we can still tackle that remaining 4% in that particular programme.

[14] We will also have digital champions, who will promote the issues around digital inclusion. However, it is interesting to note that recent reports indicate that we are doing quite well in terms of digital communications in Wales—I believe that there was some report out recently. The digital board that advises me says that we do not need to worry about people's access into it—it believes that we can cope with that—but that we need to concentrate on people's ability to use it, which is another key area around that.

[15] **Byron Davies:** One thing that has amazed me during my life, just recently, is the speed at which broadband technology is moving. Therefore, how confident are you that the Superfast Cymru project is suitably futureproofed, if you like?

[16] **Edwina Hart:** This is quite a technical issue, and I am not a technical person. However, I am assured by my officials that we can deal with the matter, so my officials can now assure you.

[17] **Mr Jones:** The challenge that has been set down to BT has not been couched in technology terms—we have not defined what technologies BT has to use. However, what has been defined for it are delivery speeds, in line with the European vision for 2020, where there is a kind of European target. Therefore, essentially, what we have asked BT to do is to deliver by the end of the contract pretty much what our commitment is in terms of those European regulations. It is entirely down to the contractor to determine the technology that it uses to deliver on those targets.

[18] **Byron Davies:** Are you happy with what you know about it?

[19] **Mr Jones:** Yes, we are happy, because the risk really sits with the supplier—it will not get paid unless it meets those targets. Therefore, in terms of the challenge, I believe that colleagues have done a good job of negotiating a contract that puts the risk with the supplier, rather than with Government.

[20] **Mr Hunter:** I think that it is worth saying that the fast-moving nature of this technology was one of the reasons why we did not tie the 4% into the main contract, because what we want to do is let the contracts for the 4% as close to the point that we are going to release them as possible, so that we can take advantage of the very latest technologies that are available, such as 4G, satellite, relay systems and things like that. We have taken that into account in the overall mix, but the main solution is futureproofed.

[21] **David Rees:** 2020 is seven years from now. Seven years ago, we would not have been looking at some of the speeds that we are looking at now. Are you confident that it will be possible to easily upgrade the infrastructure that will be in place, so that additional costs will not be incurred if you have to look at the next step beyond that?

[22] **Mr Jones:** The base requirement is that the technology is fibre based. It is about fibre, the speed of light and all that kind of stuff. Therefore, the basis of what BT is going to deliver is futureproofed in that sense. A lot of the cost relates to having to dig up thousands of kilometres of roadway to put all these cables in the ground. Once those cables are in the ground and the new cabinets are installed, if the technology that sits on the end of that fibre gets upgraded in five years' time, the really expensive heavy lifting will have been done, because of the expenses associated with putting those fibres in the ground.

[23] **Nick Ramsay:** We have a question now from Eluned Parrott.

[24] **Eluned Parrott:** On the issue of coverage, I wonder if you could confirm the sequence of events for the 4% who are not likely to be covered under the scheme. Will they have to wait until the main roll-out is complete before their issues are tackled, because I have constituents not a mile from Cardiff city centre who still do not have broadband access, and who think that they have waited quite a long time already?

[25] **Edwina Hart:** It is always disappointing when you think of an area like Cardiff that the market could not deal with matters in a way that could suit individuals. You make an assumption about the south Wales belt and the Valleys that it can all be done easily, but it cannot. Simon, would you like to outline the position?

[26] **Mr Jones:** Certainly. The issues around the 4% are not all around technology. Cardiff is a great illustration of that. There are a whole lot of practical issues, particularly in the commercial area. Some of those locations in Cardiff, for instance, are in the number that we have determined to be the 4%. So, this 4% covers all of Wales. For those places where technology is not the issue, there are things that the Government will be able to do to move those things forward, because some of those things are going to be about getting access to space on the highway, being able to sort out wayleaves for cables to go through and sorting some planning issues. So, I think that there will be things that we can do. However, we cannot intervene in those commercial areas yet, because one of the functions of state aid is that we have to wait for the commercial roll-out to conclude and for the contractor to throw his hands in the air and say, 'I cannot deliver this anymore'. Part of the answer is that we have to wait until the commercial roll-out is complete before we can do anything there.

[27] In terms of the hard-to-reach premises within the intervention area, there is a long planning exercise that goes into determining which premises will get service. That is then delivered in a number of phases. As the phases are rolled out, the model is not perfect, so there will be premises in the margins and they might get rolled out in the first, second or even the third phase. We will only know in a particular area where those affected premises are at the end of that roll-out in that area. That is because it is a practical thing to do with the physical installation on the ground. We will not have to wait for all of the intervention area to be concluded, but we will have to wait for a region to be concluded before we know where those premises are.

[28] **Eluned Parrott:** Thank you, that was very helpful. Turning to the funding of the project, Byron mentioned the unfortunate delays that there have been in starting the process of the roll-out. Can you tell me what assessment have you made of the impact of those delays on the cost of the project overall?

[29] **Edwina Hart:** With BT we have already established the maximum grant payable.

There is no mechanism to pay additional funding. So, we are quite content with that in terms of the funding arrangements.

[30] **Eluned Parrott:** In terms of any unexpected additional costs from this point forward, how do you anticipate that these will be met? If you are not allocating any additional funding in that sense, are they likely to be required to be met commercially?

[31] **Edwina Hart:** Yes.

[32] **Mr Jones:** Essentially, the contractor has that risk. We have a maximum that we can pay the contractor. The contractor is paid on the basis of premises it passes. If it does not pass premises, it does not get the money. That risk is with it. What we have done is put a contract together that tries to offset the risk onto the other party as much as possible.

[33] **Edwina Hart:** BT is only paid for the premises once. At the end of the day, we have to prove that it can do it for next generation broadband. So, it is not our risk.

[34] **Eluned Parrott:** That is very helpful, thank you, Minister. In terms of the proportion of the funding coming from different sources, there is private investment, EU funding, UK Government funding and Welsh Government funding, as a kind of partnership approach. Can you explain, with regard to the design of the programme, what proportions you were hoping to achieve and whether you feel the proportions you have here are appropriate?

[35] **Edwina Hart:** Looking at the funding issues in my briefing, public sector investment is approximately £205 million. The funding breakdown of public investment is as follows: £89.5 million in European funding from convergence and competitiveness funds, £56.9 million in UK Government funds, and £58.6 million in Welsh Government funds, with £30 million from centrally retained capital and £28.6 million from my portfolio capital budget. There are also the commercial investment arrangements, with BT commercial investment of £220 million, BT capitalised eligible match funding of £26 million, BT capitalised ineligible expenditure of £18.7 million, and BT estimated operational expenditure of £82 million. So, the total BT investment is £346.7 million and our total investment is £58.6 million. I think that that gives an adequate breakdown of the funds.

[36] **Nick Ramsay:** That was a very comprehensive breakdown.

[37] **Edwina Hart:** Yes, but I was reading it out. *[Laughter.]*

[38] **Eluned Parrott:** Looking at the proportion of private sector investment to the proportion of public sector investment, James Price, who was the then director of transport and strategic regeneration, told a previous committee that they were expecting to achieve a high level of investment from the private sector and expecting to put in

[39] ‘far less than half of the cost’.

[40] The cost to the public purse, in the breakdown I have here, is 48% of the total project. Are you happy with that proportion of public to private sector investment?

[41] **Edwina Hart:** I would always be happy if I could have more money from elsewhere and not from Government funds, but I am content with the balance for the project. I think it is well delivered in terms of what we have paid.

[42] **Mr Hunter:** If you look at the breakdown of public sector investment in the broadband, UK money contributes £56.9 million and we are also taking advantage of EU funding. As the Minister said, it is only £58.6 million that is coming from our core budgets.

There is another thing not included when you look at that percentage, because the total cost of getting the wires into the ground is about £425 million, but, in addition to that, there is match funding of £26 million that BT is putting in on top for the eligible areas. Simon mentioned the £18.7 million in ineligible expenditure. That is the stuff that takes the cable from the cabinet to, say, a premises that is ineligible from our project's point of view, but it is still an investment in the Welsh infrastructure. In addition to that, we have not counted the £82 million of operational expenditure that will fall to BT. So, with regard to that 48%, if you add those costs in, the actual public sector investment is a little bit less than that.

[43] **Mr Jones:** The figures the Minister gave you earlier mentioned £205 million from the public sector and £346 million from BT, so that 48% is slightly out of date by now. The numbers have moved on.

[44] **Nick Ramsay:** The next question is from Keith Davies.

[45] **Keith Davies:** Prynhawn da, byddaf yn gofyn fy nghwestiwn yn Gymraeg. Ar gyfartaledd, Weinidog, beth yw cyflymder y band eang rydych ei eisiau yng Nghymru? A yw contract BT yn mynd i sicrhau bod hynny'n digwydd? **Keith Davies:** Good afternoon, I will ask my question in Welsh. Minister, what average broadband speed will you be seeking in Wales? Will the BT contract ensure that that is achieved?

[46] **Edwina Hart:** Yes. We very much hope that things will be achieved. The issue is not with downloading anything, but uploading, in terms of business requirements. We are content that we will get the average speeds that we have indicated and that they would be applicable. Some companies will need more than that, but we are content that we will be able to achieve those. I do not know whether you wish to add anything from a technical perspective, Simon.

2.15 p.m.

[47] **Mr Jones:** Yes. If I could just add to that, as we have said, the contract sets out the minimum targets that BT has to deliver, but they are a minimum. In order for BT to be able to achieve those targets, by definition, it will exceed those in a lot of instances. BT Openreach, as an aside to this contract, will be delivering a fibre-on-demand product, which is a service that it is delivering now in some commercial areas on a trial basis; it will eventually be rolled out UK-wide. This fibre-on-demand product will allow anyone within our intervention area to be able to benefit from speeds of up to 330 Mbps. That fibre-on-demand solution is a paid-for product, but they will be able to receive it.

[48] **Edwina Hart:** It also keeps in with the European stuff that has to be achieved by 2020. The trouble with the exact mix is that we cannot go into some of the details of this, because of the commercial confidentiality of our contracts. I should say, at this juncture, that there may be questions today, Chair, where there are issues around commercial confidentiality, that we will not be able to answer. However, if you have BT before the committee, it might be prepared to answer, and I might then be prepared to respond, if it has answered.

[49] **Nick Ramsay:** We are having a little trouble connecting with BT at the moment, but we will keep trying. Byron Davies has a supplementary question.

[50] **Byron Davies:** I wanted to raise this question earlier, when Eluned made a point. I do not want to dwell too much on it, but there is an area in Bridgend, Pen-y-Fai, where there is a street that has a very poor speed. Obviously, I have been talking to BT about it, and you talk about contractual obligations et cetera, but it says, 'We are not going to do it because it involves putting a bigger box in and it will cost us too much, and we have a responsibility to

our shareholders', which does not quite meet the objectives of this.

[51] **Edwina Hart:** Simon deals with BT on a daily basis around the contract, so he is probably best placed to comment.

[52] **Mr Jones:** The issue that you are experiencing will be in the commercial area, where BT has not been given any grant funding to deliver—

[53] **Byron Davies:** It is a private street, by the way.

[54] **Edwina Hart:** Yes, but it is a commercial area for it. It is not for funding from us.

[55] **Mr Jones:** It is outside the area that we are allowed to intervene in. The state aid defines this very specifically to a particular part of Wales, where the market had been deemed to have failed. In that instance, the kind of mapping that took place did not go down to that kind of street level; it was slightly broader than that. However, as I say, when we come to do our 4% work, those kinds of instances will be picked up as part of the work further down the line. However, we are not in a position, at the moment, through our intervention, to be able to do anything with regard to that.

[56] **Byron Davies:** What is the timescale for that?

[57] **Mr Jones:** What we need is for BT to say that it has completed its commercial roll-out in an area, and then there is a sequence of events that we have to go through around things such as open-market reviews. There is a process called an open-market review to identify where commercial provision is, or where it has failed. One of the outputs of that is the opportunity to, essentially, go back to look again at where our intervention areas should be.

[58] **Edwina Hart:** It seems rather long-winded, but I am afraid that this is the process that we have had to engage in. It not only happens in Wales, but across the whole of the UK, but, of course, BT has won nearly all of the contracts.

[59] **Mr Jones:** Yes. BT has been successful with the majority, if not all, of the Broadband Delivery UK rural framework opportunities.

[60] **Edwina Hart:** It has not been easy in terms of defining the areas and where the commercial benefits are to companies. Where we are allowed to put the interventions in has been really scrutinised. At the end of the day, there will be elements of disappointment that things will not be done as quickly as people would like. However, this is the process that we have had to go through across the UK.

[61] **Nick Ramsay:** We have a number of supplementary questions. First is David Rees.

[62] **David Rees:** I wish to clarify a few points. I also have similar issues—as I think we all do in our constituencies or regions. Do you have a list of areas that you identify as part of your scheme? I get from BT that it is in Port Talbot, for example, but it does not tell us which parts of Port Talbot, and I would like to know in which parts. Are you also confident that the bits that it is missing out will be 4% or will it be more than that?

[63] **Edwina Hart:** Hypothetically.

[64] **Mr Jones:** Yes. When the open-market review piece was done before we went through the state-aid exercise this time around, we had to go and consult with the market about what its roll-out plans were and where it was actively providing a service. We took that information and fed that back in, and the calculation of 4% came out at the end. Are we

confident that that 4% is a reasonable reflection? Yes, we are. If BT has not delivered on all of its original plans, that figure may change, but that is an issue because it is part of its commercial roll-out over which we have no control.

[65] **David Rees:** Are you able to identify the areas that are included in your contract to the Members representing those regions and constituencies?

[66] **Edwina Hart:** We can identify the hard-to-reach areas, which would show up as not being included.

[67] **Mr Jones:** In terms of identifying where we are going to intervene, we have that information, but that is part of this contractual information—

[68] **Edwina Hart:** The obligation with BT.

[69] **Keith Davies:** A allwch ddweud beth yw cyfran yr eiddo preswyl a busnesau? Faint o'r rheini a fydd yn cael y ddarpariaeth drwy'r cabinet a faint a fydd yn mynd yn syth i'r eiddo? Pa ganrannau sydd gennych yn y contract? **Keith Davies:** Can you tell us what the percentage of residential and business premises is? How many will be provided for via the cabinet and how many will go directly to the property? What percentages do you have in the contract?

[70] **Edwina Hart:** Four per cent of premises are not currently forecast to receive next generation broadband. The target for total coverage in the UK is 90%. It is quite difficult to give the figures out on this, I understand.

[71] **Mr Jones:** In terms of the detail of how we get to our 96%, in terms of how the technology works, that is part of the challenge that we have thrown down to BT. We have given it some minimum speed targets that it has to achieve. How it achieves them and what technologies it uses to achieve them are part of the challenge that it has to overcome. However, as I said, those targets are in line with the European directive for 2020—

[72] **Edwina Hart:** It has to look at a mixture of technologies to solve the problems: satellites, wires, signal speakers and tv white space, even, being part of it, and it is not just technology.

[73] **Mr Jones:** That is right. These are technologies that we could use to deal with the hard-to-reach 4%.

[74] **Nick Ramsay:** Tv white space? I thought that it was a film, but that was *White Noise*, was it not? [*Laughter.*]

[75] **Edwina Hart:** Do you want it explained to the committee, Chair?

[76] **Mr Jones:** I can try. Television white space is a space within the spectrum where tv signals are broadcast where there are gaps between the transmissions of the different channels. So, there are technologies that use those little gaps to deliver these kinds of services.

[77] **Nick Ramsay:** That is interesting.

[78] **Eluned Parrott:** In terms of reaching the 4%, is it down to you hearing from British Telecom that it has finished its roll-out in an area before you can step in to address the gaps, because the concern that some residents may have is that it may not be all that keen to release potential customers precipitously? Are there any penalties or incentives for it to complete

regions and areas quickly so that that 4% can get a service as quickly as possible?

[79] **Edwina Hart:** The contract provides for that, does it not, when you look at the way it will be operated in real terms? It is important to recognise that we have made the contract as tight as we can in terms of BT, the endgame and when we are able to go in to help the people who have not been identified, but it falls to it to say that it has commercially finished with an area before we can intervene. There was always going to be a problem with this in terms of discussions with any private sector provider on where the market is going to come in, in that it would want to maximise its potential in its areas to make money out of the market that it was going into before telling us in Government, 'We can't do it.' We have to ensure then that it is not pulling the wool over our eyes about the fact that it cannot do it. I think that I am correct in that; that is my understanding. However, it is very frustrating in areas where everybody around you is getting the service, and you are going to be in just one street or one little area that is not going to get it. In some rural areas, people do not like it but they understand some of the issues around it. They know that they are in hard-to-reach areas. However, when you are in Cardiff, Swansea or Port Talbot, you cannot imagine that you are a hard-to-reach area in any shape or form. I will not say that this is easy for us in terms of how we are doing it. The contract is monitored almost on a daily basis in terms of the discussions that we have on it. I do not know whether there is anything that you want to add, Simon.

[80] **Mr Jones:** I think that the Minister has captured it there, really. These hard-to-reach areas are a problem for us all over Wales, but what is most frustrating is where they are in a commercial roll-out, where, at the moment, we do not have the ability to intervene. We have to wait for the market to say, 'No, we cannot serve that area', and therefore there has been a market failure and we can step in. It is a source of frustration, but we are governed by these European rules.

[81] **Byron Davies:** So, we are looking at the end of 2016 at the earliest, here, are we not?

[82] **Edwina Hart:** No.

[83] **Mr Jones:** I do not think that it will be as long as that for some of these areas in the commercial roll-out.

[84] **Edwina Hart:** No, because with some of the ones that are starting, as it were, for the first time, we will be able to get answers out of them. As you know, we have done a mixture of easy bits and hard bits from the start of the programme, so we should be here to get answers as we go through. I want to reassure you that Wales is ahead of quite a lot of the UK on this, and in looking at the hard-to-reach areas as well. I am confident that we have put in the work on that. We also have to understand across the piece that there are little things like suitable locations for cabinets. Is there availability of power supply in an area? Can we obtain the necessary wayleaves to install cables? All this can have an enormous impact on the delivery of the project.

[85] **Nick Ramsay:** We need to make progress. David Rees is next, and then Joyce Watson.

[86] **David Rees:** I will go back to Keith Davies's question, because I do not think that you quite got what the question was focused on. Keith asked about the proportion of the contract that is fibre to the cabinet, and I would have thought that most of it would be fibre to the cabinet. Is there a proportion of the contract that says, 'Okay, we want fibre to the premises as well', because that is obviously where the superfast broadband comes in?

[87] **Edwina Hart:** Yes, in terms of the premises.

[88] **Mr Jones:** In terms of mandating to BT that you must have x number of premises that are fibre to the premises, no, we have not done that. What we have done is say that a proportion of the premises have to exceed this particular speed band in line with the European regulations. With the current technologies, it means that BT, I suspect, will have to deliver a number of these premises using FTTP. That is a challenge for BT. We did not want to be in a position where we were designing a solution for BT. Bear in mind that what we are delivering here is a grant for BT to improve the Openreach asset, so it is not our asset—it is BT's, and it is down to BT to determine which technologies it uses to meet our targets.

[89] **David Rees:** So, the distance to the cabinet in some places will mean that it has to go to premises.

[90] **Mr Jones:** That is right, yes.

[91] **Joyce Watson:** Good afternoon, Minister. Have you worked with other agencies like Ofcom, the UK Government and the telecommunications industry to address the problem of hard-to-reach areas?

[92] **Edwina Hart:** Yes, we have had a lot of discussions with Ofcom and, since doing the contract and all the way through, Ofcom has been quite helpful. We have always had very good relationships with the UK Government and its departments concerning the issues around broadband. The discussions that you have in committee, Chair, will be reflected across the UK in terms of how the contracts are working and what will happen in terms of coverage.

[93] **Joyce Watson:** You mentioned that you are running the broadband scheme alongside the superfast technology, and that you are looking at alternative technologies to provide for those hard-to-reach areas or notspots. Have you sourced—and I hope that you have—as wide an engagement as possible around filling those gaps?

[94] **Edwina Hart:** Yes, we have. We have done quite a lot of work in looking at those particular areas. Officials are engaged on a regular basis, and it is important for us to recognise the points that you make are essential if we are to deal with some of the outstanding issues that will arise at the end. Do you have anything that you want to add?

2.30 p.m.

[95] **Mr Jones:** I do not think that there is anything more to add, Minister.

[96] **Nick Ramsay:** Mick Antoniw, did you have a supplementary question on this?

[97] **Mick Antoniw:** No, I did not.

[98] **Nick Ramsay:** Okay. David Rees is next.

[99] **David Rees:** I think that you answered this question at the very start, Minister, but you did not mention the support scheme that you have now extended to September 2013. I want to ask about two points. What is going to happen post September 2013? Clearly, you have already identified that the roll-out is going to take a lot longer in particular areas. That is one point.

[100] I suppose the second point that I want to ask about is this: will those areas that have used the scheme to develop them be included in your roll-out scheme as well? In other words, have they excluded themselves, or will they be included in your scheme?

[101] **Edwina Hart:** In the scheme, we have tried to look at what will be applicable, to

match what we are doing in the wider scheme. By about September, we hope to have the proposals dealt with, because we do recognise that there will be areas that will continue to develop schemes that we think will be helpful in getting the access sorted out much more quickly for them. This is of particular interest for small groups of businesses in quite remote communities, in that they want to see how they can come together. So, we are currently developing the scheme, because the current scheme has supported around 5,000, has it not?

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

[103] **Edwina Hart:** Currently, that is 5,000 businesses and households supported with access. The details of that will become known soon, but if Members have any views on the scheme and adverse impacts from anything that I change or do, can you please make the appropriate representations to Jeff Cuthbert, whose area of responsibility this now is?

[104] **David Rees:** We may well speak to Jeff, in that case. However, as you have already mentioned, there will be some areas that will start to be left out commercially. Clearly, there is a time lag between then and when you get those moved. Is the current minimum requirement of 2 Mb therefore going to be changed as a consequence of the technology that surrounds them?

[105] **Mr Jones:** I talked about the European regulations, and, actually, there is a UK Government aspiration as well, to get 2 Mb from 2015. The broadband support scheme currently allows people who have a service of below 2 Mb to increase that to above 2 Mb, and, actually, they can increase that to whatever is available in their area. I suspect that that requirement will still be there in future. As for whether that base threshold of 2 Mb should increase further, I think that we need to look at that and at which services are universally available. Ultimately, the very last fallback for all of these kinds of services is satellite broadband, and really, that 2 Mb threshold is governed by the minimum service you can get from satellite at a financially affordable rate. So, I think that all of those things need to be put into the mix as we devise whatever the successor scheme is.

[106] **Nick Ramsay:** Julie James, is your question on this point?

[107] **Julie James:** On that last point, one of the issues for businesses in Wales is often how their broadband works with mobile technology. For example, we have notspots on the M4 in a large number of places, which has been frustrating for all of us, I am sure. On the trains, too, there are notspots. Does it encompass those issues as well? I appreciate that that is partly down to the mobile phone providers, but what is the linkage?

[108] **Edwina Hart:** We are actually talking to mobile phone providers as well as part of the solution to some of the issues that are going to arise. This project is not going to solve everything across Wales, so we have been speaking to the mobile phone providers and we have been assessing the options around 4G to see what we need to do, and some work is being done in the department in that area.

[109] **Mr Jones:** That is right. This will not solve mobile phone coverage issues. It may allow people to solve some of the problems in their businesses or residences, by dint of the fact that they have a decent broadband signal and can all of a sudden put mobile signal repeaters into their homes, which they were perhaps not able to do before. It is not going to solve the problems along the M4 and on the railway network, frankly, but, as the Minister says, there is some work under way to look at those kinds of issues at the moment.

[110] **Julie James:** In terms of the mobile phone technology, having recently come back from France, where you can happily swap between networks as you go, it is very frustrating to arrive back in Wales and have to carry two phones in case you are in a Vodafone area or an

O2 area.

[111] **Edwina Hart:** Yes.

[112] **Mr Jones:** Without wishing to slope my shoulders too much on this one, that is an Ofcom issue; it is more of a regulatory issue.

[113] **Julie James:** I understand that. I was thinking more in terms of people using mobile technology for broadband purposes more and more now.

[114] **Edwina Hart:** We are on the case.

[115] **Nick Ramsay:** David, have you finished your questioning?

[116] **David Rees:** Yes.

[117] **Nick Ramsay:** Great. The next question is from Alun Ffred Jones.

[118] **Alun Ffred Jones:** Fe wnaif i ofyn fy nghwestiwn yn Gymraeg. Mae gen i dri chwestiwn am gymorth gwladol. A fydd yn rhaid newid y cytundeb mewn unrhyw ffordd yn dilyn yr addasiadau i ganllawiau cymorth gwladol a wnaed ar ddechrau 2013?

Alun Ffred Jones: I will ask my question in Welsh. I have three questions about state aid. Will the contract have to be changed in any way following the revisions to state aid guidelines at the beginning of 2013?

[119] **Edwina Hart:** Do you want me to take the three—

[120] **Alun Ffred Jones:** Fy nghwestiwn cyntaf yw: a fydd yn rhaid newid y cytundeb? A fydd unrhyw oedi oherwydd y newidiadau i'r cytundeb? Yn olaf, a ydych chi mewn cysylltiad â chynllun *UK national broadband* i drafod goblygiadau'r newidiadau hynny?

Alun Ffred Jones: My first question is: will the contract have to be changed? Will there be any delays because of changes to the contract? Finally, are you in contact the UK national broadband scheme to discuss the implications of those changes?

[121] **Edwina Hart:** The superfast broadband project was totally compliant when we set off, but you are right to say that key changes were made to the guidelines in 2013 to focus on some issues about procurement via competitive tender, rather than open tender, benchmarking and a whole range of issues. Our analysis of that has indicated that we are still totally in order with regard to the scheme. We have written to Broadband Delivery UK, I understand, regarding the implications of any changes and the impact on the revised guidelines on superfast broadband, and we are awaiting its response. However, we are quite confident in our own minds that everything is in order. Do you want to add anything to that, Simon, as you have been in discussions with BDUK?

[122] **Mr Jones:** We have done an analysis of the changes and looked at where those sit against our contract. So, we dealt with clawback mechanisms and competitive tendering of the contract and all those kinds of issues in our contract. So, we have perhaps exceeded the 2009 guidelines, when we let the contract. As the Minister says, we are confident of that. We cannot say today, 'Yes, we are compliant'; that responsibility sits with BDUK because of the way in which state aid approval was granted to this project. Europe decided that, instead of having lots of different applications for state aid for rural schemes from all over England and Wales, it wanted to have them all under an umbrella scheme administered by BDUK. So, BDUK is the national authority for the UK, and we have to wait for its steer on this, but, as the Minister said, we have written to BDUK and are awaiting a response.

[123] **Julie James:** Minister, it is interesting to hear you talk about how the contract works and what you have done. I understand that it was done through a competitive dialogue process and so on, which shows that it does work, despite evidence to the contrary elsewhere. In terms of procurement policy for the Welsh Government overall, are there any lessons that can be learned? Will you do a review of the procurement once you are fully up and running? You might turn out to have conducted a model procurement from which everybody else can learn by the sound of it, but will you conduct that sort of review and when do you think that that might be?

[124] **Edwina Hart:** The Government will wish to conduct a review, collectively, on all the issues around procurement and how the contract works. One of the most important things about the contract for us is that we looked at the Value Wales community benefits within it, and the fact that we have value in terms of the number of apprenticeships and everything that has been dealt with. As part of the contract, we looked at the issue of local suppliers and supply chains, which we also think is integral to the contract. So, we think that we have done quite well in some of those aspects, and there are some environmental considerations around, which is another dimension. We are satisfied with our progress in this area, but I would not want to underestimate the difficulties of undertaking a contract of this nature.

[125] **Julie James:** That sounds like you have it under way already but, presumably, there will then be a post-roll-out review of it as well—a gateway review, or something.

[126] **Mr Jones:** We are running with the full plethora of internal audit and review, and there will be gateway reviews. I think that there is a gateway review pencilled in for this summer, which is standard practice on a contract of this scale. So, it would be peer-reviewed by independent parties within Government to make sure that those lessons have been learned and are circulated and shared with colleagues.

[127] **Julie James:** I know that you are going to tell me that this is commercially confidential at the moment, but, presumably, eventually we can hear how you have secured supply chain provisions in the contract and so on. I appreciate that you probably do not want to tell me that right now, since it is not actually working yet.

[128] **Edwina Hart:** We have held a lot of supplier events. We have done work with BT to try to ensure that we can deal with any issues. That has been quite important, from our perspective. The most open thing that we can discuss is the fact that it has already taken on apprentices. It is quite clear, where the roll-out is taking place, that they will be good-quality jobs. There are 25 in south Wales, is that correct, Simon?

[129] **Mr Jones:** There are 25 so far and a further 25 are imminent.

[130] **Julie James:** They are there for the roll-out phase; will any of those survive the roll-out phase?

[131] **Edwina Hart:** I hope so; yes.

[132] **Mr Jones:** It is our understanding that they will, but, once again, that is possibly a question to ask BT. [*Laughter.*] Our understanding is that those are permanent jobs.

[133] **Edwina Hart:** Yes, they are. It has indicated that a contract of employment will be offered to them at the end of that period.

[134] **Nick Ramsay:** I think that we are in a notspot, are we not?

[135] **Alun Ffred Jones:** O ran **Alun Ffred Jones:** In terms of comparisons,

cymariaethau, BT sydd yn gyfrifol am Superfast Cornwall hefyd. A oes unrhyw wersi y gallwch eu dysgu o'r cytundeb yng Nghernyw?

BT is also responsible for Superfast Cornwall. Are there any lessons that you could learn from the contract in Cornwall?

[136] **Edwina Hart:** Yes. We had a look at all of the issues in relation to Cornwall when we first started to look at our areas, because the contract in Cornwall had been held up as a model because of the way in which it had dealt with particular issues. We have looked at the way in which it dealt with certain things. I do not know whether Simon has any comments to make about a direct comparison.

[137] **Mr Jones:** We have met colleagues from Cornwall on a number of occasions to try to understand how the roll-out is going. It gives us a great advantage to have someone else who is learning those lessons. They fed us some examples. So, there are perhaps examples that demonstrate the need for us to get in to scrutinise the plans as early as we possibly can. Perhaps I should step back a second—what will be delivered at the end of the contract is essentially a wholesale network. So, BT Openreach is going to create a wholesale environment for retail providers, the big providers, such as Sky, TalkTalk and even BT Retail. There is also an ecosystem in Wales of local and regional internet service providers. The advice from Cornwall is to get in as early as possible with the service providers that are going to be providing those retail services so that they are aware of the opportunity for their businesses and they can start planning how they will engage with their customer base, particularly if they are regionally or locally based; the advice was to start to talk to their customers on a one-to-one basis. I felt that that was really good advice from colleagues in Cornwall.

[138] **Edwina Hart:** They talked to us about the management of customer expectation, which I think comes back to some of the points that Eluned Parrott has made about what people think the project will be and the reality of the project. Everyone thought that, once the project was complete, it would be super-duper and everyone would be connected, and that it would all be done. It is important that people understand the real benefits of the scheme and that we do not over-egg what we are doing; there needs to be a reality check. That is important. They have been particularly helpful when we have spoken to them in terms of the lessons that they learned, which helped us before we finalised our contractual arrangements on our project. It is good that we were not the first, in many ways.

[139] **Alun Ffred Jones:** Pan fydd y cytundeb yn dod i ben, ble fyddwn yn sefyll yn y cyd-destun rhyngwladol o safbwynt nifer y cartrefi a lleoedd gwaith sy'n derbyn gwasanaeth a chyflymder y gwasanaeth hwnnw?

Alun Ffred Jones: When the contract comes to an end, where will we stand in the international context with regard to the number of homes and places of work that receive a service and the speed of that service?

[140] **Edwina Hart:** We understand that we will be in the top 10 countries in terms of what we have delivered. If that is the case, that will be exceptionally good news.

[141] **Alun Ffred Jones:** Y 10 uchaf yn Ewrop?

Alun Ffred Jones: The top 10 in Europe?

[142] **Edwina Hart:** It is based on the Organisation for Economic Co-operation and Development information internationally, is it not, Simon?

[143] **Mr Jones:** Yes. It is based against OECD figures, which are global. If we deliver the targets that we have set out to deliver, then we will be in the top 10.

[144] **Edwina Hart:** It is speed and connectivity that will be measured.

[145] **Alun Ffred Jones:** I ddod yn ôl at Gernyw, a ydych yn disgwyl i'r gwasanaeth yng Nghymru i fod cystal, neu'n well na'r gwasanaeth yng Nghernyw? Rydym wedi cael ffigwr y bydd 40% o eiddo yn cael eu cysylltu i fand llydan yng Nghernyw drwy gyswllt ffibr i gartrefi neu leoedd gwaith. A yw'n hwnnw'n ffigur rydych chi'n amcanu, neu a yw'n amherthnasol?

Alun Ffred Jones: To come back to Cornwall, do you expect the service in Wales to be as good as, or better, than the service in Cornwall? We have been given the figure of 40% of premises being connected to broadband in Cornwall through fibre to premises or workplaces. Is that a figure that you are aiming for, or is that irrelevant?

2.45 p.m.

[146] **Mr Jones:** Those types of details are contractual details. We have set out targets for BT that relate to speeds rather than to technologies. Those speeds are in line with the European regulations, which talk about the orders of magnitude that you describe.

[147] **Nick Ramsay:** Minister, how detailed an assessment have you made of the impact that the Superfast Cymru project will have on the economy?

[148] **Edwina Hart:** When we looked at next generation broadband in the business case, one of the areas that we looked at was how it measured up and aligned to the Government's programme. We looked at the economic benefits across a wide range of issues, such as cloud computing, e-education, e-health and productivity in the ICT and SME sectors. Processes are in place to measure and look at the outcomes of those programmes. In the grant agreement with BT, we have committed to report and to provide information on a monthly basis so that we can continue the assessment of everything. We think that we have done a good job in that respect.

[149] **Nick Ramsay:** We have a completion date of 2016, which is all well and good. Do you intend to publish any further detail on the timescale for delivery and the achievement of any specific future milestones?

[150] **Edwina Hart:** As I indicated to Members when I advised them that there was going to be a delay, if I think that any changes will impact on anything, I will advise Members in the correct and appropriate manner. In the light of some of the comments that the committee has made today, given my understanding that BT is not appearing before the committee to discuss issues, we will review to see whether we can make further information available to the committee. We will discuss with BT whether it has objections to us making any further information available to the committee, if it will help you in terms of scrutiny.

[151] **Nick Ramsay:** That would be extremely helpful. Thank you for that, Minister. There is one final question from me on monitoring. How do you intend to monitor the use of the improved broadband network in terms of its impact on the economy and improved access to public services and digital engagement?

[152] **Edwina Hart:** There is currently a monitoring and performance assurance group that will be operating. The First Minister's delivery unit also monitors the delivery of the programme.

[153] **Nick Ramsay:** Are there any further questions to the Minister?

[154] **David Rees:** We have not talked about the actual customers. Are you monitoring the publication of information to customers and businesses? How are you getting the information

out there? We see television advertisements about BT Infinity broadband, which we do not have a cat's chance in heck of getting at the moment. When do customers get to know what is happening, and how do customers become aware of the support schemes?

[155] **Edwina Hart:** Do you want to outline what we have been doing, Simon?

[156] **Mr Jones:** Yes, I can pick that up. We have a detailed marketing plan that specifically describes those types of issues. Going back to the earlier question about Cornwall, a valuable lesson has been learned from the experience in Cornwall. Mail drops will take place in an area just as it is about to be available for service, and once BT presses the button and says, 'This area is available for service', there will be another mail drop to every business and resident in that area to say that the service is available. There will be local publicity such as roadshows and events at local business centres. Those types of things will all roll on as part of our marketing work to support the roll-out. The roll-out will not be done in isolation—communities will understand that this service is available to them as and when it becomes available.

[157] **Edwina Hart:** If it would be helpful, Chair, I would be happy to put in writing how we will deal with publicity and engagement with our good citizens, so that the committee can have a feel about how we are taking matters forward. If you have any useful suggestions about any further work that you think we should undertake during this time, I would be more than happy to receive them.

[158] **David Rees:** That is for the ones that are going to get it. What about the ones that will not get it? Will they only find out because they do not receive a letter when the publicity is out there?

[159] **Edwina Hart:** I think that they will all be writing to you and to all of us individually, as they are already. [*Laughter.*]

[160] **Nick Ramsay:** I thank the Minister, Edwina Hart, for being with us today, and also your officials, Robert Hunter and Simon Jones. Thank you for answering the questions so succinctly and helpfully. We look forward to receiving the additional information. I should have thanked you at the start for the paper as well.

[161] **Edwina Hart:** Thank you very much indeed, Chair.

2.50 p.m.

**Cynnig o dan Reol Sefydlog Rhif 17.42 i Benderfynu Gwahardd y Cyhoedd o
Weddill y Cyfarfod ac o Gyfarfod 2 Mai
Motion under Standing Order No. 17.42 to Resolve to Exclude the Public from
the Remainder of the Meeting and for the Meeting on 2 May**

[162] **Nick Ramsay:** I move that

the committee resolves to exclude the public from the remainder of the meeting in accordance with Standing Order No. 17.42(vi).

[163] I see that the committee is in agreement.

*Derbyniwyd y cynnig.
Motion agreed.*

Daeth rhan gyhoeddus y cyfarfod i ben am 2.50 p.m.

The public part of the meeting ended at 2.50 p.m.