

National Assembly for Wales
Public Accounts Committee

**Welsh Government Investment in
Next Generation Broadband
Infrastructure**

November 2015

Cynulliad
Cenedlaethol
Cymru

National
Assembly for
Wales



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Public Accounts Committee
National Assembly for Wales
Cardiff Bay
CF99 1NA

Tel: 0300 200 6565

Email: SeneddPAC@assembly.wales

Twitter: [@SeneddPAC](https://twitter.com/SeneddPAC)

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Public Accounts Committee

The Committee was established on 22 June 2011. The role of the Public Accounts Committee is to ensure that proper and thorough scrutiny is given to Welsh Government expenditure. The specific functions of the Committee are set out in Standing Order 18. The Committee will consider reports prepared by the Auditor General for Wales on the accounts of the Welsh Government and other public bodies, and on the economy, efficiency and effectiveness with which resources were employed in the discharge of public functions.

Current Committee membership:



Darren Millar (Chair)
Welsh Conservatives
Clwyd West



Mohammad Asghar
Welsh Conservatives
South Wales East



Jocelyn Davies
Plaid Cymru
South Wales East



Mike Hedges
Welsh Labour
Swansea East



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Welsh Labour
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Julie Morgan
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Welsh Liberal Democrats
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Chair's foreword

The need for households and businesses in Wales to have access to next generation broadband in the twenty first century is becoming increasingly important.

The Committee decided to undertake an inquiry into the rollout of new and improved broadband services following the publication of a report in May by the Auditor General for Wales. In his report, the Auditor General concluded that the Welsh Government is making “reasonable progress” in providing all premises in Wales with the ability to access to next generation broadband services.

During our inquiry we took evidence from BT/Openreach, as the delivery contractor, and the Welsh Government, exploring with them both the way which the contract for rollout was being managed, the challenges which remain, and what action both organisations are taking to promote the uptake of faster broadband services.

Whilst our report refers to the number of premises with access to superfast broadband at the end of June 2015, it also reflects a decision taken by the Welsh Government in July which extend the deadline for completion of the project to June 2017.

The Committee's findings and the ten recommendations which emerged from them, touch on contract management issues; the need for contracts to include clear targets and timeframes; and the effectiveness of the contract's communications strategy.

I trust that the recommendations will be useful and hope that the Welsh Government will be able to apply them to other contexts as appropriate.

I commend this report to all who read it.

Darren Millar AM
Chair

The Committee's Recommendations

The Committee's recommendations to the Welsh Government are listed below, in the order that they appear in this Report. Please refer to the relevant pages of the report to see the supporting evidence and conclusions:

Recommendation 1. The Committee recommends that the Welsh Government provides assurances that the project extension will not lead to further delays for premises that were included in the original contract and continues to monitor BTs progress to ensure the project is delivered within the revised timescale (Page 16)

Recommendation 2. The Committee recommends that the Welsh Government provide details on its scheme to replace Access to Broadband Cymru and provide access to next generation broadband to all premises across Wales. (Page 17)

Recommendation 3. The Committee recommends that Welsh Government actively liaise with service providers to identify these premises and find a solution to delivering next generation broadband to these difficult to reach premises. (Page 17)

Recommendation 4. The Committee recommends that an update be provided by Welsh Government on the progress of rollout to difficult to reach premises no later than September 2016 including:

- an update on the achievement of 40 per cent of premises at 100Mbps;
- information on when residents will be told if that are not likely to receive next generation broadband through the Superfast Cymru contract;
- details of the affordable options available to them;
- the number of 'premises passed'; and
- an update on the recommendations contained in the Auditor General for Wales's report. (Page 17)

Recommendation 5. The Committee recommends that the Welsh Government provide confirmation on the success of the Superfast Cymru rollout and if they have been able to draw down all the ERDF funding available as a result. (Page 17)

Recommendation 6. The Committee recommends that the Welsh Government should reflect on lessons learned from the overall planning and management of the Superfast Cymru contract and reflect these lessons in its own guidance on programme and project management. (Page 19)

Recommendation 7. The Committee recommends that the Welsh Government ensures that all relevant staff receive refresher training as required on contract negotiations and that all guidance is regularly reviewed and available to staff. (Page 19)

Recommendation 8. The Committee recommends that the Welsh Government works with BT, as a priority, to improve the effectiveness of its communication strategy, including the website, for the remainder of the rollout and that the Welsh Government provide the Committee with an update on changes made to the strategy to address our concerns. (Page 23)

Recommendation 9. The Committee recommends that the Welsh Government give consideration, in principle, that as a minimum, details of aspirational targets and expectations as to when they should be met, should be included in future contracts. (Page 28)

Recommendation 10. The Committee recommends that the Committee be provided with an update on work to improve communications and marketing of the benefits of access to superfast broadband no later than September 2016. (Page 28)

1. Introduction

1. The Auditor General's report considered the rollout of the Superfast Cymru contract and found that BT is making "reasonable progress" towards providing access to next generation broadband for premises across Wales with work to promote exploitation of the benefits now under way. The report also stated that procurement and management of the Superfast Cymru contract had been "generally effective", with appropriate controls in place to manage costs and delivery.¹
2. The Committee considered the report on 9 June 2015 together with an initial response from the Welsh Government to the report's recommendations and agreed to undertake a short inquiry. The Committee explored with BT their role as contractor in delivering the Superfast Cymru contract and looked at the Welsh Government's role in planning, procuring and managing the Superfast Cymru contract, along with their activities to stimulate uptake of next generation broadband. All evidence was gathered in the context of the Auditor General's recommendations and main findings. The full list of witnesses can be found at Annex A.
3. The following report details the Committee's conclusions and recommendations based on the evidence received during the course of its inquiry. The Committee would like to thank all those who contributed.

¹ Auditor General for Wales Report, [Welsh Government investment in next generation broadband infrastructure](#) paragraph 8, May 2015

2. Progress in rolling out access to next generation broadband

4. The Superfast Cymru contract includes a target of 95 per cent of premises in the designated intervention area, 691,000 premises, having access by June 2016.
5. The Welsh Government test and verify the access to next generation broadband to premises and by late December 2014 had passed 345,681 premises in this way and BT had claimed £81 million.² BT achieved this through an increase in the average number of premises passed per month, which doubled from 11,000 per month up to February 2014 to 22,000 between March and June 2014 and to 25,900 premises per month between July and December 2014.³
6. The original timeframe for drawing down European Funding was reduced by six months following a delay in the European Commission granting the UK Government state aid approval for all UK next generation projects.⁴ However, in oral evidence, BT remained confident of achieving 500,000 premises passed by the end of June 2015 and if this is achieved the Welsh Government will be able to draw down all of the ERDF Competitiveness funding.⁵
7. On 30 September 2015, the Welsh Government announced that 504,352 premises could now access superfast broadband in Wales as a result of Superfast Cymru.⁶ The Committee questioned BT on their progress in rolling out the Superfast Cymru contract asking whether they were satisfied with the pace of progress and, if slippage had occurred, why. BT stated that they were “truly pleased with the progress” believing that the Auditor General’s Report captured “the challenge that is this massive piece of infrastructure build”.⁷
8. BT also explained that there had been delays in the European Commission granting the UK Government state aid approval at EU and

² Auditor General for Wales Report, [Welsh Government investment in next generation broadband infrastructure](#) paragraph 2.9 – 2.10, May 2015

³ Auditor General for Wales Report, [Welsh Government investment in next generation broadband infrastructure](#), paragraph 2.12, May 2015

⁴ Auditor General for Wales Report, [Welsh Government investment in next generation broadband infrastructure](#), paragraph 2.2 – 2.5, May 2015

⁵ Auditor General for Wales Report, [Welsh Government investment in next generation broadband infrastructure](#), paragraph 2.13, May 2015

⁶ <http://gov.wales/newsroom/science-and-technology/2015/10550871/?lang=en>

⁷ Record of Proceedings (RoP), paragraph 5, 30 June 2015

Broadband Delivery UK level. This had led to a complete reorganisation of the delivery to meet the European Regional Development Fund deadline, which BT described as a significant undertaking involving key contracts having to be renegotiated.⁸

9. The Committee discussed whether changes to the deployment schedule had meant that BT had appeared to take advantage of opportunities for faster rollout by targeting “low hanging fruit”. The Committee were concerned that this had led to a fairly dynamic process rather than a detailed plan in advance and questioned BT on how premises had been selected and priorities determined in the deployment schedule.

10. BT clarified that apart from Enterprise Zones and growth areas, they had free reign to deploy as they saw fit.⁹ They also stressed the importance of having to rollout services as quickly as possible in order to secure funding. The Committee were told that:

“We have to pass many premises as quickly as possible to draw down the money to make sure we reach that target. It’s absolutely key.”¹⁰

11. Given the changes to the deployment schedule, the Committee sought assurances that difficult-to-connect premises had not been neglected over easier-to-connect premises. BT advised the Committee that:

“We’ve done some very rural parts of Wales. Yes. We’ve done Dinas Mawddwy, for example. Llanberis pass and Dinas Mawddwy would be examples of when we’ve done a really, really difficult fibre-to-the-premises build, and that’s 20 km in one instance and 18 km in the other. It literally means putting new poles up and laying new ducting for the whole of that length. So, people in those areas, therefore—it will have taken us, possibly, a year to 18 months to build those two large pieces of FTTP [Fibre to the Premises]—at the end of that FTTP provision will get up to 330 Mb of fibre. So, it’s quite phenomenal.”¹¹

⁸ RoP, paragraph 6, 30 June 2015

⁹ RoP, paragraph 44, 30 June 2015

¹⁰ RoP, paragraph 45, 30 June 2015

¹¹ RoP, paragraph 52, 30 June 2015

12. The Auditor General's report also highlighted the discontent of some local authorities over the rollout of Superfast Cymru because of the lack of progress in the earlier stages of rollout, by September 2014, in key industrial areas such as business parks, and that some businesses had been limited to using costly leased lines in the meantime.¹²

13. The Committee questioned BT on whether the costly nature of leased lines and the subsequent profitability to BT and other companies had led to some resistance by these companies to rollout availability of Superfast Cymru in these other areas.¹³

14. BT stressed that they were not being selective in terms of rollout and confirmed that they were deploying access to next generation broadband in industrial estates adding that:

“There's a perception that there could be lost revenue from leased lines, but that's just not the case.”¹⁴

15. In clarifying why some industrial areas were not part of the commercial rollout BT informed the Committee that:

“...commercially, in places like Cardiff, on industrial estates, because there tend to be sparse numbers of premises, it still costs the same amount of money to deploy broadband into one of those areas as it does into a heavily residential area, but because there are fewer premises, that means less take-up, which means the commercial viability hurdles are different. So, in those areas, you maybe do need to have the likes of Superfast Cymru coming in if there's state aid clearance in order to enable them. Elsewhere across Wales, industrial estates in Powys and Ceredigion are in scope, and we're doing them.”¹⁵

16. On further questioning, BT explained that rollout also needed to take into account different market segments highlighting that:

“..if you look at city centres, the core heart of Cardiff or the core heart of London, what you're finding is that it isn't

¹² Auditor General for Wales Report, [Welsh Government investment in next generation broadband infrastructure](#), paragraphs 2.28 - 2.30, May 2015

¹³ RoP, paragraph 88, 30 June 2015

¹⁴ RoP, paragraph 90, 30 June 2015

¹⁵ RoP, paragraph 71, 30 June 2015

commercially attractive to deliver fibre broadband—that is, the Superfast Cymru level of service—into those city centres, because there is a kind of market failure, because people in those city centres will predominantly be buying Ethernet, and therefore the case to invest commercially isn't there. So, ironically, you're probably more likely to get Superfast Cymru in Ruthin than in the arcades in the middle of Cardiff, because there is no European cover for urban state aid intervention in the core heart of cities, but there is, we argue, market failure.”¹⁶

17. The Superfast Cymru contract includes 14 priority areas, which the Welsh Government partly based around the seven Enterprise Zones in Wales, key areas for economic growth. The Auditor General's report says that BT has continued deployment in these areas and exceeded the September 2014 contractual agreements for these areas, including covering 35 per cent of all postcodes in the relevant Enterprise Zones.¹⁷

18. BT explained that:

“...we were asked to start work in the enterprise zones and the growth zones—the Powys growth zone and the Teifi valley growth zone—early. We've been making pretty good progress. We haven't completed in those areas yet by any stretch of the imagination, but they are certainly in scope. The connectivity in those areas has been transformed over the last couple of years.”¹⁸

19. BT also provided the Committee with a detailed explanation of some of the complications arising from making a cabinet live particularly in instances where there are difficulties getting power to the cabinets. In some cases this has led to the need to build Fibre to the Premises which can take up to 18 months. The Committee were told that:

“It's very difficult to predict the FTTP exact go live date because we're building physical pieces of fibre underground or on

¹⁶ RoP, paragraph 91, 30 June 2015

¹⁷ Auditor General for Wales Report, [Welsh Government investment in next generation broadband infrastructure](#), paragraph 2.15, May 2015

¹⁸ RoP, paragraph 73, 30 June 2015

poles, and which switch it on when that particular stretch is completed.”¹⁹

20. In order to achieve the target of all premises in Wales having access to next generation broadband, the Welsh Government will need to fill the gap for premises in Wales that will not have access to next generation broadband following the commercial and Superfast Cymru rollouts. The exact number and location of premises in the gap will not be known until the completion of these rollouts.

21. In light of this Members questioned BT on whether they ought to have knowledge of these premises in advance of the roll out to enable them to identify which premises may require more work in order to deliver the Superfast Cymru scheme, to them. Members referred to the fact that BT had an existing network but did not appear to have sufficient knowledge of how that network is served.

22. BT advised Members that:

“Well, we had a modelled solution that gave us an idea of which are going to be fibre to the premises and which are going to be fibre to the cabinet, and those assumptions have changed markedly over time. We’ve got a responsibility, because there is public money involved in this, to make sure we’re spending money cost-effectively. Fibre to the cabinet is significantly cheaper in general than fibre to the premises. So, we’ve whittled down the amount of fibre to the premises that we’re delivering.”²⁰

23. BT explained further that:

“We know our network well, but we are deploying fibre broadband in some very rural parts of Wales. You have to have people that physically go out there on the ground to take a look around—‘What premises are there? How can I cluster them together?’—and crunch all that information together and then decide what the best solution is. The algorithms are generally right, but there are instances where you change, and we’re also

¹⁹ RoP, paragraph 121, 30 June 2015

²⁰ RoP, paragraph 152, 30 June 2015

trying to deliver a cost-effective solution for the public purse as well.”²¹

24. The Welsh Government is already providing funding to fill some of the gaps through the demand-led Access Broadband Cymru scheme, which provides grants of up to £1,000 for faster broadband installation in areas where broadband speed is less than 2 megabits per second. However, take-up has been low and the Auditor General’s report recommends that the Welsh Government reviews the scheme.²²

25. The Welsh Government’s response to the Auditor General’s report states that Welsh Government is now developing a new scheme to provide access to next generation broadband to all premises across Wales, while suggesting that Access Broadband Cymru has been a success.²³ The Committee understands that the introduction of this new scheme is imminent.

26. In a statement to Plenary on 7 July 2015, the Deputy Minister for Skills and Technology announced that the Superfast Cymru contract with BT had been extended to cover over 42,000 extra new premises and others that were originally to be part of the commercial rollout. Furthermore the date for completion of the build phase of the contract would be extended to June 2017.²⁴ The Deputy Minister also stated that:

“BT will still achieve the original contract target of 655,000²⁵ premises by next summer. The maximum grant payable under the project will increase by around £19 million and BT will also invest significant extra funding.”²⁶

27. The Welsh Government had committed to ensuring that 96 per cent of people and premises across Wales have access to next generation broadband by September 2016.²⁷ BT explained to the Committee that for every percentage of take up above 20 per cent there’s a gain-share mechanism, and half the profits are shared with

²¹ RoP, paragraph 167, 30 June 2015

²² Auditor General for Wales Report, [Welsh Government investment in next generation broadband infrastructure](#), paragraph 2.19 and recommendation four, May 2015

²³ PAC(4)-20-15 paper 1, 7 July 2015

²⁴ RoP, Plenary, 7 July 2015

²⁵ NB - 655,000 is the contract target of 90% to have access to 30+mbps. The contract also requires 95% of premises to have access to 24+mbps

²⁶ RoP, Plenary, 7 July 2015

²⁷ RoP, Plenary, 7 July 2015

Welsh Government for reinvestment into the network including investment into the remaining 4 per cent of premises.²⁸ However, it was not made clear to the Committee whether the remaining 4 per cent had been identified or whether these premises could be provided with access.²⁹

28. Under the contract, BT must provide access to next generation broadband speeds over at least 100 megabits per second to 40 per cent of premises passed. However, to the end of 2014, only 0.1 per cent of premises had access to these speeds and there are no specific financial penalties under the contract if BT does not achieve this target.³⁰ The Welsh Government's response to the Auditor General's recommendations stated that there were now 9,900 premises capable of receiving speeds of at least 100 megabits per second (although based on the number of premises passed reported to the Committee by BT this is still only around 2 per cent of the total).

29. The Auditor General's report also noted that BT had not confirmed with the Welsh Government how it would achieve this 40 per cent target, and recommendation two of the Auditor General's report states the Welsh Government needs to ensure BT has appropriate, detailed and robust plans to meet this target.

30. The Auditor General's report further states that a key BT product, Fibre on Demand, is currently suspended although BT plans to reinstate it. BT simply stated to the Committee that it will reinstate its Fibre on Demand product "soon" to allow it to achieve the contractual target by 30 June 2016.³¹ In correspondence to the Committee, the Welsh Government further clarified that:

"...through negotiations with BT in Wales 'Fibre on Demand' will be available across the majority of the country. This is a business-focussed ultrafast broadband technology, which will be available by the end of summer 2015 to the majority of premises in Wales."³²

²⁸ RoP, paragraphs 201 - 213, 30 June 2015

²⁹ RoP, paragraphs 180 - 189, 7 July 2015

³⁰ Auditor General for Wales Report, [Welsh Government investment in next generation broadband infrastructure](#), paragraphs 2.16 - 2.18, May 2015

³¹ RoP, paragraphs 222 - 224, 30 June 2015

³² PAC(4)-22-15 PTN1, 15 September 2015

31. The Committee understands that Fibre on Demand, a BT *Openreach* product, has now been reinstated and is available.³³

32. On the 7 July 2015, the Deputy Minister for Skills and Technology made a statement in plenary, outlining the Welsh Government's recognition of the importance of businesses having access to the right broadband speeds and that a number of business parks and industrial estates need urgent action to improve their connectivity.³⁴ The Deputy Minister also stated that:

“Therefore, on 30 June, we let a contract with Airband, specialists in high-speed wireless broadband, to target a further nearly 2,000 of the 45,000 extra premises in business parks and industrial estates across Wales, also to be completed by summer 2016.

“Through our negotiations with BT in Wales, fibre on demand will be available across the majority of the country. This is a business-focused, ultrafast broadband technology, which will be available by the end of summer 2015 to the majority of premises in Wales.”³⁵

Our View

33. The Committee acknowledges that BT is making progress towards achieving the overall of 691,000 premises having access to next generation broadband by the end of June 2016. However, the Committee are concerned that given some of the delays that had been experienced, particularly in relation to the roll-out of FTTP, it would appear that BT does not have sufficient knowledge of its network.

34. While we welcome the extension to add 42,000 further premises to the contract across Wales the Committee wishes to seek assurances that the extension will not lead to further delays for premises that were included in the original contract and we would not wish to see any further extensions to the contract timescale.

The Committee recommends that the Welsh Government provides assurances that the project extension will not lead to further delays for premises that were included in the original contract and

³³ www.openreach.co.uk/orpg/home/products/super-fastfibreaccess/fibretothepremisesondemand/fttpod.do [accessed 3 November 2015]

³⁴ RoP, Plenary, 7 July 2015

³⁵ RoP, Plenary, 7 July 2015

continues to monitor BTs progress to ensure the project is delivered within the revised timescale.

35. The Committee welcomes the target of ensuring that 96 per cent of premises have access to next generation broadband, but have concerns regarding the lack of detail on how access to next generation broadband will be made available to the remaining 4 per cent of premises.

The Committee recommends that the Welsh Government provide details on its scheme to replace Access to Broadband Cymru and provide access to next generation broadband to all premises across Wales.

The Committee recommends that Welsh Government actively liaise with service providers to identify these premises and find a solution to delivering next generation broadband to these difficult to reach premises.

The Committee recommends that an update be provided by Welsh Government on the progress of rollout to difficult to reach premises no later than September 2016 including:

- an update on the achievement of 40 per cent of premises at 100Mbps;**
- information on when residents will be told if that are not likely to receive next generation broadband through the Superfast Cymru contract;**
- details of the affordable options available to them;**
- the number of “premises passed”; and**
- an update on the recommendations contained in the Auditor General for Wales’s report.**

The Committee recommends that the Welsh Government provide confirmation on the success of the Superfast Cymru rollout and if they have been able to draw down all the ERDF funding available as a result.

3. The Superfast Cymru contract

36. The Welsh Government signed a contract with BT in June 2012 for the provision of next generation broadband infrastructure in areas of Wales where the private sector had decided it was not commercially viable to do so. The public sector contribution to the contract was capped at £205 million and the public sector cost per premises is within the range of costs from other state aid funded next generation broadband projects in the UK. The BT contribution was reported as £26 million capital funding as well as £19 million on additional capital expenditure and £82 million operational expenditure outside the contract.³⁶ The public sector funding cap has been increased by £19 million as a result of the addition of 42,000 premises to the contract and BT will also invest significant extra funding.³⁷

37. The contract includes a number of provisions which protect the public sector's investment and transfer risk to BT. As well as the public sector contribution cap, there are contractual safeguards in regard to:

- the Welsh Government retaining funding until BT has met annual targets and reached the end of the contract;
- the Welsh Government paying actual reconciled costs; comparing costs against BT's commercial rollout costs, and
- a testing and verification process to ensure that the Welsh Government only pays for eligible premises.

38. There are other notable provisions within the contract to safeguard public sector investment, the details of which are commercially sensitive and redacted from the published version.³⁸

39. Recommendation seven in the Auditor General's report states that the Welsh Government should share lessons learned from the negotiation of the contract internally and with the wider public sector. The report also recommends that the Welsh Government should reflect lessons learned from the overall planning and management of the Superfast Cymru contract in its own guidance on programme and

³⁶ Auditor General for Wales Report, [Welsh Government investment in next generation broadband infrastructure](#), May 2015

³⁷ RoP, Plenary, 7 July 2015

³⁸ Auditor General for Wales Report, [Welsh Government investment in next generation broadband infrastructure](#), paragraph 1.28 and Figure 5, page 26, May 2015

project management (recommendation six). The Welsh Government's response to the Auditor General's recommendations states that they will feed lessons learned into the corporate lesson learned framework for programme and project management, and work with Value Wales to disseminate procurement lessons learned.

Our View

40. The Committee supports the findings of the Auditor General's report that the Welsh Government should share lessons learned from the negotiation of the contract internally and with the wider public sector.

The Committee recommends that the Welsh Government should reflect on lessons learned from the overall planning and management of the Superfast Cymru contract and reflect these lessons in its own guidance on programme and project management.

The Committee recommends that the Welsh Government ensures that all relevant staff receive refresher training as required on contract negotiations and that all guidance is regularly reviewed and available to staff.

4. Communication about the rollout of Superfast Cymru

41. The Superfast Cymru contract includes £1.7 million for BT to provide marketing and publicity activities to households and businesses about next generation broadband. The Auditor General's report says that the original marketing plan within BT's contract bid detailed plans for a telephone helpdesk and eChat website function but BT and the Welsh Government subsequently agreed to remove these elements. Marketing and publicity activities include management of the Superfast Cymru website, Twitter site and Facebook site; liaising with local authorities; events for businesses; door-to-door leafleting; advertising in newspapers and on billboards; and press releases.³⁹

42. BT told the Committee that:

“three people in BT who are working on what we call the marketing, and the primary thing that they spend their time doing is answering direct queries that come in on e-mail, Facebook or Twitter. We post on Facebook when we've made an area live and we boost those posts so that, if you're living in that area, it's the first thing you see. We find Facebook, incidentally, the most cost-effective and effective way of getting to people. We have 22 marketing plans for the 22 local authorities. We do localised press announcements, branded vans, press adverts, phone kiosks, billboards, we've dropped over 0.5 million leaflets this year, radio advertising, back-of-the bus advertising, we've exploited the BT retail relationship with the four Welsh rugby regions, we've had branding on the shirts at no cost, Facebook advertising, social media—you name it. We've been doing that very cost-effectively by using the buying power of BT.”⁴⁰

43. In written evidence, the Welsh Government outlined details of work undertaken to improve communication about the local rollout of next generation broadband. The strategy includes:

³⁹ Auditor General for Wales Report, [Welsh Government investment in next generation broadband infrastructure](#), paragraphs 2.33 to 2.34, May 2015

⁴⁰ RoP, paragraph 193, 30 June 2015

- amending information on the where and when checker on the website so information on when work to enable their premises will be complete can be accessed;
- all local authorities in Wales having a dedicated member of the BT marketing team as a liaison point. The BT and Welsh Government marketing teams will meet fortnightly to review progress and to plan ahead;
- further research to help inform future communications activity, including research help understand what further information would be helpful for residents and businesses.⁴¹

44. In questioning Welsh Government officials on this communication strategy, the Committee sought to establish what exactly the Welsh Government expected to deliver for £1.7 million in terms of communication regarding the availability of next generation broadband. The Welsh Government wrote to the Committee outlining the objectives communications and engagement strategy agreed between Welsh Government and BT. These included to:

- raise awareness of Superfast Cymru among key audiences by providing up to date and credible information about the programme, the roll-out process and timescales;
- engage regularly with key stakeholders so they are well informed and champion the project;
- encourage take-up of fibre broadband in the Superfast Cymru intervention area by highlighting the benefits that the project will bring to households in Wales;
- outline the benefits to Wales and Welsh society, economically and socially of the investment being made in superfast broadband; and
- highlight the benefits to third and public sector organisations of using and delivering services through fast fibre.⁴²

45. A survey by the Wales Audit Office found that, following rollout, a third of households and businesses across Blaenau Gwent and Gwynedd were aware of the Superfast Cymru rollout.⁴³ The Welsh

⁴¹ PAC(4)-20-15 Paper 1, 7 July 2015

⁴² PAC(4)-22-15 PTN1, 15 September 2015

⁴³ Rollout of next generation broadband through the Superfast Cymru contract across Blaenau Gwent and Gwynedd had almost been completed at the time of the survey. The telephone survey covered 500 households and 500 businesses.

Government and BT had indicated that they were broadly satisfied with the levels of awareness identified by the survey, given the point in time at which it was conducted.

46. Communication either by direct mail or stickers on cabinets, appeared to lead to further frustration when it did not match customer's experiences. The Auditor General's report says that while most local authorities are prepared to waive planning restrictions to allow stickers on cabinets that say that they have been upgraded through Superfast Cymru, three local authorities are still not prepared to do so.⁴⁴

47. The Auditor General's report says that BT communicates rollout information through the Superfast Cymru website and following an upgrade of the website in the summer of 2014, the information on the website had improved, although the website provides more detail for some areas than for others.⁴⁵ However, for some premises, the availability checker on BT's own Openreach website provides slightly different information than on the Superfast Cymru website.

48. BT stated in its evidence to the Committee that it was looking again at how, during the remainder of the rollout, it could provide more specific information. The Welsh Government's response to the Auditor General's recommendations states that the checker on the website will be amended so that it gives visitors to the site information on when work to enable their premises will be complete.

49. The Committee raised concerns that the nature of the rollout had caused frustration. For example, residents did not know when they would be connected. In oral evidence BT explained some of the difficulties in providing certainty on rollout stating that:

“It's near impossible to predict and to be able to tell people, with certainty, 'Your premises will get superfast broadband on a particular date'. And the way that we've approached it—which we are looking at, incidentally, as a result of the Auditor General's report—was borne out of the experience that BT had had over many years of rolling out fibre broadband, because people make decisions, even if you caveat it, on moving house,

⁴⁴ Auditor General for Wales Report, [Welsh Government investment in next generation broadband infrastructure](#), paragraph 2.36, May 2015

⁴⁵ Auditor General for Wales Report, [Welsh Government investment in next generation broadband infrastructure](#), paragraphs 2.41 to 2.44, May 2015

starting businesses, moving businesses and so on. And if I can't promise you with a high degree of certainty that you're going to have a service on a particular date, then I don't think I should try to do that."⁴⁶

50. The Committee heard that even in straightforward areas delays can occur, for example where newts had been discovered in the line of work and in some cases landowners have refused access.⁴⁷

51. Evidence from the Welsh Government also referred to the difficulties in being precise with regards to connection dates stating that:

"What we're able to do is talk in general terms, but not be absolutely specific and say, 'On this date, we guarantee you will get service' because, as I think BT described last week, if we were to make those commitments, then people make other plans on the back of that, and I think that exposes us to other risks as well, if we are absolutely upfront."⁴⁸

Our View

52. The Committee believes the communications strategy to support the rollout of Superfast Cymru developed by BT and funded through the Welsh Government contract could have been improved and has, at times been misleading and unhelpfully raised community and business expectations. The Committee noted that some households and businesses have experienced difficulties obtaining information, particularly in relation to whether and when next generation broadband will be available at specific premises. The Committee is concerned that, the use of social media as part of the Superfast Cymru communication strategy, makes assumptions that all customers will engage with this as a method of communication and this is not always the case and other channels of communication need to be fully utilised.

The Committee recommends that the Welsh Government works with BT, as a priority, to improve the effectiveness of its communication strategy, including the website, for the remainder of the rollout and that the Welsh Government provide the

⁴⁶ RoP, paragraph 113, 30 June 2015

⁴⁷ RoP, paragraph 117, 30 June 2015

⁴⁸ RoP, paragraph 16, 7 July 2015

Committee with an update on changes made to the strategy to address our concerns.

5. Take-up and benefits of next generation broadband

53. The Auditor General's report states that to December 2014, 13 per cent of premises in the Superfast Cymru intervention area had taken up next generation broadband services through upgrading their service and there is a tendency towards an upward trend in take-up as the time since cabinet enablement increases.⁴⁹ BT stated in its oral evidence that take-up was currently around 14 per cent, with 20 per cent take-up by premises who have had access to next generation broadband for over a year.⁵⁰

54. In oral evidence Welsh Government informed the Committee that take-up for those who had access to next generation broadband for over a year was close to 22 per cent.⁵¹

55. Welsh Government added that:

“I think the average, across the intervention area for all premises is about 13 per cent. So, that includes premises that have just been enabled. So, on any day, or any week, there might be 30 or 40 new cabinets installed, which might be bringing in thousands of new customers. So, that's always going to dilute the average take-up down. So, we tend to look at the one-year rolling average. I suppose, if we take a step back and think about what that means for us in financial terms, we've got seven years of an operational phase, once BT finish, where every percentage point above 21 per cent means that we have a share of BT's profits. So, actually, the fact that we're at 22 per cent now and we're a year before the operational phase begins is great news for us.”⁵²

56. Given the importance of take up in financial terms the Committee sought further detail on how the profit share mechanism worked in terms of how the Welsh Government monitors whether the profit share

⁴⁹ Auditor General for Wales Report, [Welsh Government investment in next generation broadband infrastructure](#), paragraph 2.47 and Figure 7, page 44, May 2015

⁵⁰ RoP, paragraph 216, 30 June

⁵¹ RoP, paragraph 97, 7 July 2015

⁵² RoP, paragraph 100, 7 July 2015

it receives is a fair reflection of the profits being made by BT.⁵³ The Welsh Government informed the Committee that:

“There are various data sets that BT are required to give us under the contract, which we will use to make sure that what they tell us can be audited and checked against.”⁵⁴

57. They added that:

“...there’s a formula in the contract that takes inputs from a number of different sources, and for us to be absolutely sure that we’re getting best value for money, and that BT are providing all the information that we need, we’ve got to be able to go back to first principles on all of those variables.”⁵⁵

58. The Committee raised concerns regarding the lack of take up of superfast broadband in some areas of Wales and that as a result such areas were unable to reap the economic benefits of the service. In responding to these concerns, BT explained to the Committee that there was a “lack of understanding of how to exploit this technology” but they welcomed the Welsh Government’s business exploitation programme adding that it:

“needs to be accelerated and it needs to be deepened, because we can’t have this investment of public money without then that having a direct impact on the economy.”⁵⁶

59. The Committee also raised concerns regarding the extent to which financial cost is a barrier to take-up. BT explained that given the intense competition between the four largest internet providers the cost to the consumer was being driven down with prices starting from as little as £5 per month. Furthermore, for those on income support there is the BT Basic product that provides broadband for £10 a month.⁵⁷

60. In oral evidence the Welsh Government assured the Committee that work has been undertaken to build relationships with each local authority in Wales in order to work together in utilising the broadband

⁵³ RoP, paragraphs 111 – 113, 7 July 2015

⁵⁴ RoP, paragraph 114, 7 July 2015

⁵⁵ RoP, paragraph 118, 7 July 2015

⁵⁶ RoP, paragraph 209, 30 June 2015

⁵⁷ RoP, paragraphs 218 – 219, 30 June 2015

infrastructure being built. Furthermore, attention was now being turned towards exploitation and take up.⁵⁸

61. The Welsh Government provided details of actions taken to improve the delivery of the full benefits of the public investment in broadband. The correspondence highlighted the importance of helping consumers to understand the benefits of superfast broadband and that this would be a key part of the revised communications and marketing approach being developed. They also confirmed that a benefits management strategy is in development that will capture a range of benefits to consumers and society and the benefits resulting from the national business exploitation programme.⁵⁹

62. On the 22 September 2015, the Deputy Minister for Skills and Technology made a further statement in plenary announcing a five year, £12.5 million, Wales-wide superfast broadband business exploitation programme. The Deputy Minister stated that:

“The programme funding comes from a mix of Welsh Government, Local Authorities, £7m through EU ERDF funding, academic and private sector sources. It will support primarily small and medium sized businesses to understand, adopt and exploit the superfast infrastructure.”⁶⁰

63. Recommendation three of the Auditor General’s report states that the Welsh Government should set aspirational targets for broadband to focus efforts on encouraging take-up, collect information how on how businesses and residents are using next generation broadband, and work with relevant stakeholders to benchmark with other countries.

64. The Welsh Government has recently set a take-up target for superfast broadband of fifty per cent by 2024. The Welsh Government is also continuing work on a new scheme to make superfast speeds available to all homes and businesses across Wales. This will build on the success of the Access Broadband Cymru scheme and will use a

⁵⁸ RoP, paragraph 20, 30 June 2015

⁵⁹ PAC(4)-20-15 Paper 1, 7 July 2015

⁶⁰ RoP, plenary, 22 September 2015

range of technologies including satellite, wireless and 4G to deliver superfast speeds.⁶¹

Our View

65. We welcome the Welsh Government's recent setting of formal targets for the take-up of next generation broadband especially given the cost of the project and the need for accountability.

The Committee recommends that the Welsh Government give consideration, in principle, that as a minimum, details of aspirational targets and expectations as to when they should be met, should be included in future contracts.

66. The Committee recognises the importance of helping consumers to understand the benefits of superfast broadband and welcomes the work being undertaken by the Welsh Government to revise its communications and marketing approach to achieve this. We also welcome the Welsh Government's development of a benefits management strategy to capture the benefits resulting from the national business exploitation programme.

The Committee recommends that the Committee be provided with an update on work to improve communications and marketing of the benefits of access to superfast broadband no later than September 2016.

67. In conclusion, Members were concerned that Superfast Cymru was not being communicated sufficiently beyond BT's own customers and BT should take on more responsibility for advertising the availability of Superfast Cymru to non-BT customers.

⁶¹ www.gov.uk/government/news/over-42000-more-premises-in-wales-set-to-receive-superfast-broadband [accessed on 9 October 2015]

Annex A: Witnesses

The following witnesses provided oral evidence to the Committee on the dates noted below. Transcripts of all oral evidence sessions can be viewed in full at

www.senedd.assembly.wales/mgIssueHistoryHome.aspx?Ild=1311

<i>Name</i>	<i>Organisation</i>
30 June 2015	
Ann Beynon OBE	BT Cymru
Ed Hunt	Superfast Cymru (BT)
7 July 2015	
James Price	Welsh Government
Simon Jones	Welsh Government