



Cynulliad  
Cenedlaethol  
Cymru

National  
Assembly for  
Wales

# Cofnod y Trafodion The Record of Proceedings

[Pwyllgor yr Economi, Seilwaith a Sgiliau](#)

[The Economy, Infrastructure and Skills  
Committee](#)

19/01/2017

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Cofnodir y trafodion yn yr iaith y llefarwyd hwy ynddi yn y pwyllgor. Yn ogystal, cynhwysir trawsgrifiad o'r cyfieithu ar y pryd. Lle y mae cyfranwyr wedi darparu cywiriadau i'w tystiolaeth, nodir y rheini yn y trawsgrifiad.

The proceedings are reported in the language in which they were spoken in the committee. In addition, a transcription of the simultaneous interpretation is included. Where contributors have supplied corrections to their evidence, these are noted in the transcript.

**Aelodau'r pwyllgor yn bresennol**  
**Committee members in attendance**

Hannah Blythyn <a href="#">Bywgraffiad</a>   <a href="#">Biography</a>	Llafur Labour
Hefin David <a href="#">Bywgraffiad</a>   <a href="#">Biography</a>	Llafur Labour
Russell George <a href="#">Bywgraffiad</a>   <a href="#">Biography</a>	Ceidwadwyr Cymreig (Cadeirydd y Pwyllgor) Welsh Conservatives (Committee Chair)
Vikki Howells <a href="#">Bywgraffiad</a>   <a href="#">Biography</a>	Llafur Labour
Mark Isherwood <a href="#">Bywgraffiad</a>   <a href="#">Biography</a>	Ceidwadwyr Cymreig Welsh Conservatives
Jeremy Miles <a href="#">Bywgraffiad</a>   <a href="#">Biography</a>	Llafur Labour
Adam Price <a href="#">Bywgraffiad</a>   <a href="#">Biography</a>	Plaid Cymru The Party of Wales
David J. Rowlands <a href="#">Bywgraffiad</a>   <a href="#">Biography</a>	UKIP Cymru UKIP Wales

**Eraill yn bresennol**  
**Others in attendance**

Claire Brown	Cyfarwyddwr Gwerthiant a Marchnata, Spectrum Internet Sales and Marketing Director, Spectrum Internet
Graham Dunn	Uwch Reolwr Materion Llywodraeth, Vodafone Senior Government Affairs Manager, Vodafone
Paul James	Pennaeth Materion Cyhoeddus, Telefonica O2 UK Head of Public Affairs, Telefonica O2 UK

Nick Jones	Comisiynydd Traffig ar gyfer Ardal Draffig Cymru Traffic Commissioner for the Welsh Traffic Area
Hamish MacLeod	Cyfarwyddwr, Mobile UK Director, Mobile UK
Giles Phelps	Rheolwr Gyfarwyddwr, Spectrum Internet Managing Director, Spectrum Internet
Duncan Taylor	Fforwm Cymunedol Ger-y-Gors Ger-y-Gors Community Forum
Ray Taylor	Fforwm Cymunedol Ger-y-Gors Ger-y-Gors Community Forum
Richard Wainer	Pennaeth Materion Cyhoeddus, EE Head of Public Affairs, EE

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

Chloe Corbyn	Y Gwasanaeth Ymchwil Research Service
Gareth Price	Clerc Clerk
Robert Lloyd-Williams	Dirprwy Glerc Deputy Clerk
Robin Wilkinson	Y Gwasanaeth Ymchwil Research Service

*Dechreuodd y cyfarfod am 10:01.*  
*The meeting began at 10:01.*

**Cyflwyniad, Ymddiheuriadau, Dirprwyon a Datgan Buddiannau**  
**Introductions, Apologies, Substitutions and Declarations of Interest**

[1] **Russell George:** Bore da. I'd like to welcome Members and members of the public to the Economy, Infrastructure and Skills Committee. Moving to

item 1, I note that there are no apologies for this morning, but Jeremy Miles and Hannah Blythyn have given their apologies for this afternoon's session. Are there any declarations of interest from Members? No.

**Comisiynydd Traffig ar gyfer Ardal Draffig Cymru—y Diweddaraf gan y  
Pwyllgor  
Traffic Commissioner for the Welsh Traffic Area—Committee Update**

[2] **Russell George:** In that case, I move to item 2 and I'd like to give a very warm welcome to Nick Jones, the Traffic Commissioner for Wales. I'm very grateful that you are with us this morning, Nick. I should just say, there will be a transcript of the proceedings available following the meeting, should you wish to review that, that will be sent to you over the next few days. If I could start with the opening question, and that is: how, in practice, the new role of Traffic Commissioner for Wales will change the way your functions are delivered?

[3] **Mr Jones:** Obviously, there'll be a more visible presence. Until recently, I was the only traffic commissioner with two distinct traffic areas, west midlands and Wales, and Wales has very much suffered. In successive annual reports, I've made references to that and, of course, when a plea has been made to have the separate traffic commissioner, the Department for Transport have always said, 'Is there a workload?', and you've broken that by saying that you'll provide an element of subsidy. So, it means that I will be able to ensure that road safety and fair competition is better addressed. The steps that you've taken will assist in ensuring that there'll be compliance with the Welsh language provision. At the moment, there isn't, as far as I'm concerned. In particular, I'm going to improve communication with public bodies, industry and the Welsh Government, including facilitating communications. I've started that. It's the sort of thing that, in theory, one could have done before but, on a practical basis, it wasn't possible because of regulating the west midlands of England, which is a very substantial area. As I said earlier, I've already commenced that.

[4] It's probably worth while pointing out, as the first full-time Traffic Commissioner for Wales, that, although I'm very grateful to be appointed, I suspect an element of support for me being the first-time appointment is the fact that I've been nearly 10 years as a traffic commissioner. Most people can retire whatever age they want, because of the legislation that says they don't have retirement ages, but the Public Passenger Vehicles Act 1981, which

gives the authorisation for traffic commissioners, has a specific provision that says a traffic commissioner has to retire, at the latest, on their sixty-sixth birthday. On my next birthday, I'm 64, which means just less than three years in post. I've always envisaged, since my appointment, that I'm here to get the post off the ground as an experienced traffic commissioner, to particularly work with the Welsh Government and the Welsh Assembly, because I know that, with the Wales Bill, there'll be a lot of opportunities in relation to the role of the traffic commissioner. I envisage that my successor will be someone who speaks Welsh as a first language, perhaps, or is certainly fairly bilingual. That's the sort of thing that I expect will happen, and I think it's worth my pointing it out. I've got an exciting two to three years in this role, and it's actually about implementing change and trying to improve communications within local authorities, Government and industry.

[5] **Russell George:** I'm grateful. Your post is funded by money from the Welsh Government and the UK Government. So, who's your boss? If you want a day off, who do you call?

[6] **Mr Jones:** It's a very good question and the answer is a rather difficult one. I'm actually appointed by the Secretary of State for Transport. Each traffic commissioner has separate conditions of service. Can I say that the protection that the Welsh Government has is in the memorandum of understanding between the Welsh Government and the Department for Transport? Although the Secretary of State for Transport can remove, the memorandum of understanding, as a result of good work from your officials, sets out that the Welsh Government must be consulted unless it's impracticable to do so. I've got human resources qualifications as well as being a lawyer and it's difficult to justify not consulting with the Welsh Government, if they wanted to get rid of a traffic commissioner.

[7] The MOU also sets out that the Welsh Government will be involved in setting the qualifications for the traffic commissioner as well. So, that does give a lot of protection to the Welsh Government. I was asked to assist by Welsh Government officials, and there is some additional protection because either Westminster or Wales could say, 'Well, we want to end this arrangement; we're not going to have the subsidy, but give a one-year notice', but that's a nuclear option. What is actually quite a helpful safeguard is the fact that there's provision whereby if—hypothetically speaking and it's unlikely to happen—those in England try to dump a lot of work on me, saying, 'Well, there's actually less public inquiry work and we don't think you should be speaking with local authorities; you can do better things to help

out England', then there's provision for the element of my salary to not be paid, but, because it includes on-costs, the way it's worked out is such that it would actually be to the financial disadvantage of England and they're better off using deputy traffic commissioners. I've pointed this out to the DfT and to the senior traffic commissioner, so everyone's aware of it. It's not a problem, but the way it's been worded is to give maximum protection to Wales.

[8] The short answer to your question, 'who's my boss?', is the Secretary of State for Transport. I've never met him and I'm unlikely to meet him. I see my role as undertaking the statutory function in Wales, but in particular facilitating the needs of Wales, as set out by the Welsh Government and the Welsh Assembly.

[9] **Russell George:** Okay, I'm grateful. For my final question, before I move to other Members, and it's a question that could take you half an hour to reply, but I'm just looking for the top line so that Members can then dig in with a bit more detail: what are your priorities, short term and long term, which perhaps you haven't mentioned so far?

[10] **Mr Jones:** I want to help set up the office. There's going to be a new office in Wales, which, obviously, Members are well aware of. The office will be in St Mary Street with bilingual staff. I want to maximise the opportunities for communication. Some of the changes I can bring in won't cost any money, and other changes, potentially, could cost money or policy decisions could. So, my objective is to communicate with the Welsh Government and the Assembly because I don't want to waste energy in the limited time I've got bringing something in that you don't want to bring in anyway. How much of that answers your question? I want to improve road safety and fair competition, and increase the role.

[11] **Russell George:** Those are short-term objectives. Are there any long-term objectives?

[12] **Mr Jones:** I do envisage, if you agree, and having consulted with industry and local authorities, that the role of the traffic commissioner could change so that, because you're paying in the long term the full salary of the traffic commissioner, it would have some devolved functions. I can describe them to you, but I'm not sure if you want to ask questions about them.

[13] **Russell George:** No, that's fine.

[14] **Mr Jones:** There would be additional functions and I've got some ideas—some of them of them are set out in a paper I was asked to write for the bus summit next Monday.

[15] **Russell George:** Yes, okay. That's fine, thank you. Do Members have any questions following what Mr Jones has said so far, or shall I move to Mark Isherwood? No. Mark Isherwood.

[16] **Mark Isherwood:** Thank you. You've mentioned some of the financial and administrative arrangements that you're working to. Are there any other financial and administrative arrangements in terms of your establishment and operation set by the Department for Transport or the Welsh Government that you can share with us?

[17] **Mr Jones:** I don't know how much detail you want to know. I wasn't involved in the minutiae of the finances. Effectively, there are three staff in Birmingham who deal with the enforcement work for the traffic commissioner—for the public inquiries and driver conduct hearings—and they're going to be replaced by three staff who are going to be based in St Mary Street in Cardiff. They'll be paid at a slightly higher grade to reflect the fact that they'll be fully bilingual and the Welsh Government is paying the difference between the two. So, it's paying the difference between the two, it's agreed to pay for the accommodation costs and it's also paying my travel costs and what have you. I think the details are set out in the MOU. The accommodation costs I find quite remarkable, because they're much smaller than they are in Birmingham. In the case of Birmingham, it's a very substantial six figure sum and I know the cost of St Mary Street will be much less. What the Welsh Government has said is that it didn't want to provide a bespoke public inquiry meeting room, which is like a tribunal room, because it felt that it wanted me to not just hear cases in Cardiff, but actually to go out mid Wales and north Wales to hear cases locally in the localities. I understand and respect that and I see that whilst, in some ways, for time, it's easier if everyone came to Cardiff, it would better suit the people of Wales if I actually went out. And in fact, I've recently introduced an arrangement where I'm sitting quite regularly in the Welshpool justice centre, which is very helpful and is relatively convenient for people in large parts of north and mid Wales. I'm not sure I've answered your question; I can go into more specifics if you—

[18] **Mark Isherwood:** Thank you. Particularly, could you expand on what



financial resources have been made available to the office and the extent to which those and accommodation, staff and inquiry facilities are sufficient, in your view, to allow you to fulfil your function effectively?

[19] **Mr Jones:** If the function is to replicate what I was doing in Birmingham before in Wales, then the facilities are fine. You then go on to say, 'Can I fulfil my function effectively?' and I'd like to be more effective than I have been. There is one area where I would like to do something that actually would cost some money, but that requires the agreement of the Welsh Government. When I was first appointed as a traffic commissioner, there was a budget for seminars for all seven traffic commissioners. We had a budget so we could go out, speak to PSV operators or HGV operators and target the ones that were particularly problematic. It was a means of improving road safety. The money was reduced and then it was eliminated and it was a case of a cost-cutting exercise. You can do that in the short term; in the long term, not training is counter-productive, in my view. I've been pointing out that Wales has suffered because it's had far less traffic commissioner presence and there's been far less regulation, and that's one of the reasons why there's industry support to have full-time traffic commissioner for Wales. I think it would be helpful if I was able to hold some seminars in north, mid and south Wales. The cost would be hiring a room, providing tea, coffee, whatever else—depending on the time of day, whether there's biscuits or food or what have you—and frankly, the cost is likely to be including, you know, this sort of equipment. If my successor's a Welsh speaker then it may be less of a problem, but there will be a need—actually providing the equipment does have a cost. We're not talking about a large sum, but that's the sort of area where, if you said to me, 'What can you do relatively promptly?' I think there'd be value for money. I think that's an area where there would be a particular need. I should point out that it's not the case that there's no training. But we do have—a lot of the training is conducted by the trade associations, who do very good work. But those who are non-compliant are likely to be people who are not in trade associations. That's why I want to reach out to the operators who are not in trade associations. It may be a sheep farmer in north Wales who just needs to have a dialogue and to understand what he or she can do to improve safety.

10:15

[20] **Mark Isherwood:** So, otherwise, are you content that the resource currently available, or known to be available, will be sufficient?

[21] **Mr Jones:** Yes. I do want add another caveat, if I can, and that's that the senior team leader—the senior manager—is actually someone based in Birmingham. I think that's fine for the moment. If, in the long term, you gave additional responsibilities to the traffic commissioner under devolved powers, then it's probable that you would look to have a separate senior team leader—an HEO post in terms of civil service grade—an HEO post based in Cardiff. What I'm suggesting is that you don't need it now. I pointed out that I'm going to be in post for less than three years. I would like to think that you'd have made decisions well before that three-year period is up as to what, if any, functions you're going to give the traffic commissioner. It may be you'd say, 'Nick Jones doesn't need them, but his successor might need them if that person has some additional responsibilities'. It's a decision you don't need to make now, but I'm flagging up to you that I think it could be to your advantage. But why not assess it when you need to assess it later?

[22] **Mark Isherwood:** You've addressed the other points I was going to raise in your earlier answers. Given that person is currently based in Birmingham, who should fund that? Should it be the Department for Transport? Who should fund that proposal if that becomes the case in the future? Should it be the Department for Transport, as it's somebody in Birmingham currently, or should it be Welsh Government, given that it applies to Wales?

[23] **Mr James:** I think it's a political decision. You can argue between you. I think it's arguable that Wales should have had its own separate traffic commissioner for some time anyway. You've just broken the battle up by saying, 'We'll fund it'.

[24] **Mark Isherwood:** An agreement needed to be reached.

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

[26] **Mark Isherwood:** Thank you.

[27] **Russell George:** What was the total figure of the sum of money allocated to your office?

[28] **Mr Jones:** I don't actually—I'm not trying to be difficult, but I'm not actually sure. I saw a figure that was a six-figure sum and I thought, 'That's quite large'. I think it's because it's a matter paying for back-filling. If I tell you that my salary—my salary is the same as a district judge minus 10 per

cent. Don't ask me why it's minus 10 per cent, but it's the same as a district judge minus 10 per cent. And that is approximately £96,000. And the element that's taken for my salary is £150,000 or so, and that's meant to reflect the on-costs. Whether you think the on-costs are justified is an entirely different matter. But there's £150,000 for my salary, and that's the reason why I say—. Actually, because they take that amount for me as the traffic commissioner, it means that—that's why, if England try to dump a lot of work, you can say, 'It's not cost-effective'.

[29] **Russell George:** And what about the costs—what's the sum for the running of the office, for renting the office and—?

[30] **Mr Jones:** I can ask—I would have to ask the Welsh Government officials to provide it. I understand that it's likely to be about £30,000 or so. That's the ball-park figure. It's not a figure I pay or supervise or sign off, because I don't have any line management functions. In Birmingham, it's more like £250,000. So, I'd say to you that, in comparative terms, it's good value. And the fact that's it's near the railway station, for me, is fine.

[31] **Russell George:** The reason, I suppose, I asked the question is because you talked about the training events, and, you know, there wasn't going to be a great deal of money to run those training events. You're talking about room hire and translation equipment, but if you've got an office cost and you're trying to understand why it wouldn't come out of an office cost, for example—

[32] **Mr Jones:** I would hope that because—I don't know how the budget provision is being fixed. I've been in post from 1 October, but the accommodation isn't available yet because Bus Users Cymru are using the accommodation. So, there may be some savings. The Bus Users Cymru lease expires at the end of July, so there might be some moneys available in that budget. If you asked me what sort of figure would be needed, we're talking of £15,000 to £20,000. Someone may say to me I'm wrong, but we're not—. If you're running seminars in different parts of the country—but you may say you've got lots of spare change you don't need that much.

[33] **Russell George:** Okay, that's fine. Thank you. Vikki Howells.

[34] **Vikki Howells:** Thank you, Chair. Good morning, I'd like to ask you some questions around your perception of the condition of the bus industry in Wales. Given the fact that three Welsh bus companies failed in 2016, I

wonder if you could give an insight for us into the different commercial and management pressures that Welsh bus companies are currently facing.

[35] **Mr Jones:** Wales is different to England in as much as there's far less involvement of what we call the 'big five': Arriva, Stagecoach and so on. In the west midlands, for example, the big operators very much dominate the bus industry, whilst in Wales it's very much family businesses, and the businesses where they perceive themselves, and are perceived by the local community, as being an integral part of the local communities.

[36] What I would say—you've made reference to financial difficulties—is that some good family businesses have suffered because another business—. I can think of one in north Wales where another business bid for contracts at an uncompetitive rate, and effectively drove that other good family business out. Sometimes, a local authority will accept the lowest tender, rather than look at the quality of the work and looking at the repute and so on of the individual concerned. And that's why there's a particular problem.

[37] Only within the last 10 days I sat in a public inquiry where I was clearly going to take strong, albeit proportionate, regulatory action in respect of an operator that actually had authority for 30 vehicles. But I had a letter from a local authority pointing out politely that a number of other businesses had gone under in the area. That particular operator was a mainstay of support for school contracts and if I closed that operator down they would be in significant difficulties. So, it's something I needed to take into account, and I think that's why I see my role as not just taking out the 'bad boys', as it were—the ones who were causing problems—but also assisting the good compliant operator. And, in fact, in that particular case, where there may be a problem, sometimes it's a matter of passing the transport manager role from one generation to the next one and allowing people to retire in a way that's coherent. I'm not sure if I answered your question, but Wales is different in that it has far more involvement of family businesses and where there is sparsity in the rural communities, they have a particularly important role.

[38] **Vikki Howells:** Thank you. And I know that you previously commented and said that small family businesses like that can be the first to suffer in times of falling patronage, or where they feel exposed to an uneven playing field. So, I wonder if you could expand a little there for us, so that we can try and find out the best way that companies like that can be supported. You've alluded to some instances, for example, where bigger operators have come

in with lower running costs, and the importance for local authorities to look at what's best in the long term. Are there any practical measures that Welsh Government could take to assist in that sort of thing?

[39] **Mr Jones:** There's a practical measure that I can take, and I am commencing. I've spoken in the last few weeks since I've been appointed with ATCO, the Association of Transport Co-ordinating Officers—that's the local authority officers who are responsible for contracts, and I've also spoken to the Confederation of Passenger Transport, the industry, and what I've suggested is that there is a need for better communication. And this doesn't cost money; this is actually part of what hasn't been the day job, but will be part of my day job, if you like, so that I can get around a table local authority officers with industry, and probably with the enforcement body, the Driver and Vehicle Standards Agency, so that there can be discussions on the sort of criteria that apply and what local authorities should perhaps be asking when they're bidding for contracts.

[40] What I'm also conscious of, and I've made some reference to this in my note for the short paper for the summit next Monday—. I'm conscious of the fact that, on occasions—I don't want to exaggerate it, but it does happen—there will be a local authority where you often think, 'Well, if the section dealing with school contracts communicated with the section dealing with taxi and private hire, or communicated with the section dealing with bus service subsidies, they actually might have come to a different decision'. I was told only this week by a local authority official that they're aware of local authorities where one section of that local authority dealing with contracts, when they asked for information from another part of the same local authority, had been told, 'We can't give you that information for data protection reasons'. If you are the same local authority, that's an absolute nonsense.

[41] So, I'm not trying to ridicule; what I'm trying to do is say that I want to improve the communication—sometimes within a local authority. I want to help educate, I want to facilitate. I see my role as traffic commissioner as facilitating, so that, if public moneys are being expended in providing an element of subsidy by whatever means—. I certainly don't want to be involved in the final decision. Those are local matters to be made by locally elected politicians, or officers, as the case may be, but I want to assist so that there's a better understanding, so better-informed decisions can be made. Does that help?

[42] **Vikki Howells:** That's very useful, and I think it's interesting to see how you see your role could be more proactive rather than reactive in those sorts of circumstances. It'll be interesting for us as a committee to see how that develops. Thank you.

[43] **Russell George:** I'm conscious we've got four other subject areas, and I think there are three other Members who just wanted to ask a supplementary on this subject area. So, I'll just ask Members to be brief and, if you could, be specific in answers. I think I'll come to Jeremy, Hefin, and then Mark. Jeremy.

[44] **Jeremy Miles:** Just briefly, looking at the industry in Wales at the moment, what's your view of the extent to which it's embraced different technologies—in particular, green technologies? And do you think there's a scope for—? Is part of your role to encourage that sort of uptake, you think, in the future?

[45] **Mr Jones:** Traffic commissioners, historically, have not been involved in that because it's actually a political decision at the end of the day, and often it's a matter of finance. From what I've read in relation to the bus summit, the bigger bus operators say, 'You have less green technology in Wales because you provide less subsidy'. I know in parts of the west midlands there are a lot of buses that are electric or—there are electric buses or they are using alternative technologies. It is a political decision. I don't see it as my role as—. Maybe you'd want it to be my role, but I haven't in the past done that. I've actually been focusing on buses that break down and are unsafe and belching out dirty diesel.

[46] **Russell George:** Hefin David.

[47] **Hefin David:** In your answer to Vikki Howells, you referred in your early answers to balancing enforcement action against the provision of services. In 2011, you took a decision to withdraw licences from a service that ran through the county borough in which my constituency sits. That was later overturned on appeal, but the service that they provided was reduced. Would having a Wales-wide role now, and a Wales-based role, give you more power to act in such circumstances, better ability to act in such circumstances?

[48] **Mr Jones:** I had a decision overturned on appeal. Was it me, or was it a deputy?

[49] **Hefin David:** It was the Heart of Wales and St David's Travel decision.

10:30

[50] **Mr Jones:** Right. That one. Yes. Sorry, yes. There are separate issues there because in that particular case it was a special restricted licence that was involved in a lot of the work, and it was the first time there'd ever been a public inquiry involving a special restricted licence, but I don't think—. Maybe I need to be careful what I say. I certainly think that there will be better scope for making better-informed decisions. I believe that appeal hearings are now heard in Cardiff rather than in London. I need to acknowledge that, if I'm taking judicial decisions and I'm closing a business down, say, there must be scope for people to appeal those decisions, and, if I make a wrong decision, that needs to be articulated. That needs to happen. It would be wrong to have a traffic commissioner who can close a business down without there being an appeal process.

[51] **Hefin David:** So, being based in Cardiff, that better facilitates that process.

[52] **Mr Jones:** Do I what, sorry?

[53] **Hefin David:** Being based in Cardiff—

[54] **Mr Jones:** It certainly makes it much easier. There's a better-quality provision of a traffic commissioner with a traffic commissioner dedicated to Wales based in the capital.

[55] **Hefin David:** Okay. Just to clarify, you do make a decision about balancing enforcement action where there may be what you've called 'rogue operators' against the provision of service and withdrawal of a service.

[56] **Mr Jones:** Yes. Very often, there are people who write to me saying there should be more service, or there should be less. It's a deregulated environment. I might say that someone can run fewer buses, because they can't run them safely or they don't have the finances to run them, but it's not for me to say what sort of buses should run. That's very much a political decision for locals.

[57] **Hefin David:** Okay. Thank you.

[58] **Russell George:** The last question on this section is Mark Isherwood,

and then I'll come to Adam Price on a new section. Mark Isherwood.

[59] **Mark Isherwood:** You referred to the dependency in Wales on smaller, family-run businesses, et cetera, and I think you described a situation that's applied in north-east Wales particularly earlier this year. The bus services support grant is received by not every council—it goes to the grant-recipient councils. So, Flintshire, for example, receives the funding for Denbighshire and Wrexham as well. But, in May, a number of commercial and community bus service providers, community transport bus service providers, wrote to the Welsh Government concerned that the delay in issuing the bus services support grant to the grant-recipient councils risked loss of services and companies ceasing to operate. So, to what extent, in terms of Welsh Government acts, which I think was part of Vikki's question, must or should that incorporate recognition of the cash-flow requirements of the smaller businesses and getting those grants out in a timely fashion?

[60] **Mr Jones:** Yes, those in the bus industry, particularly the small-scale operators, need money promptly. Having advance knowledge as to when the money will be received will assist them in terms of their planning. If approximately £25 million is given, then, in fact, that's money that's very much needed. So, yes. It may have been that there was an issue as to—. There's a political decision as to how much to allocate in terms of the BSSG, and, clearly, for the operators' benefit from receiving notice as to what that figure will be.

[61] **Mark Isherwood:** Well, they knew the figures. It was the timing. They were pretty concerned on the figures because they didn't have the money in their accounts.

[62] **Mr Jones:** Yes, some operators could, in fact, go into difficulties if that was the case. You may have noticed—on a slightly different point—that, in the paper I've written, I've indicated that, if there's a limited budget of BSSG, there's scope, with devolution, for you to be more sophisticated in how you allocate that BSSG. Because, at the moment, everyone gets it at a flat rate, subject to a very small element in relation to quality, but it's just the beginnings of those. I'm not being critical of the quality standard, but it's just the beginning of a standard. But there's a lot more you could do. So, you could better target that £25 million for the bus industry in a way that you think best fits. I will just refer to that paper I wrote. I would talk about it, but you've got limited time, so—.



[63] **Russell George:** I'm grateful. Moving to a new subject area, Adam Price.

[64] **Adam Price:** Yes. I would just like to focus on compliance and enforcement in general. Before I've got a few questions to come to, could you just outline for us the obligations for public service vehicle and heavy goods vehicle licence holders?

[65] **Mr Jones:** What are their obligations?

[66] **Adam Price:** Yes.

[67] **Mr Jones:** Well, they must have repute, which is not just about integrity, but it will include integrity. They must have professional competence, which is about ensuring that they understand road safety and the rules that apply—if it's a coach or an HGV operator, it's about also complying with the drivers' hours rules and so on. There are certain restricted licences where they don't have the formal requirement to have a transport manager, particularly in the case of the goods vehicles with restricted licences. But because they don't have a transport manager doesn't mean they don't have to comply with the law in exactly the same way. It's the reason why, across GB—not just Wales, across GB—a large proportion of the regulatory action and public inquiries is taken against those licences, the restricted licences, where they don't have transport managers. So, if you're carrying goods that are your own goods—they're not for hire and reward, but you're just carrying your own goods for your own business—you're more likely to be problematic. A scaffolder, say, carrying their own scaffolding equipment, is typically more likely to be problematic. It's a matter of education. There's also a need for financial standing. The financial standing is set down by EU regulations. I should say that 95 per cent of the EU regulations merely replicate what the traffic commissioners used to do anyway. So, it's not a question of saying, 'We had to follow what the EU did'. Actually, the EU just followed what we did, because we had—despite the failings we've talked about—actually better road safety than many other parts of Europe.

[68] **Adam Price:** In your evidence to the previous committee, you referred to the relatively low level of enforcement referring to PSV licence holders. Could you say a little bit more about the reasons for that, and also how we can improve on that relatively low level of enforcement?

[69] **Mr Jones:** The fact that I've made a number of comments in successive annual reports, I would hope has contributed to some changes. There's certainly been a change in the chief officer of the enforcement agency, the DVSA, and Gareth Llewelyn who is the chief officer has made comment that he believes that more focus needs to be given on enforcement, and that will help. Talking to managers in the DVSA, I've been told that they are appointing people to fill posts where before there have been gaps, and they're appointing in two parts of the country that have been neglected in my view. So, they're appointing to posts in Aberystwyth and Newtown, and so on, so that mid Wales will be covered. But also we're talking about north Wales and very much the south Wales Valleys.

[70] Over the last financial year, there was a significant drop in the public inquiry work because Wales was a pilot for what's called next generation testing, whereby, at the privatised authorized testing facilities, the DVSA staff actually do the MOT testing for Welsh buses and HGVs. So, they were going out to do that work and not doing as much enforcement work, and that's why the work dropped off in Wales. But, because it had a historically low level of staffing anyway, it actually meant that it suffered quite badly. But I'm told that it's picking up because the pilot has ended and they're actually appointing more staff. The fact that I am full-time traffic commissioner will help, but what I'm also doing is, as well as holding public inquiries, since I've been appointed to my new role—and it's only been from October, so it's a very short period of time—I've been holding a number of preliminary hearings, whereby, rather than going straight to a public inquiry, I'll ask the operator to come in and the letter will say, 'I am thinking of calling a public inquiry. Come and see me, talk to me, deal with X, Y and Z, and I'll make a decision later as to whether a public inquiry is needed'. Now, what the enforcement staff and my staff say, and what the trade association says, is that my meeting these people on a one-to-one basis is more likely to be effective than merely having a warning from a member of enforcement staff. So, that, in itself, will improve the education and will improve enforcement, because if I, personally, have been speaking to an operator who gives me an undertaking and they breach it, then they're going to get much firmer action than not complying with a letter written by an enforcement agency.

[71] So, again, that's part of me in my new role as full-time commissioner for Wales. I am able to spend time exclusively on Wales, and it doesn't cost more money, other than having hearings, and I'm having hearings to deal with matters where, in the past, you might have said, 'Does it justify a public inquiry?', and I'm saying, 'Well, I still want to hear them'. I don't go through

the expense of the public inquiry, but I'll still have a hearing.

[72] **Adam Price:** Could you also say a little bit about the role of the three part-time bus compliance officers?

[73] **Mr Jones:** They're employed by Bus Users Cymru. The individuals used to work for the Driver and Vehicles Standards Agency a number of years ago, and the DVSA had a completely different arrangement for working, but in practice, they had very little in the way of line management. So, they worked in their own way and they've taken on a role that is a dual enforcement and educational role. If there's a problem, they try and nip the problem in the bud, particularly if there's an issue relating to rival operators who are—. A 'bus war' can be an exaggeration, but if there's commercial rivalry, sometimes they can assist and clarify matters.

[74] It may be helpful for you to know that, only recently, I've met with the bus compliance officers and they've suggested that, now that I'm full-time and based in Wales, actually, how they work should perhaps be reviewed, so I can ask them to be more proactive in certain particular areas, because now that there's a dedicated full-time commissioner for Wales, they can target their work better. I should say that although I've been making comments in successive annual reports about safety standards in Wales, which I'm hoping to address, I have also said in those successive annual reports that, despite the failings, in terms of timetable compliance, Wales does better than England. And the reason for that is that you, the Welsh Assembly and Welsh Government have actually provided the funding for those bus compliance officers, so that, yes, you'll find occasions when buses don't run, or don't run to timetable, but even across rural areas, across Snowdonia, and in the city areas, you do have much better timetable compliance than in, say, Birmingham or the shire counties and the west midlands.

[75] When I was traffic commissioner for west midlands, which was quite recently, I bemoaned the fact that, if they had the bus compliance officers that Wales has in the west midlands, they would have far better timetable compliance. So, I believe they do good work, but I'm encouraged by the fact that they've asked whether they can do even better work by being more focused, because I can work closer with them. I've had very little interaction with them, still, because before I was based in Birmingham, but now that's no longer the case.

[76] **Adam Price:** Thank you very much.

[77] **Russell George:** You mentioned a few times the annual report, which is a UK-wide annual report. Are you planning to produce an annual report specifically for Wales?

[78] **Mr Jones:** Yes. One of the features of the memorandum of understanding, which you alluded to earlier, about finances, is that it actually says I'm required to produce an annual report for—I can't remember if it says for the Welsh Assembly or for Welsh Government. But what I'm going to enjoy about that is that I will produce the report in a timely manner. It also says it should be bilingual, in both languages, which is fine; I'll have to get someone to translate it, but that's fine. The annual reports produced by traffic commissioners for the last financial year have only just been published in the last few weeks, because they sit on different desks and shuffle around and eventually get to a Minister. I never understand it, because the legislation's clear: it's for the traffic commissioner to do a report, it's not for someone to approve it, but for various reasons the ones published on a GB basis have always been delayed for a long period of time. Sometimes, the trade press make jokes about the fact that the annual reports are published almost in the next financial year, but what it does mean is that I can produce an annual report and people in England will actually be able to see that I've given my views as to what's happened in a far prompter manner than happens elsewhere.

10:45

[79] **Russell George:** Right, thank you. Jeremy Miles.

[80] **Jeremy Miles:** One of my major concerns is how we protect those bus routes that aren't commercially viable, but which people depend on because they might live in further-out communities. How effective do you think local authorities are in planning local bus routes generally, and in particular in planning for those socially necessary bus routes that might not have a commercial rationale, if you like, but which people depend on?

[81] **Mr Jones:** Frankly, it's not an area that traffic commissioners across the board have looked at, because of the deregulated legal framework. What I would say is that, if there's a limited sum of money by way of subsidy, why not look at the BSSG—the bus service support grant—so that, rather than everyone getting the same level, you actually save those particularly vulnerable routes that actually get paid at a different rate? So, I'm saying, if

you have power to decide where that BSSG goes, why don't you think about—and I've referred to this—why don't you actually better utilise the money that is available?

[82] **Jeremy Miles:** So, that's a local spending decision, effectively, isn't it—or presumably? It could be Welsh Government policy guidance, but—

[83] **Mr Jones:** I don't think it's for me to decide where it should go. It's a political decision.

[84] **Jeremy Miles:** No, I understand that. I'm just taking an impression from you. You may have given the answer that you're going to give, but, in a sense, do you see the potential for your role, if there were to be political will for that, to develop into one where there would be more involvement in that sort of activity?

[85] **Mr Jones:** If there was a framework as to how something was allocated, and there was a dispute, then it could be, you would say, that the traffic commissioner could be the person to arbitrate in that dispute. I've actually made reference to that. It wouldn't mean that I—

[86] **Jeremy Miles:** You wouldn't be planning the routes, obviously.

[87] **Mr Jones:** No.

[88] **Jeremy Miles:** But you'd be able to adjudicate. You mentioned that there's been a previous discussion about—in fact, you mentioned it—the very small level of conditionality, if you like, on quality standards, which comes into the BSSG funding envelope. Those standards—do you envisage your role being able to adjudicate the compliance of those standards, if that was to be expanded as part of the BSSG regime, if you like?

[89] **Mr Jones:** Potentially, yes, and it's not just about that. I know that I've actually said—. Although I haven't discussed this with the Welsh Language Commissioner, I know that the Welsh language provisions provide that, within a period of, it's going to be—it's likely to come in in a couple of years—those who register bus services, private industry, that is the small bus operators, will need to comply with certain Welsh language standards. That might be problematic for those on the English-Welsh border—for some of them—but in many parts of Wales, you'd probably do it anyway.

[90] In terms of the enforcement actions, I've actually made the comment that there's nothing to stop you, if you said, 'Why doesn't the Welsh Language Commissioner ask for the traffic commissioner to maybe withdraw some of the BSSG because someone hasn't complied with the Welsh language standards?', or you could say because they hadn't run the buses to time. If buses don't run to time, why not say that one of the sanctions for not running a bus to time is that there's provision to withdraw the BSSG? Or if the buses aren't run safely, why not have that provision? There would be safeguards, and it wouldn't be me going out and doing things. It would only be on a referral by someone else. But there is a range of areas where, with the devolved powers that you have, and with a full-time commissioner, potentially there are a number of options. But it may be that you say it's not worth it, or you actually want the commissioner to concentrate on other things.

[91] **Jeremy Miles:** Okay. You've mentioned the bus summit, which is on Monday. That is part of the broader five-point plan, which is about bus co-ordinators and professional advice and support, and other aspects. What's your view of the plan generally—those five points—and how do you envisage your relationship to them, your role within what's being discussed?

[92] **Mr Jones:** The fact that you are talking about buses to have a coherent strategy is good. I think it's important that I don't make final decisions, but a lot of the decisions are political, frankly, because there are issues relating to the degree of bus subsidy and the degree of public sector and private sector involvement, and they're political decisions, ultimately. I think I have a role in saying, 'This is what the position is', and I want to be respected as giving objective advice and I will sit in whatever way I can. Despite my comments about safety standards, I believe that they should be addressed by the presence of a full-time commissioner, and I've indicated that the timetable compliance is better than in England. So there is—I think, yes, I'm positive.

[93] **Jeremy Miles:** Thank you.

[94] **Russell George:** David Rowlands.

[95] **David J. Rowlands:** In your paper in September to the committee, you used these words, commissioner:

[96] 'those who have detailed knowledge of PSV regulation will often describe the PSV legislation as confused and confusing and not fit for

purpose’.

[97] Now, to an outsider, that would seem a very worrying situation. Would you like to expand on your comments there?

[98] **Mr Jones:** Yes. It’s still the case that it’s—I’d say it’s not fit for purpose. The problem has been that the regulation of public service vehicles has been party political, over the years—I’m talking on a Westminster basis, not within Wales: regulation and deregulation; there’s a lot of legislation, a lot of it is contradictory, and it’s introduced on a piecemeal basis. It’s not even clear as to what a PSV is and what the law in relation to small vehicles is—I have to be careful with the language I use, but certainly it’s convoluted. As lead traffic commissioner on limousines and novelty vehicles, I issued a letter that went to every PSV operator in the whole of GB in 2010, which was more than two sides of A4, dealing with the definition of a small vehicle. It really is arcane. The law needs reforming. Some reforms were suggested by the Law Commission on taxi and private hire law, which suggested that nine to 16-seat vehicles be licensed by local authorities, and I support that. But although you have devolved powers over taxis and private hire—well, you will do, with the Wales Bill—you won’t be able to do that, because operator licensing of PSVs generally is reserved, and so it would take Westminster to do that. It might be you can persuade Westminster to give Wales powers to do things differently.

[99] **David J. Rowlands:** Okay. What sort of impact does this actually have on operators and the public in general?

[100] **Mr Jones:** It has a significant impact, and I think it’s best illustrated by the fact that 10 per cent of the operators and 10 per cent of the vehicles—and we’re talking in broad terms—are PSV, and 90 per cent are goods. But in terms of the time that’s taken up by me and that’s taken up by the enforcement agency, the DVSA, it’s between a quarter and a third. Now, that’s disproportionate. And the good compliant operators complain because, if someone’s cheating the system, if they carry goods, it’s easier to identify them, but it’s difficult to even identify who the operator is for a PSV because the vehicles do not need to be specified for PSVs, but they do for goods. So, it makes enforcement much more difficult.

[101] **David J. Rowlands:** Is there any legislation coming forward that you think might improve this situation?

[102] **Mr Jones:** The short answer is ‘no’. It’s something that’s been suggested before. I think it’s—. I’m conscious that—the Department for Transport would be responsible, and I’m conscious that the Department for Transport is dealing with Brexit, and there’s a lot of work there; airports, Heathrow et cetera; HS2; the small matter of railways in the south-east and elsewhere. The work of traffic commissioners, what we do, is just a fly in the ointment—

[103] **David J. Rowlands:** Their priorities, then, is that what you’re saying?

[104] **Mr Jones:** It wouldn’t be their priority. It’s one of the reasons why it’s a little disappointing that, although the Silk report recommended the devolution of public service vehicle operator licensing—not goods, but PSV operator licensing—it hasn’t actually happened, because if it did, I’m of the firm view that I could work with your lawyers and come up with a system that works really well, and then England would copy it. I’ve often used the example of a small—. You might regard it as a silly example. Five pence for plastic bags was pioneered in Wales and it worked, and they’ve introduced it in England. But in the case of PSVs, the law doesn’t help, and you can go so much value for money—. I know that, politically, it’s the PSV operators you’re most concerned about, because it’s the travelling public and because of the social needs of good bus operators.

[105] **David J. Rowlands:** Thank you.

[106] **Russell George:** To what extent do you feel your position also allows you to make political views as well?

[107] **Mr Jones:** Technically, I’m not part of the Ministry of Justice. There’s a case for saying we should be. I don’t think it’s helpful I make political views. If I do, I’m going to make political enemies, to be honest. If I’m going to give—. If I’m going to make decisions as to whether to close a business down in relation to road safety, and so on, I’ve got to recognise that that is a judicial role, and I need to be respected as giving that judicial role. So, I need to stay clear. If there’s all-party support for something, then that’s fine. And I think it’s reasonable that I point things out; sometimes it’s helpful to point things out behind closed doors rather than in a forum. Although it’s not part of the role of the traffic commissioner in terms of anything written down, an unwritten rule when I was appointed the traffic commissioner was, ‘You need to be careful not to embarrass the Minister’, say, and there are different Ministers of different political parties.



[108] **Russell George:** Right, you've got two bosses to a point.

[109] **Mr Jones:** Yes. It's the Secretary of State for Transport in Westminster but, clearly, I believe that it's in my interest and the interest of the post that I do not embarrass Ministers, be they Welsh Ministers or Westminster Ministers. And if I do, or my successor did, then I'll be diminishing that role.

[110] **Russell George:** And do you think that the Welsh Government should have more powers to regulate the bus industry?

[111] **Mr Jones:** Yes. I believe—and I'll quite happily say it, because I've said it in other forums—that if Wales had devolved powers in relation to regulation of the bus industry, it would be helpful. I think if you're going to devolve—

[112] **Russell George:** What should those powers be?

[113] **Mr Jones:** I think you should have powers in relation to operator licensing. Can I say, one of the problems has been that people use the word 'regulation' in different ways, because the Silk commission referred to regulation of the bus industry? What the Prime Minister, David Cameron, announced in his settlement was that the Welsh Government would have power over the appointment of traffic commissioners. Well, you always have done anyway because of the concordat that was signed in 2003. And he also talked about bus registration. Well, bus registration is different to regulation. Some people—and I don't mean this disparagingly—politicians will often think of bus—

[114] **Russell George:** Be careful—we're all politicians here.

[115] **Mr Jones:** Some will think, when you talk about the rules as to how buses work, about whether you franchise or not, the extent to which you want quality contracts, partnerships and franchising, and the extent to which you should have public subsidy and the public versus private element. I'm not talking about that; I'm actually talking about the legislation for operator licensing. So, although I suspect you will have powers to determine the element of franchising—and that's fine and that's perfectly reasonable that you make that political decision—I'm saying that the framework that is the operator licensing regime—the law—if it was devolved—. It should be dealt with on a GB basis, but if those in Westminster are preoccupied with dealing

with all the other things that Westminster is preoccupied with, and Wales has a particular interest in buses, and you do, as illustrated by the fact that, historically, you've employed separate bus compliance officers, and you have now provided funding for a bespoke traffic commissioner for Wales.

11:00

[116] I think that there's a case for you asking to have the power to deal with PSV licensing. The trouble is that the Wales Bill uses the reserved-powers model. The previous—. The existing provisions provide that if there's an element that you ask to have devolved, if Westminster agrees, you get it. There's no red line, whilst in Scotland there's a red line because of the independence issue, effectively. That hasn't been so much of an issue in Wales, but it looks like that red-line model, which is reserved powers, is in the Wales Bill, and therefore it's disappointing that it doesn't include what I thought it would include because of the Silk commission report. It may be that Government would still consider it, but you'd need to make a case, and if you did want to make a case, I would assist.

[117] **Russell George:** Thank you. Hannah Blythyn. Sorry, I inadvertently took your question.

[118] **Hannah Blythyn:** The Chair may have muscled in on my question. [*Laughter.*] It's linked to the question of further devolution, because I think you've outlined how, actually, there is a case for us to have greater powers here in Wales, in respect of public licensing and buses, particularly perhaps as elements of the Wales Bill will see less devolution of those controls in Wales, in contrast to what the English Bus Services Bill gives to English regions. But, in the absence of that, are there ways in which you could foresee the Department for Transport, Welsh Government and you as traffic commissioner working together better and more effectively on those areas that aren't yet devolved to Wales to make more of a difference here for us, for providers and public alike?

[119] **Mr Jones:** It transpires that the buses Bill seems to be as much about local authority reform and the position of mayors as it is about buses. In the case of England, I would say, if you went from Liverpool to Manchester, to Birmingham, if they all had devolved powers, who has the registered service, who is the enforcement body, how do you do it? There are more questions than answers there. And that's why, in some ways, Wales is more likely to have something coherent, because the degree of devolution in England is

such that, actually, you may be at an advantage not doing what England does, having reflected on the buses Bill.

[120] However, I would say that there are a number of areas on which you can move forward. For example, in the case of taxi and private-hire law reform, that is very much a devolved function in the Wales Bill. If, in fact, Westminster said, 'Well, actually, we would allow in Wales'—. They may have to pass legislation in Westminster, they may allow nine to 16-seat vehicles to be devolved and, in which case, there will be an advantage. There are other areas where there may be co-operation, but there clearly would need to be a coherent case. I think I've made mention elsewhere of the fact that local authorities and industry, in the few weeks I've been appointed as full-time commissioner, have said to me that they think it would be a good idea if there was some sort of pan-Wales body to look at the Disclosure and Barring Service or, formerly, the CRB checks, because at the moment the bus industry says, 'Why do we have to go to different local authorities for different CRB checks?', if they happen to go in different areas, and it's about whether it's expensive, bureaucratic and consistent, when, in fact, I make determinations of whether a professional lorry driver or bus driver is fit to hold a licence. So, they're saying, 'Why don't they just have something on a pan-Wales basis?' That's the sort of thing you might be able to bring in. In fairness, the CRB checks is not a devolved matter, but the body that—. It's done by local authorities, but in theory, it could be done by a separate body across Wales and there's potential for consistency, efficiency and general all-round improvements. It's the sort of area where, from discussions I've had with industry and local authorities, they see Wales actually doing something better than in England.

[121] Another area that people have talked about potentially is on community transport as well. I suspect that some officials might perceive community transport as being part of operator licensing, which is reserved. My view is that community transport is not operator licensing; it's different to operator licensing, in which case you've got the—

[122] **Hannah Blythyn:** So, do you think there's scope under the Wales Bill for us to improve on that?

[123] **Mr Jones:** Yes. Community transport, taxi and private-hire law, CRB, DBS checks and very much bus registrations—you haven't mentioned that yet—bus registrations, where I've made a number of comments saying, 'Don't replicate what they've got now, there are much better ways of doing it,

better value for money and there are a lot of potentially radical alternatives that would provide better quality, better registrations.'

[124] **Russell George:** I'm very grateful, Nick, for your time with us this morning. There will be a transcript of the proceedings available for you to view. If you do have any additional notes that you want to send us then, by all means, I'd welcome that.

[125] **Mr Jones:** Thank you. I was told what sort of area you'd be covering, not exactly, and I produced this—it's something I just typed out yesterday. So, forgive the lack of coherence, but I've got no problem e-mailing it to you so you can all see it and it may be that you—it may actually add to some of the things I've made and I've got no problem anyone contacting me individually if they wanted to.

[126] **Russell George:** I'm very grateful. Thank you. We'll take a short break. We'll be back just before 11.20 a.m.

*Gohiriwyd y cyfarfod rhwng 11:06 ac 11:22.  
The meeting adjourned between 11:05 and 11:22.*

### **Cynlluniau Band Eang Cymunedol Amgen—Seilwaith Digidol Cymru Alternative Community Broadband Schemes—Digital Infrastructure in Wales**

[127] **Russell George:** Welcome back to the Economy, Infrastructure and Skills Committee. We now move to item 3: alternative community broadband schemes for our digital infrastructure inquiry. We have four witnesses before us this morning, so just for the record, it would be useful if you could say who you are and who you represent. If I could start from your side, Ray.

[128] **Mr R. Taylor:** My name is Ray Taylor and I'm here from the Ger-y-Gors mast project.

[129] **Mr D. Taylor:** I'm Duncan Taylor. I'm the chairman of the Ger-y-Gors mast project.

[130] **Ms Brown:** I'm Claire Brown from Spectrum Internet.

[131] **Mr Phelps:** I'm Giles Phelps, managing director of Spectrum Internet.

[132] **Russell George:** Lovely. Perhaps I could ask you, Claire and Giles, first, if you could just perhaps outline what your activities are in Wales.

[133] **Ms Brown:** We're an internet service provider, but we also call ourselves an altnet in the fact that we provide an alternative network to the infrastructure put in by Openreach and Virgin. We've rolled out superfast broadband and fibre-to-the-premises solutions to some notspot communities, but we also deal with businesses as well with large-lease lines and fibre-optic connections.

[134] **Russell George:** Okay, that's lovely. Thank you. I'll go to David Rowlands.

[135] **David J. Rowlands:** My questions are really to understand more about how to stimulate superfast broadband roll-out in Wales. So, what have you seen as the biggest barriers to the market roll-out of superfast broadband?

[136] **Mr Phelps:** From my perspective, it's really down to being prepared to put the infrastructure in and the knowledge it takes to put it in. I think you've probably found from the first Superfast Cymru scheme that there's been lots of hurdles to actually deploying this and that's one of the reasons why it's taken so long. It's the same for small altnets and other companies. We have to learn how to put the infrastructure in the ground. So, that's probably been the biggest barrier so far.

[137] **David J. Rowlands:** Following on from that, obviously we understand that there has to be co-operation between such agencies as the Welsh Government, local authorities, and even highways authorities. Have you found the co-operation to be there, or has it, again, been a barrier to your abilities to roll out this?

[138] **Mr Phelps:** There's been a number of issues where communication could be better, but I think—the barriers we've come across, principally, have been around any kind of bias towards any particular provider. So, a lot of local authorities, for instance, will be very careful about what support they can offer, to make sure they're impartial, which sometimes can slow up projects. We've had issues with highways, where there's some apprehension around any kind of new technology. For instance, if we're doing anything like slot-trenching or micro-trenching, there's no clear guidelines to what they will and won't accept in different areas. So, I think it's very difficult to pinpoint any one particular thing, but there's usually some kind of

communication or knowledge exchange issue that probably slows us up more than anything else.

[139] **David J. Rowlands:** Planning is obviously a very big issue when it comes to the roll-out of these things. What do you think could be improved so that you get deployment more easily of this superfast broadband?

[140] **Ms Brown:** When it comes to planning, for a lot of providers, there's two ways they can do it. They can go through planning with the local authority, in the standard way, or you can apply for code powers through Ofcom. That's another way to allow you to put down the infrastructure a little bit quicker. But I think everybody needs to understand what the outcome is and what the rules of engagement need to be, to make it as fluid as possible.

[141] **David J. Rowlands:** Fine. Now, obviously, BT has had the primary share of everything in Wales, and Ofcom is now saying that it ought to share, or you ought to be able to access their facilities much better. Will that help you a great deal?

[142] **Mr Phelps:** Not really, I think. Because we've had the ability to share Openreach infrastructure for many years now. We started out working with them on what they call their sub-loop unbundling process, where we, in effect, rent their last mile of copper—so the copper telephone line, if you like, from the premises, the property, back to the street cabinet. But what we find is the cost of doing that is too high. When we started doing it, obviously, we were, in effect, competing with Openreach's main, what they call, NGA or superfast broadband roll-out, and our prices are, typically, about three times more expensive to roll out virtually an identical solution. Therefore, we really don't have any choice but to avoid using Openreach infrastructure, because it's more cost-effective. To be honest; it's actually more cost-effective for us to overbuild Openreach's infrastructure.

[143] I think that's what you find vice versa—that's why Openreach will overbuild an altnet's infrastructure. And we've had several of our—. Where we've rolled out superfast broadband in Wales, for instance to the Gower, we've had situations where they were a notspot, we put in superfast broadband infrastructure, and then BT overbuilt with their superfast broadband. So, you've got areas that have gone from nothing to having two competitive providers. So, I think you will find that is the case going forward, even with Ofcom trying to force them into sharing infrastructure. It's not so much the sharing; it's the cost of sharing that's the barrier.

[144] **David J. Rowlands:** Right. Thank you.

[145] **Russell George:** Thank you. We're all very keen to hear about the Ger-y-Gors project, and the next set of questions is probably going to be aimed more at Duncan and Ray. So, I'll come to Hannah first.

[146] **Hannah Blythyn:** Thank you. As the Chair said, I think that the whole committee is keen to learn more about the project. I was wondering if you could just start by saying why you did it and what you did. I know there were a number of challenges, but what would you say were the main barriers?

11:30

[147] **Mr D. Taylor:** It all started at a community forum meeting, when one gentleman stood up and said, 'Why can't we have cellular connections and broadband?' So, we said, 'Have you tried?', and he said, 'We've made inquiries but nobody wants to know because we're too rural for anybody to take any notice of us.' So, as chairman of that forum, I said, 'Well, all right, we'll look into it and see what we can do.' It took us quite a long time because none of us had any telecommunication experience whatsoever.

[148] We lodged on to the RDP funding. We were the first time anybody had ever used it for telecommunications, so that was a bit of a risk. But eventually, we got past that. In order to do so, we had to find the land, have it surveyed to prove that it was suitable, get a quote for electricity and then the application was put in. We had to get outline planning permission for a mast first, which went surprisingly easily. We had only one objection, I think, and that was because someone thought that there might be radiation from the mast. Everybody else was sort of, 'Why can't we get on and do it now?'

[149] So, it took us quite a long time to get to that stage. Only then did we realise that we had to have match funding. The company that we had formed was a community-based, not-for-profit company with no capital. So, how do you get match funding when you've got no capital? We went to aggregates and they were kind enough to give us the money for the electricity upfront. So, we didn't have to do it and then claim back the money afterwards. So, I'd actually got a lump sum of money in the pot.

[150] I don't know whether you're aware, but the RDP insists that not only has the work got to be done, but you have to pay the supplier and prove that

you've paid by showing them your bank account to show that the money has come out. I did make inquiries with the bank, but none of them seemed to be interested because, again, we had no capital backing. So, I was a little disgruntled, but we'd got our money and away we went. The other thing with the RDP, if you did borrow the money to pay, they weren't interested in paying interest. It wasn't built in, so we couldn't claim that.

[151] Do you want me to go on to how the thing developed from then on? We needed co-operation, so we found a site and got a 25-year lease. Because we were local and we went at it gently and spoke to the farmers around, we found a farmer that was prepared to let us have a 25-year lease for a peppercorn rent. So, that was our first struggle. Planning permission—we got planning permission, that wasn't a problem.

[152] But the main thing that we found was a disbelief that four old cronies could actually do this when big companies had failed. I'm a financial guy and one of my other co-partners was a health and safety engineer, so we'd got finance and we'd got health and safety, and the others had done projects before all over the world, so off we went, but there was a constant disbelief. Even Ceredigion County Council, the partners that were actually guiding us through this, didn't really believe that we could do it. At one stage, they actually attempted to take over the project, which we refuted. We said, 'No, we've got the ticket, we're going to run with it'. Due to a lack of published support by them, it was difficult to actually get anyone to sort of take us seriously.

[153] When it came to actually putting up the mast itself, we sent off inquiries to mast manufacturers. It's amazing how many there are. We found five. We didn't get any response at all from four of them, and one of them actually came back and said, 'We'd love to help but we're afraid that, if we do, our main customers will walk away from us'. So, it's a closed shop, you've got no chance. Eventually, we got over that and we did find a mast company in Gloucester that was prepared to build a mast for us. And we eventually erected the mast. But we had to lay a road. I'll pass those around those if you want; it basically shows how rural we are, and the size of the mast. At first, we had difficulties. When we were trying to find out the cost initially, EE, I wrote to them first, and they wrote back and said it was a commercial secret how much it cost to put up a mast. So, I actually wrote to their managing director at the time and said, 'How can it be a commercial secret? All I want to know is—give me a ballpark figure that I can ask for money. Otherwise I don't know how much to ask for'. Well, it took several



months, but eventually I did get a ballpark figure, but a strong rebuke that they were not interested in the project and they wouldn't support. I said, 'Okay—'. I had a feeling that we were sort of little people, and they didn't deal with little people, they only dealt with big people.

[154] We eventually got Vodafone interested, but they said we'd got to raise the money ourselves, and, if we raised the money, they'd assist. In the meantime, they'd do a survey, but it would cost us just under £5,000. So, we had to raise that quickly, because that was before we'd got the money from several small—. I got several small grants, so around £5,000, to enable us to have office equipment, desks, and pay for this survey. So, the survey came back, and it went in with the planning and we got planning and we laid the road and, eventually, had to find this mast company that would build the mast for us.

[155] And now, several years later—I've lost quite a bit of hair—we've actually got now, in this tiny rural spot in Wales, we've now actually got 4G and we've got Wi-Fi. I'm beaming out. I have fibre to premises in the village, and I then beam it up to the mast from the village, and then dispatch my Wi-Fi. I'm downloading at about 50 Mbps plus at the moment. I am looking at fibre to mast, and if I do that then my download will be virtually be in the 100s, so I don't have to worry about that then.

[156] The only problem I've got with the project is that you have to line of sight with the mast for the Wi-Fi to work, but I am investigating white space, which is a radio boost to our signal, which will penetrate both hills and trees. And so it will enable me to get to farms that are in dips that I can't see. So, we've not stopped. We're continuing, going on, all the time. The project is now sustainable, the number of customers that we have covers our monthly expenses for phone, electricity, et cetera, and we have an income from Arqiva, from the mobile infrastructure project—not very much, not as much as I'd have liked, but that also now enables us to insure the mast and pay for maintenance, et cetera. So, at the moment, we are fully sustainable, and we will roll out the white space as soon as we've got sufficient people interested to go. I want 10 people to try this out, and then we'll roll out the white space. We're raising funds for that as well. I know that I can get money from the Welsh Government per household, but I've got to have all the people in place before I can get that, otherwise I can't commit myself to purchase the white space set-up.

[157] If there's anything else, I'm more than happy—. I found that

cooperation from the providers was non-existent. In fact, when we went with Vodafone, as we got—. They helped us with the planning and all the rest of it. As we moved along, and Ceredigion—. I was given an e-mail with a string attached to it that led me to believe that the people who were guiding us were in fact in discussion with Vodafone to hand them the project, and, shortly afterwards, Vodafone pulled out—how strange—leaving us absolutely high and dry. But we persevered, and, as I say, we got the mast up and running. But it's taken—. We've had the mast up now two years, and it's taken us—

[158] **Mr R. Taylor:** Five.

[159] **Mr D. Taylor:** No, actually built, two years. So, we got the mast up and working on Wi-Fi, but it still took two years to get Arqiva and the providers to actually come onto the mast. At one stage, despite the fact that we had our mast built—. To let you know how the cooperation didn't work, we'd got our mast built and it had been approved as being a perfect type for the area, and when Arqiva came on the scene their subcontract company that was looking to put the masts up went around all my farmers offering them fantastic amounts of money for them to put a mast up, which really queried my—. Everybody then thought I'd made a fortune, or that we'd made a fortune, and, of course, we'd made nothing. None of us were paid for the whole time we were working on the project, but it soured the local area; they all thought we'd made a lot of money out of them, especially the farmer who had given it to us for a peppercorn. [*Laughter.*]

[160] **Russell George:** We're grateful for that—

[161] **Mr D. Taylor:** It was only through tenacity, I think, and a determination to prove that we could do it that we succeeded. As I say, it's taken a long time and I'm sure that, now we know the ropes, should we be given more to do, we would only be too pleased and would do it much quicker than we did the first one. We've proved that we can do it. Now we're quite happy to either consult or to actually put up more masts, should that be required.

[162] **Russell George:** I can see Members are indicating a number of questions now. I'll ask the first one, Mr Taylor. Would you like to come and live in my constituency? [*Laughter.*] There's a lovely community called Manafon and they would love for you to come and live there.

[163] **Mr D. Taylor:** Even if I don't live there, I'd be quite happy to come

along and assist.

[164] **Russell George:** That was my second question, thank you. [*Laughter.*] Okay, there's a number of questions. Hannah, Jeremy, and then David indicated. To Jeremy.

[165] **Jeremy Miles:** Thank you. Congratulations, by the way. It's a fantastic story. How long—? Just to get a sense in my head of the scale of the task that you faced—you've given us a flavour of it, but how long did it take to get from conception to launch, if you like?

[166] **Mr D. Taylor:** To completion?

[167] **Jeremy Miles:** Yes.

[168] **Mr D. Taylor:** Five years.

[169] **Jeremy Miles:** Five years, okay.

[170] **Mr D. Taylor:** And we fought every inch of the way.

[171] **Jeremy Miles:** I can hear that, yes. So, in terms of the model, I'm fascinated by this, you obviously had rural development fund money—rural development programme money—but did you also raise money from the community, or is that just a—

[172] **Mr D. Taylor:** Nobody in the community paid a cent. There're five of us that are now directors of the company, and we're committed to pay £10 if anything goes wrong. So, from—. We had absolutely nothing.

[173] **Jeremy Miles:** Okay. So, subscribers in the community subscribe to the service, but that's their contribution for the service like you would with anybody else.

[174] **Mr D. Taylor:** Only the people that have the service subscribe.

[175] **Jeremy Miles:** And how many people do you serve with the service?

[176] **Mr D. Taylor:** At the moment—. We've not rolled it out, because we've not had the funds to do so. All we wanted to do was to prove the concept to start with. So, we've got about 15 to 20 people, 15 permanent, but people

come and go, they move, and then you have to recover the equipment and then look for somebody else again.

[177] **Jeremy Miles:** And what's been—in general terms, you don't need to give me detailed numbers, but, in terms of the overall cost of getting to where you got to, what has that been roughly?

[178] **Mr D. Taylor:** About £200,000.

[179] **Jeremy Miles:** Right, okay. Do you feel this is a model that could be rolled out elsewhere?

[180] **Mr D. Taylor:** Yes, I do, very much so. But not to go at it like a bull at a gate as big companies tend to do; much better to get a local community together and discuss what you want to do. It's amazing how many people then will come forward and say, 'Well, I'd like to help the community as well'. There's a lot of community-minded people out there, you just have to get on to their sympathy side, really, and persuade them that that's what they need to do for the community.

[181] **Jeremy Miles:** You've mentioned other partners, if I can use the term loosely, perhaps, that you talked to at various points of the journey—the council, Vodafone, and so on. It doesn't sound like you had much proactive support.

[182] **Mr D. Taylor:** They didn't believe we could do it. Since I've got it done, I have had congratulations, I must admit. They came back and said, 'We never thought you'd do it'.

11:45

[183] **Mr R. Taylor:** I think one person who does need to be brought to their attention is our local MP, Mark Williams. He's been very supportive.

[184] **Mr D. Taylor:** Very supportive.

[185] **Jeremy Miles:** Great.

[186] **Mr R. Taylor:** If you go onto our web page, Mark actually did an interview for us, which is on that web page, demonstrating his support. But, yes, I think it's about time we got some of this in the press, and actually got

it out there that—

[187] **Hefin David:** Somebody's going to make a film about it. [*Laughter.*]

[188] **Jeremy Miles:** You'd be able to download it very quickly. [*Laughter.*]  
Are you having interest from elsewhere? Are people coming to knock on your door and say, 'How do you do it; we'd like to do it?'

[189] **Mr D. Taylor:** Not really, because we've not put ourselves out there yet.

[190] **Jeremy Miles:** Right, okay. I expect you might get some of that.

[191] **Mr D. Taylor:** We may get some of that shortly, yes.

[192] **Mr R. Taylor:** We have had a couple of enquiries, but, strangely, during those enquiries, Duncan said, 'Well, look, we'll assist. We basically did it on our own backs. We'll tell you how to do it', and you don't hear from them again. I think the enquiries are sort of looking for—

[193] **Mr D. Taylor:** Somebody to come and do it all for them.

[194] **Mr R. Taylor:** —someone to come and just wave a magic wand.

[195] **Mr D. Taylor:** Wave a wand, and the mast appears out of nowhere.

[196] **Jeremy Miles:** On the subject of looking forward, are there risks to your model, if you like? What do you feel are the threats, if there any on the horizon? You might not feel there are any, but what do you perceive as being the risks to what you're doing, in terms of sustainability?

[197] **Mr R. Taylor:** I think Giles will agree with me that in a lot of these notspots, really, the risk is fairly minimal, especially in extreme rural areas, because none of the big companies are bothered. That's why they're not there. It just simply isn't worth their while, and I don't want to quote figures off the top of my head, but I think there's about 4 per cent of the population in Wales that is within those notspots, and I'm afraid to say that, commercially, unless pressure is put on the big providers, commercially they're just not bothered in doing it. It's just not worth their while. So, as far as risk is concerned, I think, once you've actually got that infrastructure in place, it's not as though another provider is going to move in there, because

they're going to get another 40 users on it or whatever. So, as far as building their capital back at head office and going back to their board, it's not commercially viable to do.

[198] **Jeremy Miles:** So, the scale makes sense for your model, but not for theirs.

[199] **Mr R. Taylor:** Absolutely.

[200] **Mr D. Taylor:** The amount of people that we've got on, we've not advertised it; it's all been from word of mouth. It's gone around. People have said, 'Super—Wi-Fi. Get onto them now'. People have come to us, and we've gone and put it up, we've gone out. We've had quite a lot of enquiries, but, as I say, until we've looked at this white space, unless they've got line of sight with the mast, I can't help. Even trees. I mean, I've got one customer who in the winter has magnificent reception; in the summer, when the leaves are on the trees, they don't get any reception at all.

[201] **Jeremy Miles:** Just one final question: from a service user's point of view, if I can just use that term, is the cost of your service comparable?

[202] **Mr D. Taylor:** Twenty pounds a month for 20 MB download and £25 for unlimited.

[203] **Jeremy Miles:** Thank you very much.

[204] **Russell George:** Thank you, Jeremy. David, did you have a question?

[205] **David J. Rowlands:** Yes. It's a little bit following on from Jeremy. First of all, congratulations. I think we're all astounded by what you've achieved. Just following on from Jeremy's question about the numbers of people, I'm amazed—. I realise none of you have taken £100,000 salaries out of this, so it makes a difference, but I'm amazed that just 15 to 20 subscribers makes it a viable situation for you, that pays costs.

[206] **Mr D. Taylor:** Having had the money for the mast, so the capital doesn't have to be recouped, all we're really doing is, we've got electricity, we've got the telephone line connection—electricity at both sites—and our backend which monitors all our outgoings. We are covering that with just 15 to 20 people; we don't have any problem. It's not expensive, and we've found that the equipment that we use is extremely reliable. In fact, I think we

went 289 days without a break in service. I wish BT could say that.  
[*Laughter.*]

[207] **David J. Rowlands:** It rather makes you wonder how much money these other providers are making.

[208] **Mr D. Taylor:** They're making a fortune out of it. And, because they are, this is why they're reticent to have little people like us coming on, producing our Wi-Fi connectivity so cheaply.

[209] **Russell George:** Why haven't other communities been able to do what you've done, do you think?

[210] **Mr D. Taylor:** I don't know. Perhaps they just haven't had the right people to get out there and do it.

[211] **Russell George:** I think that's the answer, yes.

[212] **Mr D. Taylor:** We were at an Ofcom meeting last week, and there were three people from an area around Carmarthen who said that they were trying to look at getting it put up. I stood up at Ofcom and said, 'Well, if you'd like any assistance, please contact us'. I haven't heard a word. Perhaps they realised that it doesn't just happen. You've got to really go and put yourself about to get it to happen.

[213] **Russell George:** You mentioned Ofcom. How helpful have Ofcom been to you?

[214] **Mr D. Taylor:** Ofcom has been there in the background, but I found that Ofcom, like so many of these—what can I say—Government people, talk but they've got no power to enable you to push anybody to do anything. They're almost like—. They can assist in advising, but nothing else. They don't seem to be able to have any power to push the providers and say, 'You will help these guys, won't you?' It doesn't work that way. They can say, 'Well, what do you think about it?', and they say 'no'. [*Laughter.*]

[215] **Russell George:** Yes, well, they should have those powers. They are the regulator.

[216] **Mr D. Taylor:** Yes, well, they are, but they don't seem to utilise their power in the manner that one would expect.

[217] **Russell George:** Okay.

[218] **Mr D. Taylor:** I spent a lot of time in South Africa before I came to live in this lovely Welsh village that I live in. And there, when they handed out the licences—. They handed licences out for cellular to two providers; that was MTN and Vodafone. They were told—

[219] **Mr R. Taylor:** Vodacom.

[220] **Mr D. Taylor:** Pardon?

[221] **Mr R. Taylor:** Vodacom.

[222] **Mr D. Taylor:** Vodacom, yes. They said to them, 'You'll have your licence for five years, and if the whole of the country isn't covered you've lost your licence. And then, in another five years, if we renew your licence, the local—

[223] **Mr R. Taylor:** The AAA company.

[224] **Mr D. Taylor:** Yes.

[225] '—company will come on and share your masts and then, after that, we'll reconsider and see how we go'. So, it was all—. How the licences were set up in the beginning, they said that you have to cover the whole country. And they said, 'And you will share masts. We don't want a proliferation of masts all over the country'.

[226] **Russell George:** Right. I could carry on talking, but we've got some other subject areas as well. I'll come to Mark Isherwood next. The next set of questions is probably more likely aimed at Giles and Claire but, but, by all means, if you want to comment, you indicate, and we'll be grateful for your views as well, Mr Taylor. Mark Isherwood.

[227] **Mark Isherwood:** Thank you. My first question is specifically to Giles Phelps. Will you expand on why you commented that Superfast Cymru was, quote, 'a cheap and fast' method for improving broadband coverage in Wales?

[228] **Mr Phelps:** Mainly because of the scale of the project to roll out



superfast across such a geographical area, and also because there was no sort of lead in in terms of innovation. It was the quickest way to get the largest number of people sped up. If we'd, for instance, jumped straight in and said, 'Right, we're going to have fibre to the premises all the way', we would have hit so many challenges. There would have been quite a delay before we'd got any kind of significant roll-out. I think we actually have, over the last five years, if you like, learnt an awful lot about how to roll the infrastructure out. We've, in effect, been relying on a Victorian era communications infrastructure and, basically, been trying to get it to run faster. But, yes, it was quick and dirty, really, to get it done. It was a Band-aid to getting us up to the next level, but it obviously wasn't the final solution.

[229] **Mark Isherwood:** To what extent have your own roll-out plans been affected by the terms attached to public investment in the Superfast Cymru programme?

[230] **Mr Phelps:** It hasn't been too much of an issue. The biggest issue we had originally with Superfast Cymru was the fact that it was a pan-Wales roll-out, so, there was no chance for any alternative network providers to bid for such a huge-scale project. So, I think most people, like ourselves initially, thought, 'Well, we'll hang fire a bit before we do anything, because we need to see what happens.' But it was quite soon on we started realising that, actually, there were big holes in the project and it was going to take a significant length of time. So, it was great for us to be able to go, 'Well, we can identify small communities that are probably very low on the priority list because the numbers are quite small'. So, it meant we could actually target those communities, and we did. We ran them for two or three years before they even came onto the radar of BT. So, it was a slow start for us to wait to see what happened, but then it sped up once we knew what was going on with the project.

[231] **Mark Isherwood:** Are there situations where you've not gone to a place because Superfast Cymru, with the public subsidy they were receiving, were enabled to go to a place that would otherwise have been commercially unviable?

[232] **Mr Phelps:** Yes, and that's an interesting question, because there are probably some locations that, with hindsight, now, we'd look at and say, 'Well, actually, we might have gone there on a commercial basis', but now that they've had subsidy to roll out there, we'd have a real uphill battle to do

it commercially. So, I think there are some locations where the densities we would now know, from what we do, mean we would quite happily roll out a commercial solution. One of the advantages we have is that we've actually now performed a number of projects. So, where Duncan has done his first one, what he would find is that the second and third and the subsequent projects would be a lot easier, because they know what they're doing. The problem is, at the moment, nobody's really looked at that project, but he would suddenly find that he'd come onto the radar of the likes of Vodafone, EE, and everybody else, because they don't want him to do more projects elsewhere; they don't want it to build into a bigger project, and that's the same with us. We've now geared ourselves up very much to say, if somebody comes and overbuilds our network, we have to be able to compete commercially on that basis. And, likewise, we will quite happily now go and overbuild certain parts of BT's infrastructure, because, commercially, it makes sense.

[233] **Mark Isherwood:** That links in. To what extent, if at all, have you, or, to your knowledge, other providers, been able to use Superfast Cymru infrastructure? Or, given your comments, have you simply avoided an overbuild?

[234] **Mr Phelps:** If we overbuild, we will avoid Openreach. The only time we will use—. We've been what we call an Openreach CP or communications provider for a number of years. So, we pioneered superfast in Wales, doing the sub-loop. But we soon learnt that the more Openreach infrastructure you use, the more cost, and the more you're tied into any price changes they have. So, we tend to avoid it and now we're probably restricting ourselves to maybe using an exchange to house our equipment, but all the infrastructure that comes out, the fibre that comes out, is our own fibre, out of the exchange. And sometimes, for large backhaul; so, for instance, if we're going from, say, Swansea to Cardiff, we will use Openreach infrastructure for that, at the moment.

[235] **Mark Isherwood:** How could things be improved? Is there a way of improving to avoid duplication?

[236] **Mr Phelps:** Avoiding duplication is going to be a hard one, because I think it will be down to commercial decisions. What you will find is—a bit like we have the situation now with the mobile operators—that they will all fight over and they will cherry-pick the most lucrative areas. So, we'll find in the urban areas, where there's high density, that operators like ourselves, now,

will put infrastructure in the ground to compete. I think the only way, really, to encourage them to go to the other areas is really to start stipulating, 'You must provide services in these areas.' If you're going to help them in the more lucrative areas, if you like, and spend money on it, then you help them in the other areas.

[237] For us, our biggest thing is to say that, actually, you don't need an awful lot in the way of grant funding anymore. I think the alternative network community has adjusted to say that we can actually make this work commercially. Subsidies can be a very small part of that, but, in actual fact, if you make available debt/equity-type funding, altnets will quite happily take that and build out commercial roll-outs, even in notspot areas. Companies like Gigaclear have demonstrated that. Whereas, of course, for an altnet, that's great; we've got access to funds. Whereas someone like BT doesn't need access to funds; they have quite a lot of money already. So, they don't tend to take that funding option, whereas an altnet will.

[238] **Mark Isherwood:** How do you respond to the Minister's statement that the extension of the Superfast Cymru scheme, particularly to industrial parks and business parks that would not otherwise now be accessed or supplied by other providers under state-aid rules, enabled the public investment to go in? Are you saying there may still have been a different way of doing it?

12:00

[239] **Mr Phelps:** I think if it had been put into smaller lots, you would have found that—. For instance, we've already done business parks like Cardiff Gate, where, again, BT are overbuilding our network. And you're sitting there thinking, 'Well, we'll quite happily expand and go out to more business parks and more business areas.' We were inherently a business provider when we started. So, if we'd had smaller lots—. We operate now in certain parts of England, and one of the things we've come to notice is that they've divvied up the money county by county in some of the counties that come together, but it's smaller lots that altnets can handle. And we would have said 'yes' if it had been divvied up in small lots rather than being a pan-Wales solution. We would have actually gone out into some of those areas.

[240] **Mark Isherwood:** And, finally, sort of in that context, to what extent did the procurement process for Superfast Cymru enable bidders other than BT to have a reasonable chance?

[241] **Mr Phelps:** If we're talking about the original Superfast Cymru, I don't think even the likes of Vodafone or anybody else was really able to pitch for it. It was such a huge task to start from scratch, and, again, nobody's really taken on these kinds of projects. It was always really ever only going to be BT.

[242] **Mark Isherwood:** What about the final 4 per cent?

[243] **Mr Phelps:** The final 4 per cent, I think, again, if we take a look at what's happening over in England with the various second round of funding for Broadband Delivery UK, it's really the altnets that are doing the really imaginative work. They're the ones rolling out fibre to the premises, where BT would still be trying to roll out fibre to the cabinet. I truly believe that it's smaller communities, or the alternative network providers, that will address those areas. I don't think the major providers have any real impetus to sort that out.

[244] **Mark Isherwood:** From what you're hearing, are you getting a fair shot at that, and that there are opportunities to bid?

[245] **Mr Phelps:** Certainly, when we had a meeting with Welsh Government talking about Superfast Cymru 2, they were now talking about dividing Wales up into smaller lots, because I think, again, to a certain extent, BDUK, with European backing, have said, 'This is the way to disrupt the market; it's not to give these projects to larger incumbents, it's actually to try and attract the alternative market.' So, there is now talk of doing that, and I think it has to be followed through. I think if it doesn't then we're going to be in the same situation in five years' time.

[246] **Mark Isherwood:** That's helpful. Thank you.

[247] **Russell George:** Thank you. Vikki Howells.

[248] **Vikki Howells:** Thank you, Chair. My question is for Spectrum and it's about the other broadband programmes that Welsh Government have operated, the Access Broadband Cymru programme, and the ultrafast voucher programme as well. I've been looking at your written submission, and I know that you said that, in terms of the advantages, it can be a really good scheme, where communities can pool together. I wondered if you could expand and just talk us through the technicalities of that and why that has been a benefit.

[249] **Ms Brown:** We used the ABC scheme for a number of the community schemes that we did a few years ago. So, it was an earlier iteration, but there are some similarities. And one thing that—. It allowed the community to get together and they were able to claim—in that case, it was up to £1,000. I believe, now, it's based on speed and it's £400 or £800, depending on the speeds that they can reach. And it allowed communities to come together, so where you had several properties that were of one particular solution that we could provide, they could all pool together and be able to fund a better scheme for themselves.

[250] So, with one community, we looked at a little bit of Wi-Fi and then realised how many people were in the area, and we were able to offer a sub-loop unbundling solution, which was a fibre-to-the-cabinet-type solution, which meant that it dropped the monthly cost for them because they had the capital to put the infrastructure in to start with. So, it's been very beneficial to allow the communities to do that. I'd say that the disadvantage is that, where they can only get £400 or £800, and it's dependent on speed, that doesn't allow you to predict where you're using—particularly if you're using a copper solution, so there's still the last mile of copper like a fibre-to-the-cabinet solution, you can't always predict what that end speed is going to be to the customer. So, you have to work on the basis that they can only get £400, and that, therefore, may mean that some solutions don't go forward, because there's not enough, if you like, people in the party with the funding to make it work.

[251] **Vikki Howells:** Thank you. And in terms then of the flip side of it, what kinds of problems have you encountered with the schemes? I know that, in your written submission, you made reference to administration sometimes being problematic, and, Giles, also you suggested that maybe a repayable grant could be a better model, moving forward. So, I'd be interested to hear a bit more about both of those things.

[252] **Mr Phelps:** Okay. I think one of the big issues is, yes, the resource that that team has available is quite small, whereas the amount of administrative work for the scheme is quite high. And I think part of the problem is it's public sector money and it's grant money—it's money given away—and the scrutiny on that is, obviously—and as it should be—quite high. But that does lead to potential issues when we're in a situation where it's a very technical solution that we're proposing, and quite often the staff are not technical staff, so when we're trying to justify the high cost of the fibre-to-the-

premises solution—I mean, they have to run fibre across a bridge or underneath a river, or something like that—it's very difficult to understand why. But I think if it moved from a grant scheme where people are looking to 100 per cent fund schemes using all grant money, we're saying, well, maybe there should be more partnership arrangements where the finance is repayable like a lot of other grant schemes are, because, as I said, altnets aren't necessarily looking for grant money; they're just looking for the capital upfront to be able to put the solutions in, and then we can claw back some of that funding from the tenants or the residents that sign up.

[253] So, to be quite frank—and you won't get this from many internet service providers—there is good money to be made from selling people services. So, we're absolutely laughing when we get 100 per cent of the infrastructure paid for, out of grant money, and then we're getting the subsequent reoccurring revenue—potentially, the profits are quite high. In England, they don't necessarily have such generous schemes, but they are still making these schemes work, because there are a lot of institutional investors that will happily invest money in infrastructure and look at that return on investment over eight, 10, 15 or 20 years. And so, if the Welsh Government's involved in that, I'm just thinking they're thinking, 'Well, if they're just the funder, then perhaps they should look at repayable finance', and then perhaps the scrutiny won't need to be so high, and there can be pre-approved projects, and that kind of thing, that will smooth the deployment.

[254] **Vikki Howells:** That's very interesting, thank you.

[255] **Russell George:** Mr Taylor.

[256] **Mr D. Taylor:** As far as that is concerned—if I can just help to answer your question—for my White Space programme, I need between £7,000 and £10,000 to do that. But if I can only get £400 from each customer, if that was a grant and it was given to us to put the system in, and then, as I put people onto the system, the £400 would be repaid, or the £400 would then be offset against the grant so that I could pay it back by putting people on, and I've got the thing actually in and working, rather than have to try to convince everyone that it'll work before I can claim any money, I've got to have it in and working, but I've got no ability to do that, because I don't have the funding to set it up in the first place.

[257] **Russell George:** Did you use the ABC scheme for your project?

[258] **Mr D. Taylor:** I was going to use this grant—the grant money that they give per household, but, as I say, it's per household. And, if I've got two households prepared to sign up, I can get them to sign up, but I've got nothing to give them until I've actually got enough people to pay the £10,000 out. And the banks aren't interested in lending us money because we're a community-based company.

[259] **Ms Brown:** The forms themselves can be a little bit of a barrier, because each member of the community has to complete the form. So, I know we arrived at Welsh Government with a large stack from Gower to say, 'This is the scheme we'd like to go forward', and, of course, then they've all got to be looked through and approved before any money can be released. So, that can be a bit of a barrier as well—that everyone in the community has to complete the form. If there was a way that there was a community form, and then an insert, if you like, that just had the person's name and address, and even perhaps details of why they would want it, as a sub-form, rather than every single part of it being completed, that would make the whole process a lot easier as well. We spend an awful lot of time ourselves on administration and explaining to each member of the community what it was for.

[260] **Vikki Howells:** Thank you.

[261] **Russell George:** That moves us nicely on to our next block of questions. Adam Price.

[262] **Adam Price:** I'd like to focus really on the successor scheme, whatever it'll be called. You've touched on some aspects of what you think should characterise the scheme, but could you say a little bit more about the engagement, first, that you've had so far with the Welsh Government and the kinds of themes that are emerging from that dialogue?

[263] **Mr Phelps:** We've had one meeting so far that was very much an exploratory meeting, where I think they just wanted to get a few people from the community together. To be honest, we've gone back and said that we're quite happy to have a one-to-one, but we've just had a response back saying, 'We're still putting it together'. It seems to me very, very early doors. It's, literally, any successor scheme is somebody coming up with a potential name and that's as far as we've got, to be honest.

[264] **Adam Price:** We're running out of superlatives, aren't we? [*Laughter.*] Hyper? Ultra? You've talked about one key dimension, which you think will be the idea of having smaller lots. Would you like to elaborate further on that or what are the other key features that you think should be in place in terms of designing a successor scheme?

[265] **Mr Phelps:** Okay. That's a very good question. There are some other issues around it, in that one of the reasons, as Duncan will have found, when you're working with a small, close-knit community, is that it's a lot easier to find what areas you need to cover and who's interested in coming on to a scheme and this kind of thing. That local knowledge is important and it works the same for any kind of communications roll-out. So, for us, local knowledge is really important. The local communities know where the areas are where they've got poor broadband. Generally, if you expand it up to the towns, the towns themselves have usually got interest groups and then you take it to the local authority, and they will be very concentrated on their areas that they need to serve. As soon as you get to a pan-Wales-type solution, the noises from the communities, saying, 'Well, we need service' seem to get lost. So, it's very much about reaching out to the communities and saying, 'Right, you need to tell us.' We've had what they call, 'the open-market reviews' and there's another—and I don't know how many we've had—open-market review that gets sent out, pretty much to industry—to internet service providers like ourselves—to ask, 'What areas are you covering and what areas are you going to cover?' It seems to me a backward method of determining which areas need to be covered.

[266] We think that the general public need to be more informed. From a political aspect, most AMs, I would think, would get their constituents coming to them and saying, 'Right, we've got poor broadband and we'd like better broadband.' If, in five years' time, they still haven't got it, those AMs are still going to get those calls from those constituents. So, I think this needs to be a scheme to say that this is possibly almost the last-chance saloon that we have of getting a solution in place. I think that everybody should be given the opportunity to voice their opinion. We need to find out those areas that are poorly served and the only way is to start reaching out to the local community groups to get that information. We're talking about premise-level information, whereas before, it was all based on postcodes. Where I live, I'm one of 40 or 50 properties, almost, on the same postcode and some properties get good broadband and some get poor broadband. So, I recognise that we need to go to premise-level information. But I still think we need to reach out through the various communication methods to get out



to the local communities rather than ask industry, because industry will supply you with what we call, 'Fact, not truth.'

[267] **Ms Brown:** I'd also add that, when we think about the final 4 per cent, it's not like some neat patch somewhere—it's very spread out and they can be the very, very rural, isolated properties. They may not be just farms; it could be just a small row of houses. They may be connected to a superfast broadband cabinet, but because of where they are, they still cannot get a decent speed. Those solutions, therefore, have become a lot more complex because a whole community wasn't considered together in terms of how everyone in that community would see a step change in improvement. So, I think that, for me, is something that any scheme needs to consider: that a whole area is covered to 100 per cent coverage and not just 96 per cent. Overall, we have to go down to a micro level to make sure that the individual properties offered solutions are covered.

12:15

[268] **Adam Price:** You referred in your written evidence, I think, and you also alluded to this earlier, to a potential role for local authorities, possibly working in public-private partnerships through a special purpose vehicle. Could you say a little bit more about that?

[269] **Mr Phelps:** Again, it comes back to whether you're taking public money to put some of this infrastructure in. If you look at it on a wider scale, we've seen where a lot of public money is being used, for instance, to provide connectivity to a school and then we find that the village around the school is a notspot, and then public money is being used to provide connectivity for that notspot. And then there are ongoing revenue charges. We think, again, if local authorities—. Some local authorities we've worked with have also offered funding to try and get projects off the ground and we're sort of saying, 'Well, maybe you should come in as a sort of partner and say, instead of you just giving that money away, "There is some investment." You would potentially get something back from this.' We won a concession deal with Bristol City Council, for instance, where we now manage and maintain their duct network for them, and we can sell commercial services fibre through that duct network. And Bristol City Council get a cut of that funding that we raise, so they get some of the benefit of the investment of putting that infrastructure in.

[270] Again, a lot of commercial partners probably wouldn't want to say

this, but they make an awful lot of money out of connecting up a lot of public sector buildings and schools, and this kind of thing, where you may say, 'Well, actually, wouldn't you be better off putting the money in the ground, to put the infrastructure in the ground? Your subsequent ongoing costs are fairly nominal.' And, for us, if a local authority does that, a bit like Bristol, we can say, 'Well, we could utilise your infrastructure to then provide connectivity to homes in the area, rather than it just being given to a provider and then that infrastructure is owned by the provider.' And I think that many local authorities would benefit from that kind of relationship.

[271] If we look into the future, the demand for connectivity is only going to increase. If we look at smart cities and smart rural, that infrastructure is going to be vital. And costs will only go up as we need more and more communications infrastructure, and local authorities will have even more pressure to cut costs, but the demand for communications is only going to increase. So, therefore, if you put the infrastructure in, if you put the capital investment in in the first place, at least your ongoing costs are kept low, and, with Bristol City Council, they are able to use those ducts for whatever purpose they like without paying us anything. So, they get to use them for free, in effect, but we take on the maintenance of those ducts to use them for commercial purposes.

[272] **Adam Price:** That issue of looking to the future. Turning from the sort of 'how' element of the successor scheme to 'what' we're going to build, to what extent should be looking decades into the future and trying to anticipate, not just on the demand side, but also the technology that could be available, versus actually more pragmatically focusing in the here and now on working within the existing framework of constraints? Should we be planning for 2050 and futureproofing, or should we be approaching things in a more incremental way, as we have been hitherto?

[273] **Ms Brown:** I don't think we need to look even that far ahead; I think even possibly the other side of 2020 because of the speed at which technology is changing the way that we even live, our demands of what it does increase as well. Really I think this is where putting fibre in the ground is a solution that we need to start looking and planning for now, so that we can achieve it and we're not behind again, which I think we have been with the Superfast Cymru roll-out. We were already behind—people were still only getting 2 Mbps, some were getting 8 Mbps, and sort of the best before that was 18 Mbps. So, really, the step change has to be a step change in technology as well. The copper in the ground or up on poles isn't going to

get better really. I know that BT have some solutions that they're trialling like the G.fast, which allows 500 Mbps, but you're going to have to build more cabinets closer to the premises. That doesn't work in rural situations. So, if we want to plan even for another five years, really, fibre is the solution. That's available now and there's nothing better, at the moment, than fibre. Its capacity to be upgraded is a lot easier, as well, than copper.

[274] **Mr Phelps:** I think Duncan alluded to something earlier saying that he really would like fibre to the mast now. I think that's the kind of thing we have to look at. There will be some situations where you will need a hybrid solution. You just won't be able to pay to run fibre kilometres and kilometres just to connect one farm when you could easily connect one with a wireless solution. But to get fibre to the mast, so that you make sure that the mast has the infrastructure, is one of the other issues. I personally believe that fibre is—and again, unfortunately in England they've probably stolen a bit of a march on us with that one. The altnet community has massively ramped up the fibre-to-the-premises roll-out there. I think, from our point of view, we started doing it, and when we look at the commercials, we're now seeing, yes, there are investors that will quite happily look at long-term investments. They're not looking for a return on investment in one, two or three years; they're looking at return on investments in eight, 10, 15 or 20 years. When you start looking at that, it would be daft to consider doing anything other than putting fibre—the best quality connectivity you can put in the ground. So, if the institutions and the commercial sector are willing to do that, then that's what we need to be looking at.

[275] **Adam Price:** And then could there be a role potentially for the new development bank in funding this?

[276] **Mr Phelps:** Absolutely so. I was having a discussion—we ourselves were going through an investment round to raise funding so that we can put more infrastructure in the ground. There's an awful lot of appetite out there, and with the new UK scheme, we believe that's what they're doing. They're looking at putting fund managers in place and we think that's absolutely—. Probably, from our point of view, the best suggestion we've had is using Finance Wales or the development bank to manage a fund on a commercial basis to lend as debt or equity to infrastructure providers or communities to get them off the ground. Because they—as Duncan said, if he had the capital upfront to do this work he could then connect more people, he can generate more revenue and he can pay those funds back. But he doesn't have to spend—you know, a traditional bank will probably look at that return on

investment and say, 'Well, we need the money back in six weeks' or something, if they'll lend it to you at all, whereas most astute institutions will say, 'Well, this is infrastructure. This is a long-term investment. It's like building a road or a railway.' That's how the communications infrastructure should be looked at.

[277] **Russell George:** Thank you. I'm just going to ask about planning permission as well. Duncan mentioned earlier—when he mentioned planning, he just said, 'That was all fine.' I nearly fell over when I heard that. What's your experience of dealing with planning departments and getting planning permission?

[278] **Mr Phelps:** It's hit or miss. It's really down to local communities and if you put up a mast—. The community needs the technology and the mast, so generally you might get one or two naysayers. Again, we've had similar situations with wireless where people are more concerned about health issues with wireless and that kind of thing. But otherwise, in actual fact, I have to say, planning takes a certain length of time, but if you plan ahead and you run schemes simultaneously, it's actually not that much of an issue. I think most of the problems stem from the fact that you'll get people objecting because sometimes, to be honest, they're thinking you're going to make an awful lot of money and they're saying, 'Well, we don't want this in our back yard. You're going to make a fortune off it so why should we agree to it?' But I'd have to say planning generally have been quite good.

[279] **Ms Brown:** I think we've worked with the authorities as well before the application went in. Not being clear ourselves, we found out what the rules were and what we needed to know, what they wanted us to provide and how they wanted that provided, and surveys—. So, actually they were quite well informed so that when the application went in, there had been a fair amount of consultation that had gone on.

[280] **Russell George:** What about your experience, Duncan?

[281] **Mr D. Taylor:** When Vodafone assisted us originally, they put in a very flimsy mast, and on the hill where they were going to put it, the wind is about 100 miles an hour in the winter and we personally didn't feel that the mast was strong enough. So, when we came to provide the mast, more than them, we put in a much more substantial mast that would stand the buffeting and we'd be able to put on far more than one or two dishes. With our mast, we can virtually put on—we can just load the thing up because it's so strong.

It is a substantial mast, and didn't cost any more than they were telling us that it was going to cost. And we had a much stronger mast.

[282] **Russell George:** Ray.

[283] **Mr R. Taylor:** If I could add to that, as far as infrastructure is concerned, I understand very much that fibre, at the moment, is the technology that we all understand and use. However, moving forward, if a little tiny community—. I can sit here with hand on heart and tell you that I could broadcast simply by purchasing more backhaul from BT; I could broadcast 400 Mbps to my users. I'm already way in excess of what BT is delivering through their superfast off a mast, and with white space, that would be removed as well. So possibly, what I'm saying is: in the future, if you are looking for upgradable infrastructure, possibly not just concentrating on fibre should be something to be considered, especially in rural areas, where, as Giles has just suggested, to get a group of a community of 10 people—you know, you're running £1 million worth of fibre optic. It just doesn't make sense to anybody, including the Government. So, yes, looking at alternative solutions, I would suggest, in the future, is the way to go, that can be upgraded quite easily. Like I said, if I had more backhaul, I could deliver 400 Mbps.

[284] **Russell George:** We're coming to the end of our meeting now, but I was just going to ask you all for a final statement, really. We're coming to the end of our inquiry next week. The Minister will be coming to give evidence, and then, as a committee, we will be writing a report and making recommendations to the Welsh Government about what we think they should do to ensure that everyone has got access to good, fast and reliable broadband and mobile. But if you want to help us out with writing those recommendations, give us your top line. What should be in our recommendations? A very brief summary of your key point.

[285] **Mr D. Taylor:** I would say that, if I can have money upfront, and be able to repay that at either £400 or £800 per household that I put online, I can then move forward. At the moment, I feel as though I'm shackled, because I've now got to go and knock on doors and they'll say, 'Will it work?' and I say, 'Yes'. They say, 'BT have told us we'll never have broadband.' I'm fighting all the time. But if I can say, 'Let me come into your house, there's the equipment, now watch', I'm home and dry, because they'll sign up straightaway.

[286] **Russell George:** A money upfront scheme from Mr Taylor.

[287] **Ms Brown:** I would say we want to not just look slightly in the future—we want to be a world-leading nation when it comes to connectivity. So, we have to think not just about what other nations are doing, but how we can jump right above them in what we do.

[288] **Mr Phelps:** I think we've alluded to one of the things for us: if there's any kind of schemes going forward—smaller schemes and more engagement with the communities, rather going to the technology providers.

[289] **Russell George:** How do you engage with the community?

[290] **Mr Phelps:** I think you need to—. To be honest with you, you're going to have to go down to the local authority level and say to them, 'Right there's a pot of money, you need to tell us the areas that you need to cover'. Give them a last chance to say, 'This is where we're talking about'. They then engage with their local chambers of commerce and that kind of thing, and the residents. And that information is fed up to Welsh Government to say, 'Right, here we go', and then give them control and say, 'We're going to bid on a scheme'. Allow them to bid with partners, so that if they want to be involved as a special purpose vehicle, the local authority can, or they can be purely funded 100 per cent with a provider. But I think it needs to go down to that local level.

[291] **Russell George:** Thank you. Extremely grateful. Sorry, Ray, did you have a final point?

[292] **Mr R. Taylor:** No, other than to echo the words of everybody else. Ring-fencing money to actually get this rolled out, instead of attempting to do it household by household, to me, is the way to go. Whether that grant is then paid back through household-to-household—. But at the end of the day, you're taking money out of one pocket and putting it into another. Maybe just get rid of all of the administration, ring-fence some money, identify that community and get the job done. That's all I have to add, really.

[293] **Russell George:** Great, thank you. We're extremely grateful. It was a really fascinating session this morning from you all, so we're grateful for your time and we really appreciate that. Thank you, also, for your written submissions. We're very grateful, thank you very much. We'll break for lunch now, but we'll be back at 2 o'clock with the mobile providers.

*Gohiriwyd y cyfarfod rhwng 12:30 ac 14:01  
The meeting adjourned between 12:30 and 14:01.*

**Papurau i'w Nodi  
Papers to Note**

[294] **Russell George:** Good afternoon. Welcome back to the Economy Infrastructure and Skills Committee. I just want to move to item 4 first and ask Members to note papers received this week. Are Members content? Yes.

**Darparwyr Ffonau Symudol—Comisiwn Seilwaith Cenedlaethol i Gymru  
Mobile Phone Providers—Digital Infrastructure in Wales**

[295] **Russell George:** So, we'll move to item 5. I'm pleased that we have the mobile operators with us today, and also the director from Mobile UK. I do understand we've had apologies from Three. It's disappointing that they're not with us today, but I'm grateful to you for coming to give evidence this afternoon. Can I just ask you to introduce yourselves: your name and which company you represent today?

[296] **Mr Dunn:** Okay. I'm Graham Dunn and I'm senior government affairs manager with Vodafone.

[297] **Mr James:** Paul James from Telefónica, branded O2 in the UK. Just to say from Three's perspective, he did ask me to apologise. He's not very well so it's actually unfortunate that he can't come along. From an industry perspective, I think we're probably speaking in one voice in that context.

[298] **Russell George:** Okay, that's noted. Thank you.

[299] **Mr Wainer:** Richard Wainer from EE.

[300] **Mr MacLeod:** And Hamish MacLeod, director of Mobile UK.

[301] **Russell George:** Before Members go into questions, I would ask, perhaps Hamish, if you would like to present us with a few opening comments.

[302] **Mr MacLeod:** Thank you very much indeed. I think the first thing to say

is we very, very much welcome the opportunity to come down and discuss this incredibly important topic with you. As you know, everybody has a mobile phone. Demand for our services is increasing enormously, very rapidly, and in the last three years alone demand for mobile data particularly has tripled. This has led the operators to increase the coverage that they are providing, increase the capacity of the network, and increase the capability as it's been upgraded to fourth generation. Throughout the UK, that entails a £2 billion investment programme, a significant proportion of which is going into Wales. I've said in other contexts—£2 billion is a big number, it's easily said that behind that number lies an absolute myriad of projects, as operators try and identify new sites—they do the commercial deal on new sites, they go through the planning regulation, the public consultation, the installation, the connectivity to connect it into the wider network. Each site in its own right is a very complex project, and I think it's important to say that operators have emphasised to me that they are up for making these investments in new infrastructure and capability, but we really do want to work in partnership, because there are many things that the Government, in its broadest sense, can do to assist us in achieving this complex task. I think it's particularly true in Wales, where we are challenged by the topography and the landscape.

[303] **Russell George:** I'm grateful for your comments and, of course, we as a committee want to understand what you want Government to do. We will be making recommendations to the Welsh Government, and if you tell us what those recommendations should be, and we make those recommendations and then the Government responds to them, well, everything would be sorted.

[304] **Mr MacLeod:** Is that a—?

[305] **Russell George:** It is a question, yes. A general, open question.

[306] **Mr MacLeod:** Let me just talk a little bit about the particular challenges for Wales. It's part physics, it's part economics and it's part the regulatory framework. So, clearly, everybody's aware of the landscape. Beautiful, rural areas of Wales are very, very challenging to get a mobile signal to. On the economic side of things, I think you've heard Ofcom talk about the comparison with tv transmitters. In order to cover 1 million people in Wales you need 67 tv transmitters. To cover 1 million people in England, you need only 12. That sort of maths is very similar in the mobile context. As far as regulatory reform is concerned—



[307] **Russell George:** It might be that Members will come on to those specific questions, so I think what I would ask, and perhaps I'll ask one of the mobile operators—Hamish has talked about a great deal of investment, but Wales has got the worst mobile signal of any of the four nations of the UK. So, some would say that you don't care about Wales. How would you respond to that?

[308] **Mr Wainer:** Let me talk from an EE perspective, I think, certainly over the past year, you've seen some—you should have seen some significant improvements in coverage, so we are very focused on delivering 4G services. We now deliver 4G to around 75 per cent of Welsh geography, which is comparable with the UK as a whole, and we would anticipate getting to around 90 per cent of Welsh geography by the end of this year.

[309] You asked the question about whether the policy reforms that Welsh Government are potentially looking at would do the job, and I think it's probably worth just unpacking that a bit, because I don't think the job will ever be done. I think customer expectations continually increase and change and technology continues to evolve and adapt. So, yes, we're probably all focused now on our roll-out of our 4G networks, but then we'll have 5G coming along on the back of that. So, I think, when we want to talk to Welsh Government, Ofcom, the Westminster Government as well, it is about how we can ensure the policy and regulatory environment is most conducive to that infrastructure and investment, not just for current roll-out, but looking ahead, whatever that might look like.

[310] **Russell George:** And if I can—. Well, I can see Paul indicating to speak, but can I perhaps ask a question as well, Paul—

[311] **Mr James:** Sure.

[312] **Russell George:** —before you add your comments? As I understand it, Ofcom has attached a 4G coverage obligation to O2, and that you'd be obliged to provide mobile broadband services for indoor reception at at least 95 per cent for the Welsh population by the end of this year. So, are you on target to achieve that?

[313] **Mr James:** Obviously, our objective is to do that. Obviously, I'm in front of, some would say, our commercial competitors, but that is the objective. That is in the licence obligation and that is what we're working

towards. If I can just unpick, again, some of the points—

[314] **Russell George:** Can I just ask, though, are you on target for meeting that?

[315] **Mr James:** At the moment, yes. We're working towards that target, yes.

[316] **Russell George:** So, as far as the committee's concerned, you will meet that by the end of this year.

[317] **Mr James:** We're working towards that target. I mean, there could be issues around planning, for instance. Going back to the point Hamish sort of said, what we're doing is, we're working, we're upgrading our network, we're building new sites and all of those things. So, in the planning process and everything else, you know, clearly, if something was to happen with a particular site or anything else—but that is in the plan. Like I said, there are a myriad of issues that would do that. But our expectation is that we make that target by the end of the year.

[318] But I was just going to go back to the point you were saying about coverage in Wales. Ourselves and Vodafone, through Beacon, which I know you're familiar with, but the committee may not be, are upgrading our network into a single grid of sites across the whole of the UK, and that's not just upgrading 4G but also 2G and 3G. And from a Welsh perspective, we're in the middle of that process now. So, we're upgrading most sites, sites that we will share with Vodafone, but also we're building new sites as well. So, in terms of your point about Wales, we're building quite a number of sites. I'd be prepared to share that with you on a confidential basis, to the committee, but I don't, obviously, want to discuss that in front of some of our competitors. But that's where we are with those sites. We, as a company, have spent in the last quarter £200 million on our network, so there are substantial amounts of money going in to upgrade the network in Wales, as in everywhere else as well.

[319] **Russell George:** And if you were able to send us that information, just put 'confidential' on top of that.

[320] **Mr James:** I will do.

[321] **Russell George:** And that goes for all the operators. I think Members would be interested in that, and would appreciate that we can use that

material in our conclusions. That would be useful for the committee.

[322] **Mr James:** I'd also just like to go back to one point you said about Wales and where we should be. I mean, clearly, we're all building and trying to match customers' expectations. It was a point I made the other day in some respects. This issue is an issue of national economic importance for Wales, and we think it needs to be treated in that way, and so the question is not about planning, it's actually the aspirational point of actually where Wales wants to be from a digital economy perspective. So, part of the answer to the question is: how do we all sit down and help that aspiration identify what sort of digitally enabled nation Wales wants to be? Is it 100 per cent geographical coverage? Is it 90 per cent geographical coverage? And then, how do we get there and how do we work to do that? So, I think that's quite an important aspect of the conversation. Otherwise, we're just talking about the existing obligations. So, talking about the future and where you want to go is equally important, and I'd say that attaching that in the way that the Scottish Government have with their mobile action plan we think is probably quite important.

[323] **Russell George:** Grateful. I'll ask Vikki Howells to come in at this point.

[324] **Vikki Howells:** Thank you. I'd like to ask you some questions around improving mobile coverage in Wales. That's what we'd all really like to see, and I'd like to focus specifically on Ofcom. Ofcom states that it's begun discussing with mobile network operators some radical and ambitious solutions to deliver universal mobile coverage. I wonder if you could inform the committee a little bit about the content of those discussions.

[325] **Mr MacLeod:** Well, the next big spectrum block to go on and talk about is the 700 MHz, and it's obviously understandable that Ofcom, as they did with the last auction, look to what conditions they might attach to that licence auction in order to stimulate coverage. The option they are looking at is, as I understand it, 'Can we put conditions on the rural areas before you attack the more densely populated areas?' Because generally speaking, the order of play, and the logical thing to do, is to put the coverage and the capacity where the demand is greatest, and then you work out from there. So, that's the sort of thing that they are thinking about, as we understand it, but the whole consultation process has to be pretty detailed and thorough.

[326] **Vikki Howells:** Okay.

[327] **Mr Wainer:** I think it's probably worth saying this: Ofcom are obviously a very important stakeholder, but they're one stakeholder. We also need to work very closely with Welsh Government and the Westminster Government to develop that policy and regulatory package and environment to support infrastructure. We know that the chief executive of Ofcom has set out her ambition quite publicly and has written to each of the CEOs of the operators, and I think we all look forward to having very productive and constructive discussions with them, I think. We would share her ambition and the ambitions of Ofcom.

[328] **Mr Dunn:** I think that's right and perfectly understandable from—

[329] **Russell George:** Can I just say as well—sorry, I should have said this at the beginning—you don't need to touch the equipment? They'll come on as if by themselves.

[330] **Mr Dunn:** It's perfectly understandable for Ofcom to be looking at these issues. All of us understand the ambition for more coverage and more capacity across the whole of the UK and especially here in Wales. As others have said, our investment will go so far, and it's really about how we have that partnership approach. So, there's some stuff from Ofcom, there's some stuff Welsh Government can do, and there's stuff that we can do, but in order to get there, we really do all need to work together, and there's a number of building blocks that go into that.

[331] **Vikki Howells:** Thank you. I know, Hamish, you mentioned at the start there about Ofcom's forthcoming mobile spectrum auction, so I wonder if I could ask you all if you have any views about how that spectrum auction should be designed to stimulate mobile coverage in Wales.

14:15

[332] **Mr MacLeod:** One point to make is that the spectrum auction shouldn't just be regarded as a cash generator for the general coffers. So, designing the policy to stimulate—. It's difficult for me to go into the detail of how that should be done, and that would be quite a long consultation process, and actually, operators, I think, will probably have very different views. But, I think, as general principles are concerned, yes, licence conditions do have a role in determining potential coverage obligations, but what is important to focus on is: how can we licence—how can the spectrum be licensed—in a way that allows for rapid deployment and stimulates investment in network? It's

difficult to go into any more detail than that, particularly at this stage in the process.

[333] **Mr James:** I'll make just one small point, I think. Two points, actually. The 700 MHz spectrum is a few years away. So, just to sort of clarify the situation, the next spectrum auction is actually for a capacity-type environment. I think it's just important to recognise that it could be three or four years away before we do actually get a hand on 700 MHz. It's worth a point of clarification.

[334] The other point is—just to build on Hamish's point—in the past, what we've had in terms of spectrum is money spent on the spectrum. So, the last auction raised £2 billion. That money goes into the Treasury and then becomes, effectively, an accounting item in the Treasury. Consideration could be given to the utilisation of the money in a different sort of way, particularly for notspot types of environments, over everything else, or just, I think, a more radical approach to purely selling spectrum with maybe a roll-out obligation that, effectively, will get you so far. But, actually, if your aspiration—going back to this word that I overuse, in a sense—is 100 per cent geographical coverage, with the greatest will in the world, that's never going to happen on a commercial basis from operators. So, 'How do you fill that gap?' is really the sort of question you need to be asking, and whether there is a role around spectrum for that in terms of things like allocations of the moneys and things like this, which they have done in other economies in Europe, I understand, like in Germany, where some of the land is used and some of the money raised to roll out in geographically difficult areas.

[335] **Vikki Howells:** Thank you. My final question is about roaming for customers between networks. That is a problem here in Wales. Is there anything that Ofcom can be doing to encourage more of that to take place, or are there any barriers to this roaming between networks that you feel we need to be aware of?

[336] **Mr MacLeod:** Well, roaming in-country is not done on a commercial basis, and this is something that has been looked at by the UK Government—at the end of 2014—to see whether it would help to address coverage problems. In short, it was concluded that it would not. For starters, it does nothing to deal with areas of the country where there's no signal at all. Secondly, it is really a technical distraction—it's technically not that straightforward to do in a localised way—and there were much better ways of achieving investment in network infrastructure and maintaining the

competitive nature of the industry. The mobile sector has always been extremely competitive, and it's basically served customers very, very well. So, completely changing the business model by introducing this business of roaming between networks in-country could have very, very deep consequences for the industry as a whole.

[337] **Russell George:** So, you don't want to see roaming.

[338] **Mr MacLeod:** I think that that would be a fair conclusion. [*Laughter.*]

[339] **Russell George:** Just to be absolutely clear, yes.

[340] **Mr MacLeod:** Well, that is a UK Government view too, that it just would not be in the long-term interest of consumers to completely change the business model of mobile operators and their investment programme.

[341] **Russell George:** Just picking up on an earlier question from Vikki, do you think Ofcom have got their spectrum policy wrong?

[342] **Mr MacLeod:** No, I don't think I said that. [*Laughter.*]

[343] **Russell George:** No, I know; I was asking you.

[344] **Mr MacLeod:** Well, they're in the process of setting it out for the next series of auctions.

[345] **Russell George:** Okay, and what about the rest? Do any of you think—?

[346] **Mr MacLeod:** I think it's fair to say, though—

[347] **Mr Dunn:** I think it's fair to say that the market and customer demands have evolved incredibly since the first set of spectrum auctions happened. But I think what is important is that when we're setting, or when Ofcom are setting, obligations around spectrum, we do that in the context in which we're living, where there's increased demand, particularly for those areas where, frankly, the economic case is much more challenging, and that, when that is being considered, all those things are being held in mind. It's a very, very different world from, certainly, the 3G or even the 4G auction.

[348] **Russell George:** So, are you happy that Ofcom have got their spectrum policy correct?

[349] **Mr MacLeod:** That's a big question. I think they have got the tools, they've got the expertise, they've got the incentives and they've got the processes there, but it's quite a difficult thing to get all the operators to agree on that particular detailed question.

[350] **Mr James:** I'll just make it quick. I think it is incumbent on them to ask some of those questions. So, I think what happens is I think you need—to Graham's point, you need a wider debate. That question needs to be asked in terms of the next auction, and say, 'Are there better ways?' I think we need to provoke that debate to see. It could be that it is right, but it needs to be tested. At the moment, it's never been tested because they've always done it one way, and I think the point is that you should test that and see if you can come up with other ways in which to do that. As I say, we're not saying one way is better than the other, but it hasn't been tested by anybody.

[351] **Russell George:** I have to say I am unclear. Ofcom have got a policy on spectrum, and I'm not clear whether you're happy with it or you're not happy with it. Is it that you don't want to say?

[352] **Mr MacLeod:** It's very difficult, that. I think their overall framework for making sure that it is efficiently used and it's deployed as quickly as possible for the best interests of customers—that framework is the right framework. It's the nitty-gritties of how they actually do it, of course, because that's where the—. Some people use the expression, 'the devil is in the detail'.

[353] **Russell George:** I'll come to Adam Price and I'll come to Hefin. Adam.

[354] **Adam Price:** I just wanted to go back to roaming for a second. For an international EU visitor to Wales at the moment, is it factually correct that, as an out-of-country mobile user who is able to avail themselves, therefore, of roaming, would they experience a more seamless service?

[355] **Mr MacLeod:** It is factually correct that, as a British user going to other parts of Europe, you would be able to roam across all the different networks offered there, and the same is true of people coming to here. But the point is that the in-country operators are the ones that have to invest in the network. The travelling customers and their home networks don't have to really invest in the network structure.

[356] **Mr James:** Sorry, can I just clarify?

[357] **Adam Price:** Yes.

[358] **Mr James:** There is no such thing, even for an inward roamer in the UK, as seamless roaming. So, if they were on one network and that network were to drop, they wouldn't seamlessly go to another network. What they have to do then is either manually select another network or wait until they come back into coverage on that one. So, the idea that they get some sort of superior service in terms of a seamlessness continuing of their conversation, that doesn't exist, the same as it doesn't exist for a UK consumer abroad. You have to still then connect to a network, even if you are roaming. So, it drops, you would pick it up, it would drop, you would pick it up. So, actually—

[359] **Adam Price:** I understand the point about dropping. So, if they're travelling, then I can see that's a problem. But in terms of being able to have a—'seamless' was the wrong word, then how shall we put it, a total—

[360] **Mr MacLeod:** It's a choice.

[361] **Adam Price:** Sorry?

[362] **Mr MacLeod:** A choice.

[363] **Adam Price:** Yes, total coverage, then—total geographic coverage. They would experience less of a notspot than one of your customers, because they're able to avail themselves of whichever network is available in the cell that they happened to be in.

[364] **Mr James:** Potentially, yes, if they were travelling across the whole—. Again, it would depend on the actual availability of coverage in the cell and the areas that they are in, because they might actually get a completely seamless service from an operator as a tourist if they're in the right area. So, the issue would be, I think, if you were travelling, maybe, if you were, in a sense, going the length and breadth of Wales, you might have the opportunity to have a little bit of a better service.

[365] **Adam Price:** So, given that notspots are a far bigger issue in Wales than they are across the whole of the UK, why can't you, as an industry, come together and provide us a multiple-operator product for people who live in particularly rural areas, where this is a huge problem?



[366] **Mr MacLeod:** Well, there are two aspects to it. One is that this is a competitive market, as I explained earlier. But there have been models like that, so that's very much how the mobile infrastructure project was structured, so that there would be one physical mast and then all the operators would be allowed to go on it and it's offered to all their customers. So, as it happens, the mobile infrastructure project was brought to a close because it didn't quite work out as the Government had hoped. There were a whole load of issues around planning. Actually, there were a whole load of issues around identifying what a notspot is. But I think your point is sound in that, in principle, that model is doable. I don't think the way the MIP was done was absolutely right, but I think there is the potential for learning lessons of how the MIP was done, and trying it again, and, particularly for the remote areas where there is really no commercial reason for going there, investigating public-private partnership type of models.

[367] **Adam Price:** Okay. Thanks.

[368] **Mr Dunn:** Also, just to say, sharing infrastructure is already a key part of our network roll-out. Paul alluded earlier on to the Beacon project that we've got with Telefonica, so a large majority of the infrastructure that we've got in Wales will be shared between the two of us.

[369] **Mr Wainer:** EE has a similar, although different, relationship with Three, through MBNL.

[370] **Adam Price:** Okay. Thanks.

[371] **Russell George:** Hefin David.

[372] **Hefin David:** We took some evidence from the Ger-y-Gors project from mid Wales. Are you aware of that, Graham?

[373] **Mr Dunn:** I think so. I'm not sure. Remind me of the—

[374] **Mr MacLeod:** It was the community one, and they used MIP funding, too, actually, to get the whole thing going.

[375] **Hefin David:** Yes. I just wondered, given the fact that, Paul, you said you won't reach 100 per cent—these community projects might be a route to achieving that. Can you tell us more of what you think about that kind of

project? It was Vodafone, I understood, which assisted that.

[376] **Mr Dunn:** I think, in principle, we're always up for those kinds of discussions, and there are some really good examples from there and other places in the country. That's a recognition of the fact that our investment on its own will go so far; potentially with some policy reform and some other things we might be able to get further. But there will always be areas where, frankly, it's really challenging, either economically or topographically, and that's actually where coming together with a local community—it might be some of our funding, some of their manpower, or whatever. I think we're always open to those sorts of discussions. We did a roll-out of a femtocell technology project that we call 'rural open sure signal', and quite a few of those were put into rural communities in Wales. Essentially, we paid for the boxes, the community agreed to have them fitted to the side of the local pub, or the village hall, and paid for the electricity, and we were able to then hook those communities up to a mobile broadband signal where previously they'd had no signal at all. So, I think, absolutely, we're always up for those discussions, particularly in those areas where it's really, really difficult for us to reach in our traditional macro network.

[377] **Hefin David:** It was something of a life-enhancing story that they told of the five years that they spent to get this online. I've been looking at their website today.

[378] **Mr James:** Just to say, I think it does point to a very important aspect. It goes to the point that this is becoming an economic issue as much as, shall we say, a nice-to-have issue, and we recognise that. The whole point of—. Like you said, I think it's part of a plan. You need to have an action plan, and I think that is partly planning and building sites in certain ways; it's planning for the future, which is: we build so far, and then where do you go after that? So, I think they use the term 'infill', but actually what we're probably saying is, 'Where are we never going to go?' So, we have to build a picture, working with the Welsh Government, of areas that might never be covered, and then we look at solutions, and community-based certainly might be the way to do that.

[379] The emergency services mobile communications programme proposal from the Home Office is another element of that, and then also you build—you look at the fibre environment in Wales and look to see that you've got the right backhaul environment and the right type to be able to get this traffic back to the right places as well. So, it has to be, in a sense, one single

plan, but with all of those elements in.

14:30

[380] **Hefin David:** I got the impression that it was a bit of a struggle for them and they had a struggle to get mobile operators interested, and Vodafone took up the challenge. There were two things that struck me about what they said: the first was the fact that they went to procure masts—they got planning permission and went to procure masts—but the people who made the masts were reluctant to provide them because they were worried that they would lose custom from those they provided masts to. Am I correct here that that was the evidence that was given?

[381] **David J. Rowlands:** Absolutely, yes.

[382] **Hefin David:** Yes. I wonder if you'd comment on that. It seems absurd to be concerned about a community project like that but that is what the mast providers told them.

[383] **Mr James:** I personally don't know. I don't know who that provider is. It's obviously a manufacturer of—

[384] **Hefin David:** There were four, apparently, and three refused to even consider it. [*Interruption.*] Four refused to consider. They eventually found someone to do it.

[385] **Mr James:** We might have a view on it, but at the moment I'm not sighted enough on who those guys are and what they said to do that. But, like you said, the basic principle—and, just going back, we were supportive of the idea of MIP and we worked on MIP to try to deliver that generally, so the idea that somebody would do that seems to be slightly counterintuitive, but I'm not—. We probably need a little bit more detail on that.

[386] **Hefin David:** I'm reluctant to be too aggressive today but I'm certainly going to look over the evidence, because the impression I got was that Vodafone could have been more helpful in their project and that the actual, when it came to it, interest in community activity was fairly limited. I'm going to explore that in the context of the evidence that we've received today, because it was the first time we've received it, but it might be worth looking over the transcript and seeing some of the stories they had to tell. The big corporates didn't come out of it good, put it that way.

[387] **Russell George:** I think that the general message that we had from Duncan Taylor, who led the community initiative, was that he didn't have support or help from the mobile providers. There were obstacles in their way throughout the programme, but I think, from what you're saying today, you're saying you want to work and be supportive with community projects. Is that right?

[388] **Mr MacLeod:** Let me jump in and, I wouldn't say exactly defend them, but just say that one of my colleagues recently described to me that their life is like having 500 plates that are all spinning, which is essentially 500 sites going through acquisition, legals, planning. So, they live extremely busy lives and so I would be surprised if it was a commercial reluctance. I just think that it would be the realities of their life, actually. The process of spending £2 billion is extremely time consuming and that would be more my impression than actual 'this is not a good idea' sort of thing. I can't think why we would think that.

[389] **Hefin David:** If we're going to solve that last 4 per cent problem then we need those kinds of community projects.

[390] **Mr Macleod:** Absolutely.

[391] **Mr James:** Or a commitment to be able deliver the same sort of thing either with the community or with the Welsh Government or whoever. I just want to emphasise that part of the reason we're here today, and we were in Wales last week talking about it, is that we do recognise this issue and we recognise, again, how important this issue is for communities and, as I said, we are striving in that context to do that. We'd be being economical with the truth if we said we had all the answers and we don't. But what we need to do, like I said, is build that momentum and build that. I think that's part of the reason for being here today but also to engage with that type of community. I'm not aware of the community maybe approaching, say, us in that context, and they may or they may not have done, but we are seeing that type of environment increasing where communities are coming to us and we're engaging them if we can in that sense. Like I said, we are upgrading the whole of the network in Wales. There are bodies that can do this and it isn't just as if we can all of a sudden—

[392] **Hefin David:** In that case, can I ask you, each of you, after this meeting, to go onto Senedd.tv and watch and listen to the story that these

people told. It won't take longer than 20 minutes, however busy you are, and it's a story that's worth hearing.

[393] **Russell George:** It is. Really, it is. It's not often we say that as a committee, but it genuinely is.

[394] **Mr James:** The gentleman that was there last week at the Ofcom—

[395] **Russell George:** He was. Yes, he was at the Ofcom summit last week.

[396] **Mr Price:** We'll try and tweet out that clip, actually, from the committee's account. So, if we can do that, you don't have to go looking for it.

[397] **Hefin David:** It is worth hearing and learning from that story.

[398] **Mr MacLeod:** But also it would be quite interesting to understand how scalable that type of approach is, or whether that was really based on one particularly inspired individual.

[399] **Mr James:** There are other examples of our engagement in that context and, obviously, again, offline I'll talk to you a little bit about that. But there's one we're talking to—a Mr Joyce—about one in his constituency. So, there are things happening—maybe not with the pace that some people might accept, but there are definitely things happening that we can do in that context.

[400] **Russell George:** We'll move on a bit now, because what we want to understand is what the Welsh Government can do to support you, to support better mobile coverage, so we're moving on to that area now, and I'll ask Mark Isherwood.

[401] **Mark Isherwood:** Thank you. Mobile UK has indicated a range of reforms it believes the Welsh Government could introduce to improve mobile coverage in Wales, including reform to planning regulations, planning guidance, business rates regime, access to suitable locations, partnership schemes where there's no commercial business case and better Government working, both department to department and Welsh and UK Government working. So, can I ask each of you why you believe that to be the case, what reform you believe is needed, and how that could be expected to drive the changes needed?

[402] **Russell George:** Clearly, if one of you answers and others agree, don't repeat it, but if there's a new point to add then add it.

[403] **Mr MacLeod:** Okay, then. So, I think our overall view is that no one of those reforms will be the killer answer; it's a cumulative package, really, that we're talking about. Your question is well timed; we've actually come hotfoot from seeing the Welsh Government this morning. We're all participating in a round table to go through in more detail some of these things. Just to take planning, for example, England has just changed its laws so that, under permitted development, we can go up to 25m with new masts. Scotland and Northern Ireland are considering doing the same. I think it's too early say that the Welsh Government are considering that, but they're certainly listening to us. Getting the planning policy right, getting the process right, getting the regulation right, all makes the task of progressing sites through the acquisition and planning process much simpler, quicker, less costly—and less costly for planning authorities, too, if they're not having to deal with a load of planning applications.

[404] We mustn't forget, though, it's a human process, this. There are a lot of stakeholders out there who are not always accepting of masts, and that's why it's important that—. The policy and the process are just as important as the rules themselves. But, if we can have higher masts, that makes it much more flexible. I'm talking about higher masts under permitted development; it makes it much more flexible as to the way we can develop the network, because it is a jigsaw and they all have to be linked up. The higher the masts, the more flexible and easier that task can become, and, doing it under permitted development, where very much the presumption is that the mast will be allowed, gives greater certainty and it's much easier for the planning officers to get it through the planning process. So, that's one of the points we've been making.

[405] On the wider planning regulations around just general property development, if there's more emphasis put on property developers to take account of the requirements of mobile communications when they're doing their planning applications—. Because the urban environment is not static and, actually, new buildings going up can have a big impact on how our coverage in a given area spreads out. So, it will help. Again, not a killer change, but just adding to the ease and the help. We've talked about—. Sorry, business rates regimes are, again, another. Anything that can be done to reduce the total cost of ownership of a site makes it more likely and more

viable for us to put the coverage further and further into Wales. It's very difficult at this stage to come up with a precise calculation as to what reduction in business rates would result in what extra coverage, but, nonetheless, it's all part of the package. We've already talked about public-private partnerships as a way of, again, reaching further into the country, and the point about co-ordination between the Welsh Assembly Government and the UK Government and what have you, again, I think is important.

[406] The Minister this morning was saying that it really is actually quite complex, but I think we would like to emphasise, from the point of view of demand from our customers, from the point of view of the economic development of Wales, okay, it may be complex, but that effort is worth making in order to ease the process. Rhodri Williams from Ofcom was there this morning and he said, 'Look, it is not a coincidence that the geographic coverage in Wales, mobile coverage in Wales, is less than in other parts of the UK'. There are a lot of barriers that have to be removed if we're going to catch up.

[407] **Mr Wainer:** I think I would just say that we obviously welcomed the opportunity to have that discussion with Welsh Government this morning, and we had the opportunity to talk through, I think, all those issues that we raised in our written evidence to the committee, to understand, potentially, where there is Welsh Government appetite for taking that forward. I think if we were to be challenging, we would say that Wales and the Welsh Government are playing catch-up with other parts of the UK. So, we were sitting around a similar table in Scotland a year ago. They came out with their mobile action plan in the middle of last year following some considerable engagement and discussion with mobile operators and other stakeholders. We would be very keen to see a similar sort of commitment from Welsh Government, working very closely with operators and others, so that Wales can move forward in the same way as other parts of the UK.

[408] **Russell George:** Mark, do you want to—?

[409] **Mark Isherwood:** Yes, thank you. Do you believe, if these proposals were addressed, as you call for, that that would lead to 100 per cent coverage, and/or—and you referred to the need for public-private partnership—what role do you believe there is to play for public subsidy, either in grants or upfront capital loans, perhaps repayable, which is something we heard suggested in the earlier session? And to what extent—you've already answered it—with the Welsh Government, could you make

mobile coverage better in Wales? You've come hotfoot from the meeting. So, particularly about those points.

[410] And I'll just add—you refer to objections and the issues when communities object. Again, in terms of the community scheme referred to by Hefin David earlier, we heard this morning that they'd actually found planning easy, there was only one local objector on grounds of concern about radiation, although, a decade ago, in my own village, there was huge contention and a protest campaign against a mast going up because of fears of, allegations of, health impacts. So, to what extent, as we heard this morning, is it much better to get a community together to discuss what you want to do before the process starts, rather than responding to concerns once it's started going down the road and the signs have gone up on the lamp posts?

[411] **Mr MacLeod:** Those processes of local consultation are absolutely part of our development process. I think what we were hearing from the Minister this morning was that very large parts of Wales are national park, and that's a particularly sensitive area, and perhaps that is where the committee would like—. It would pay dividends if the committee looked closely at what policy changes could be put in place there. And it does seem to be that the visual impact is very much an issue in the national parks. So, perhaps it's an education process in which we could all play a part. We also talked about whether having larger, fewer masts would be a better solution in national parks than lots of small ones. This is a public discussion. It's not just about us saying, 'Right, we want to put a mast there; take it or leave it, or you guys change the regulations.' I think there is room for a public debate about how you want to deal with these areas of natural beauty.

14:45

[412] **Mr James:** There is a lot of public engagement that does go on, particularly by some colleagues from Cornerstone Telecommunications Infrastructure Limited who build our sites. They do quite a lot of public engagement. There is a manager assigned to do this and they spend their time engaging with local authorities and local businesses on those issues. A lot of what it does seem to be coming down to at the moment is this visual piece. That seems to hold sway in a lot of the places. We appreciate that, but what seems to be missing from the conversation is the local economic business development and the benefit that connectivity can bring. There's a role for us to play in helping with that case, but we need to start building the



case for how this yields economic benefits. I think the case over here with the community is a good example of that, and we need to build that story so that they're considerations in planning as much as the visual intrusiveness.

[413] Also, the health point, just to pick up on that, all our sites are written up as compliant and obviously that's a well-established framework. So, the health issue, you're right, shouldn't be the same consideration that it was. The fact that people are still using that angle is something, again, that we need to probably look at, because I think there is a divergence—I could be wrong—between local and national Welsh policy on that, where one of them talks about health and the other one doesn't. Maybe we can dig that out for you as evidence, just to show you that there is a slight divergence sometimes in terms of what's spoken about locally and what's in the national planning guidelines. I think I'm right in that context—this morning it came out. We can dig that out for you, just to give you an example of what's happening.

[414] **Mark Isherwood:** I'd like to hear more about how to overcome objections before they arise. It wasn't so much about local authorities and businesses, but at community level, before you put in even the outline planning application or build up your worked-up business case, because if you're doing it with the communities, they are seen to be taking ownership, where 99 per cent of them and 100 per cent of their children want to be accessing the services that their mobiles can provide, and you're helping to help them deliver the solutions that you're then delivering with them subsequently. Could I have an answer to the question over the extent to which public subsidy, whether in the form of grants or loans, is necessary to fill in the commercially unviable areas?

[415] **Mr MacLeod:** I think there will be a place for that, yes. The model that was used for the mobile infrastructure project was essentially a fund that was used to build structures that all operators could use. That sort of model was fundamentally sound. There were just a lot of operational problems with delivering it. So, I would certainly encourage the Welsh Government to look at something similar, but just learn the lessons from the previous project.

[416] **Mr James:** I'd just add to that. Again, we've discussed this this morning, but I think we need to look at where the operators are rolling out and get a proper picture first. I'll say at this point that we're all engaged in significant roll-outs, still, in Wales, if someone says, 'Where do you go after that?' because I think that's important. Because if you start looking at it now, the picture could be changed in six months' time because other masts will

have been built, masts will have been upgraded and everything else because, as I say, all operators are undertaking significant investment in Wales. If you look at the Ofcom statistics—and I know that Wales lags behind in that sense—there has been significant progress between this year and last year in Wales and you'd hope to see that progress again next year when they produce those things. So, it's actually a forward-looking approach that needs to be taken, once you get to a stage where a lot of the infrastructure that's being built now is up and is operational.

[417] **Russell George:** You sat around a table with the Minister this morning and you told her what you've told us as well. But, as a committee, we want to be making recommendations, and we can make recommendations. We'll consider it, what you've told us today, but you've told us today that you want changes in permitted developments, and changes in business rates and the planning regime, and we can make those recommendations, potentially, but do you want us to make more detailed recommendations? What mast heights? What permitted developments? What do you want exactly on business rates? Did you have that kind of discussion with the Minister this morning? Is there any more detail that you can give apart from those headlines?

[418] **Mr MacLeod:** We certainly talked about—and I think we put it in our written evidence—the sorts of things that would really help, around higher masts for new developments—

[419] **Russell George:** What height?

[420] **Mr MacLeod:** In our written evidence, we have put 30m.

[421] **Russell George:** Great.

[422] **Mr MacLeod:** There are other things around antennas—the numbers of antennas that can go on dwelling houses and that sort of thing. Basically, all the infrastructure that goes with putting out a new site—proximity to the highways and all these sorts of things—if it can be relaxed and demonstrated—. These are moves that other parts of the UK are already putting in train and, I think, are putting Wales at a disadvantage when it comes to network roll-out.

[423] **Russell George:** You said Welsh Government is playing catch-up. After your meeting this morning—. What level of confidence do you have that there

will be some progress following the meeting this morning with the Minister?

[424] **Mr MacLeod:** I think it was certainly progress. There was commitment from the Minister to do stuff, absolutely. We saw the Scottish Government, a year ago, publish their mobile action plan and there's absolutely no doubt about it that they've started to put in train the things that they've identified in that plan. So, that sort of approach, I think, is really helpful because it gets it all in one place. It means there's capacity to co-ordinate across Government so that everybody's clear what the issues are and really to start focusing on some of the detail that does need to be worked through.

[425] I would say, from this morning's discussion, there was a lot of, 'Give us the evidence and then we'll make the changes.' That's fine, I can see why that would be said, but don't make it too hard for us because, actually, quite a lot of this evidence is really hard to come by. It's all about, 'Don't constrain us unless you really, really have to.' Rather, the burden of proof, I think, should be the other way around, because we, as we said in our opening remarks, are absolutely up for investing in Wales. We recognise the importance of this to customers in Wales. We're on for partnership agreements and all that sort of thing.

[426] **Russell George:** Why is it difficult for—? And I'm trying to be helpful, because we want to make recommendations that are helpful to you. Why is it difficult for you to bring examples to the Government to show them?

[427] **Mr MacLeod:** One of the things that was discussed was, 'Okay, if you pick out a region of the country and plan it out using current regulations, and that gives you so many masts and backhaul and all that sort of thing, then if we change the regulations to X, re-plan that region and demonstrate to us what the difference would be in investment.' We could do that, but that's quite a diversion from our business-as-usual activity. The evidence is there in other countries that roll-out can be made easier. So, as I say, the burden of proof should be the other way around. Only constrain us where it's absolutely necessary.

[428] **Russell George:** So your answer would be, to Welsh Government, 'We don't need to give you evidence because there are examples in other parts of the country where this has been achieved, look there.'

[429] **Mr James:** I think that's part of the answer. I think there are a couple of other elements too. What we need to see from the Welsh Government is an

acknowledgment—again, to go back to the point—at a senior level that this is an economic development issue and therefore needs to be looked at from an economic development perspective. When the planning changes were announced—and we discussed this earlier on as well—in England as it were, the Chancellor announced it as part of the budget and it was couched in terms of the economic development aspect rather than a planning conversation, which then does become evidence based. That isn't to say that we then don't need to put some evidence in to help them, but I think it's very important that it's done in those terms, so that we can have the type of conversation we need to and you can have the justification for the change in policy, and then the planning discussions become the way in which you do it. But the actual issue is that you want this as part of your national plan, which George Osborne did in the UK Parliament.

[430] **Mr Wainer:** I think we would hope that following that initial discussion that we had—.

[431] **Russell George:** I'll bring in Adam Price. Have you got questions, Adam, on this? If Richard wants to answer, I'll come to you next if you've got questions, Adam.

[432] **Adam Price:** Yes, fine.

[433] **Mr Wainer:** I was going to say that I think, following that initial discussion we had with Welsh Government today, we'd all be quite keen to see a commitment to taking that forward, a commitment to developing that action plan—clearly, as part of that, all mobile operators and other stakeholders need to engage regularly and constructively in that and we will provide the evidence, et cetera, that's needed; we did that in Scotland—and also set out a clear timescale for taking action. I think if that's the product of the discussion today, I think that would be a very worth-while outcome.

[434] **Russell George:** Okay. Adam Price.

[435] **Adam Price:** Yes, just finally, in looking outside for inspiration, which is always a good thing, is there anything else? Many of you referred to the mobile action plan. Is there anything else that the devolved nations are doing? Northern Ireland was consulting when they had a Government. Is there anything else that we could be doing, looking at the devolved nations or even looking further afield? I think we all have anecdotal experiences of being in some fjord somewhere and having better reception in parts of

Scandinavia than we have at home, et cetera. Is there anything else that nations, or indeed regional Governments, are doing in Europe or even further afield that we could be doing here?

[436] **Mr MacLeod:** I have asked that very question to other people and the answer I generally get is that the contexts are so different, often, in other parts of the world, it's really quite difficult to say, 'Well, that's brilliant, let's take a bit of that, and that's brilliant, let's take a bit of that.' Let's be ambitious for Wales and create a plan that is suitable for Wales—that's the whole point of a devolved administration—and I think it's perfectly within our collective powers to put in place policies and measures that will improve matters, but within our own context.

[437] **Mr James:** On the Scandinavian point, they do build bigger masts. We'll see if we can find you some evidence of that, but I think that some of the average masts are, sort of, more 50m in some of those places in Scandinavia. So, they build bigger masts. What we do in the UK—. We've got generally smaller masts in the UK because of the way the planning system has evolved. I may be speaking slightly out of turn, but I think our colleagues in Three have looked at that and I'll speak to Simon Miller to see if he can submit you some evidence on that, because I think that's a point he's made in the past.

[438] **Mr Dunn:** We can certainly send the committee some evidence from some of the other markets that Vodafone operates in. Obviously, as an international business, we operate in some of those places where people will say, 'Well, I can get a signal here or there', so we can perhaps drop you a note with some of that.

[439] **Mr MacLeod:** I think particularly what happens in the national parks, because that is clearly a factor that is very special to Wales and it's difficult.

[440] **Adam Price:** The Basque Government in the 1990s got so frustrated with mobile reception in the Basque Country they decided to create their own mobile telecoms company: Euskaltel. Presumably, you wouldn't be that enthusiastic about that as a solution for the Welsh Government?

[441] **Mr MacLeod:** Well, it's a competitive market. [*Laughter.*]

[442] **Adam Price:** That's a diplomatic response.

[443] **Russell George:** I'm getting the message from you as well that you

think that the Scottish action plan is good and positive. It's something that you would like to see the Welsh Government deliver here. Am I picking that up correctly?

[444] **Mr Wainer:** I think that would be very fair.

[445] **Russell George:** Right, good.

15:00

[446] **Mr James:** I think a plan particularly focused on the issues in Wales—. As I said, it's not a direct read-across, but I think the spirit of it is the right approach, just to say, on that.

[447] **Russell George:** Yes. And if I could ask—. We're just coming to a close now, but if I could ask each of you, just in a couple of sentences—. We do have Julie James, the Minister, before us next week, so in a couple of sentences, what should we be challenging her on? Just to finish.

[448] **Mr Wainer:** I guess I would reiterate my comments. A very welcome initial discussion, and very keen to see that turn into a commitment for action with a clear timetable. We, as operators, will play our full role in that, but we want to see that taken forward as quickly as possible.

[449] **Russell George:** Great.

[450] **Mr James:** I think we'd agree with that approach. As I said, in a sense, it's incumbent on us to keep pressing for that now, and that's what we will do on it.

[451] **Mr Dunn:** I'd certainly echo that from a Vodafone point of view. We're investing significant amounts of resource in improving coverage across Wales, and what we really want is a proper, practical partnership with the Welsh Government to enable that to go as far as it can.

[452] **Mr MacLeod:** I don't think I can add to the brilliance of my colleagues here.

[453] **Russell George:** Can I thank you very much? We are very grateful for your time. And I should say, sometimes, it can sound a bit doom and gloom, but certainly, in the town I live, I've got a much better mobile signal than I

did six months ago, and I thank EE for that. And I'm sure you all deliver equally good networks in other areas as well. But, no, no, I think there are big improvements in certain areas of Wales, and we, as a committee, want to make strong recommendations to the Government to ensure that we make it as easy as possible for all residents in Wales to have good mobile reception. Thank you for your attendance today; we're very grateful for your time. And that brings us to the end of our committee session today. We next meet next Wednesday, when the Minister, Julie James, is before us.

*Daeth y cyfarfod i ben am 15:02.*

*The meeting ended at 15:02.*