

# Digital connectivity - broadband

August 2022

## 1. Introduction

**1.** On 11 May 2022, the Committee held a one-day inquiry into digital connectivity and focused on broadband. The Committee heard from:

- Ben Allwright, Chief Executive Officer - Ogi
- Rhian Connick, Head of NFWI-Wales - National Federation of Women's Institute Wales
- Constance Dixon, Partnership Director Wales - Openreach
- Dr Sian Phipps, Member for Wales - Communications Consumer Panel
- Hywel Wiliam, Chair – Ofcom Advisory Committee for Wales
- Elinor Williams, Principal, Regulatory Affairs - Ofcom Wales

**2.** Written submissions that supported the Committee's work are available here – [written submissions](#).

**3.** On 15 June 2022, the Minister and Deputy Minister for Climate Change appeared before the Committee for a general scrutiny session. This provided the Committee with the opportunity to seek their views on several issues which were raised in evidence.



## 2. Levels of digital connectivity in Wales

**4.** Telecommunications is a reserved matter, meaning that Welsh Government interventions in this area are limited to grant funding and using devolved policy levers – such as planning and business rates – to encourage private investment. The Welsh Government’s Digital Strategy notes:

*“Digital connectivity and telecommunications policy is the responsibility of the UK Government. These are still reserved matters for which the Welsh Government is not responsible and receives no devolved funding.*

*[...]*

*We will invest to support service delivery where there is a case for it, however, we must also focus on ensuring that the UK Government fulfils its responsibilities in Wales.”*

**5.** In 2014, 55% of residential premises could access broadband at speeds of 30 Megabits per second (Mbps) or higher, compared to 75% across the UK. By 2021, this figure had increased to 94% against a UK average of 96%.

**6.** Over the past eight years, the gap between superfast broadband availability in Wales and the UK average has reduced dramatically.

Coverage of premises by fixed broadband networks in Wales compared to the UK average, 2021		
Metric	Wales	UK
Full fibre <sup>1</sup>	27%	28%
300 Mbps or faster	44%	65%
100 Mbps or faster	46%	66%
30 Mbps or faster	94%	96%
10 Mbps or faster	97%	98%

<sup>1</sup> The connection from the exchange to the premises is provided entirely over optical fibre. Generally, distance to the premises does not affect the speed delivered.

Less than 10 Mbps download speed or 1 Mbps upload speed	3%	2%
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Source: Ofcom Connected Nations 2021 [Interactive report](#). Figures for speeds of 10 Mbps or less are for all premises, whereas other figures are just for residential premises.

## Connecting left behind premises

- 7.** Ofcom [estimates](#) that around 15,000 premises (1%) cannot get a broadband service of at least 10Mbps download speed and 1Mbps upload speed from fixed or fixed wireless networks.
- 8.** Elinor Williams (Ofcom) said there had been noteworthy progress in providing access to broadband over the last five years. The improvement was a result of "private sector investment and activity, and it's supported by a positive policy environment from the UK Government, set out in its strategic statement of priorities, and a positive regulatory environment from Ofcom." She concluded that "we just need to keep going in order to get to that final few per cent. I think public intervention is going to be essential in order to connect those final few per cents."
- 9.** She explained that, with other utilities, market-led rollout improves availability in urban areas first and rural, with difficult-to-reach areas seeing improvements last. Telecommunications is no different. She drew a comparison with access to digital terrestrial television (DTT), where 97.8 per cent of Wales can access services, but "the decision was made that it was too costly to go any further. And it was said that all those that weren't able to get DTT had to go to satellite." She concluded that the decision of when to end public intervention was a policy decision for governments.
- 10.** The National Federation of Women's Institutes (NFWI) has conducted several surveys on perceptions of digital connectivity. It concluded that:

*"The research findings have highlighted the digital divide between rural and urban areas. Further investment is needed in rural infrastructure to enable rural families, farm businesses and others to capitalise on digital connectivity opportunities and not be left behind."*

- 11.** On 8 June 2022, the Deputy Minister issued a written statement<sup>2</sup> on the Future of the Ynys Mon – Cardiff Public Service Obligation (PSO) Air Service. In that statement, the Deputy Minister

<sup>2</sup> <https://gov.wales/written-statement-future-ynys-mon-cardiff-public-service-obligation-psy-air-service#:~:text=page%20via%20Twitter->

announced £4.2 million of funding for Bangor University's Digital Signal Processing (DSP) Centre of Excellence "to bring 5G broadband connections through fibre optic cables into harder to reach areas". Four hundred premises on Ynys Mon that do not have access to superfast broadband would be part of a trial. The "broadband delivery part of the project will last 18 months and will allow customers to be connected as soon as the first site is live and will continue through 2025".

## **Alternative solutions for the remaining 1%**

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**12.** In its Connected Nations report (2021), Ofcom drew attention to the need for governments to consider alternatives to fixed broadband:

*"There will be some areas where the cost of deploying full fibre will be prohibitive. Alternative solutions such as Fixed Wireless Access (FWA) and the latest generation of satellites could provide the next-best connectivity to those relatively small number of premises in rural areas not covered by other network deployments."*

**13.** Ofcom suggested that a lack of public awareness of alternative options could be slowing down deployment:

*"Ofcom's data suggests that there are very many premises that could benefit from alternative delivery technologies, but consumers are unaware of the options. Similarly, there are homes and businesses unaware that full fibre is available in their area or of its potential benefits."*

**14.** Ben Allwright (Ogi) said that although a fibre connection was the most resilient and secure technology, alternative technologies would fulfil a role in the most difficult-to-reach properties. Recent technological developments mean that these alternatives can "deliver fantastic services when deployed in the right way". He added that there was a perception that the best solution was full-fibre but that some customers' needs could be met entirely by a connection via 5G. Constance Dixon (Openreach) agreed, saying that "the reality is that that final 0.5 per cent, 1 per cent will be really challenging, and it's going to require industry, it's going to require Government coming together to find out what the solution will be, and it absolutely won't be one size fits all. It will be a combination of fixed, wireless, satellite and other brilliant technologies that will be developed over the next few years as well".

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**[The%20Ynys%20Mon%20%E2%80%93%20Cardiff%20Public%20Service%20Obligation%20\(PSO\)%20air,all%20support%20for%20the%20service](#)**

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**15.** In its report on digital communications infrastructure (2020), the National Infrastructure Commission (NIC) concluded that:

*"Too much attention has been paid by policymakers to promoting fibre to the home technology in the UK and not enough on improving mobile broadband provision including using 4G and 5G connections to provide home broadband services instead of, or ahead of, fibre connections. The UK is behind most other countries in this regard, and only 3% of the total data traffic in the UK is carried over mobile networks today, much less than in most other countries. We think Wales can and should be doing more with its mobile infrastructure."*

**16.** Rhian Connick agreed that customers were unaware that they could access broadband through their mobile network. Hywel Wiliam believed that "we need to look at alternative solutions—other technological solutions that would provide these services to users," for example, satellite.

**17.** In terms of assisting individuals or communities seeking a solution to their connectivity problems, all contributors emphasised that better communication was vital. Dr Sian Phipps (Communications Consumer Panel) said that some communities had benefitted from having experts within them who could provide advice and drive the project forward. However, this would not always be the case and signposting to support in local authorities was necessary. Rhian Connick added that many local authorities have "digital officers" who can advise customers, but the customers often did not know they existed or how to access them.

**18.** Elinor Williams emphasised the importance of communicating clearly with customers about available options. She said that terminology needed to be consistent, to ensure that ordinary customers can make informed decisions.

## **Closing the 100 Mbps or faster gap**

**19.** The widest gaps in broadband speed availability between the Wales and UK averages are for connections of 100 Mbps and faster. Constance Dixon said that Openreach had a roadmap to spread access to full fibre to more of Wales and this upgrading means that many will access speeds of a gigabit or more. Ben Allwright said that Ogi and other operators were looking at rolling out full fibre so that all properties will have access to broadband of 10 Mbps or faster other than the 1% of properties that are difficult to reach.

## Upgrading landlines to digital technology

- 20.** In the past, landline telephone calls used the Public Switched Telephone Network (PSTN). BT decided to retire the PSTN by December 2025 and other providers have said they plan to follow a broadly similar timescale. In future, landline calls will use digital technology called Voice over Internet Protocol (VoIP), which uses a broadband connection.
- 21.** Once the migration from PSTN is complete, customers who wish to continue having a landline phone, and do not already have broadband, will need another suitable connection.
- 22.** Unlike traditional telephones, a telephone connected to a broadband router will not work in a power cut, as the router gets its power from the mains. If you rely on your landline your provider must make sure you can contact the emergency services during a power cut.
- 23.** Elinor Williams said that the migration to VoIP is an industry-led initiative. Ofcom was monitoring the migration "and there are specific sets of regulations and guidance for industry to follow to make sure that the migration happens as smoothly as possible". She noted that BT had recently paused its migration.
- 24.** Elinor Williams said Ofcom was engaging with stakeholders to explain the new technology. Providers must ensure that customers are supported and, where necessary, that mitigating measures are in place. For example, for the most vulnerable users, providers should provide battery backup in the event of a power cut.
- 25.** Ben Allwright said that VoIP is a natural progression of telephony technology, describing it as "a phone line that's carried over a different traffic method, but it delivers the same thing to the same devices". He added that "The trouble is it doesn't always do that, and the important thing is to make sure that consumers are aware if it requires battery back-up, those kind of things, that those things are really thought about when they take it; if they don't have an alternative phone service, that's really considered when the operator provides them the service as an alternative to their traditional phone line".
- 26.** Dr Sian Phipps said the migration to VoIP could have significant implications for certain groups, including disabled people and people using landline telephones to access telecare services.
- 27.** Constance Dixon said that Openreach was working with organisations such as Age UK and Citizens Advice on communication to ensure that the transition is as seamless as possible.

## Our view

We agree in principle that everyone in Wales should be able to access fast broadband. As one of our contributors pointed out, digital communication is now an essential part of everyday life. Living without access to the internet now means a life that is less rich, with less choice, and less access to essential services.

As a reserved matter, telecommunications policy and its funding should be a matter for the UK Government. It is not sustainable for the Welsh Government to redirect funding to plug the gaps that are created by the UK Government. However, this does not help the people in Wales who are living in hard-to-reach areas. The UK Government has said it will set out proposals for addressing connectivity challenges to the hardest-to-reach premises later in 2022. We believe it is incumbent on the Welsh Government to continue to engage with the UK Government to ensure that it meets its obligation to deliver funding that is appropriate and sufficient to enable the last 1% to access decent broadband.

Funding connectivity is sensible and desirable where it supports other policy objectives, such as in relation to climate change or innovation. The decision to bring 5G broadband through fibre optic cables into harder-to-reach areas on Ynys Mon is a good example of this. We support this approach.

We note the concerns expressed about the transition from Public Switched Telephone Network to Voice over Internet Protocol. There are potentially significant issues for the most vulnerable people in our society. Their vulnerability may be further compounded by living in a remote, or rural area with limited internet access and, indeed, limited access to other services they may rely on. We were pleased that Ofcom felt able to reassure us that certain issues, such as people depending on telecare, were being considered. Nevertheless, we believe it is prudent to pause the migration until these issues have been resolved.

## Recommendations

**Recommendation 1.** The UK Government must develop public initiatives that ensure that the 1% who cannot currently access decent broadband can do so. The Welsh Government should engage with the UK Government on the development of new public initiatives to ensure they meet the particular needs of Wales. The Welsh Government should report back on progress within the next 6 months.

**Recommendation 2.** The Welsh Government has stated its long-term ambition to see around 30% of Welsh workers working from home or near home. The Welsh Government

should clarify whether it is satisfied that the current level of access to broadband in Wales is compatible with its ambition.

**Recommendation 3.** The Welsh Government should continue to fund projects that improve connectivity where improving levels of digital connectivity contribute to wider policy goals, such as its net-zero ambition.

**Recommendation 4.** The Welsh Government should seek reassurances from Ofcom that concerns are being addressed about the migration to Voice over Internet Protocol. The Welsh Government should report back to this Committee on progress within the next 6 months.



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### 3. Digital inclusion

**28.** If people want access to high-speed broadband and can pay for it, the vast majority can subscribe to a suitable broadband package from an Internet Service Provider. However, research by the Welsh Government<sup>3</sup> shows that 7% of adults are not online, and access to online services mirrors other inequalities in society. In 2018-19:

- 98% of those aged 16-49 used the internet compared with 49% of those aged 75 or older.
- Those in employment were more likely to have internet access at home (96%) than those who were unemployed (84%) or economically inactive (78%).
- 79% of people with a limiting long-standing illness, disability or infirmity used the internet, compared with 93% of those without such a condition.
- Of those with educational qualifications at degree level and above, 96% were internet users; of those with no qualifications, 68% used the internet.

**29.** Dr Phipps said everyone in Wales should be able to access dependable, affordable, secure, and resilient broadband services. The pandemic had brought into sharp focus that communications are essential for people to continue their everyday lives—shopping, studying, working, staying connected with friends and families, and banking. Communications are an essential service in the same way as water or energy.

**30.** Elinor Williams noted that although superfast broadband availability in Wales is now at 96%, Ofcom's 'Connected Nations' report, published in 2020, showed that take-up in Wales was around 63%. Elinor Williams suggested that one way to close this gap would be through better communication so that people better understand what is available to them and how they can get it.

**31.** Dr Sian Phipps referred to the estimated 7% of adults in Wales who have no connection to the internet. She said that within this overall figure, the percentage for certain groups was much higher – “for people over 75—it goes up to 33 per cent”. Ben Allwright suggested a better understanding of why 7% of adults are not online is necessary. Understanding the reasons would enable solutions to be found.

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<sup>3</sup> **Digital inclusion in Wales (gov.wales)**

## Affordability and the social tariff

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**32.** Dr Sian Phipps suggested that there needs to be a better understanding of why the take-up of faster broadband is not higher in Wales. Affordability might be one reason.

**33.** Dr Phipps added that, according to Ofcom, only 1.2% of those eligible for a social tariff had taken it up. She suggested this may be due to a lack of awareness of the tariff but emphasised the need for a concerted campaign to ensure that people are aware of it and how to access it. Dr Phipps drew a comparison with the water sector in Wales, saying that:

*"The Welsh Government's working very closely with UK Government to look at having perhaps a more consistent approach to social tariffs—very consistent eligibility criteria, make it easy to apply for a central funding pot, and also having an overall communications campaign. So, important lessons there to see what's happening in that sector, to see if there might be useful parallels for the communication sector."*

**34.** Ben Allwright said Ogi was yet to launch its social tariff, but the company was considering several issues, including how to ensure a high level of uptake.

## Removing barriers to access

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**35.** The National Federation of Women's Institutes Wales has also noted a lack of awareness in consumers of the connectivity options available to them:

*"Greater awareness is needed of the sources of support and current schemes available aimed at helping households and businesses to improve their connectivity."*

*[...]*

*Improving communication with consumers is vital. Service providers should keep consumers updated on the services they offer and give suitable advice on the broadband packages available for consumers to improve their connectivity."*

**36.** Ben Allwright emphasised the importance of engaging with communities "and taking responsibility as an operator as well to really inform and support people in going on that digital journey". He explained that, when setting up in a new area, Ogi take a 'hyperlocal approach', which involves raising awareness in the locality and working with local charities and organisations. He explained, "We're trying to work with the local community to raise the expectations and the understanding and the awareness so that people can really understand

the utility, what they can get from these new technologies, and how they can benefit them and access them and also working on things like social tariffs as well to make them more affordable and more available".

## Our view

We are concerned about the 7% of people in Wales who have no connection to the internet and are concerned that this will be much higher for certain groups. In light of the severe ongoing cost-of-living crisis, there is a risk that broadband access will become a luxury that many will not be able to afford. This will have a destructive, isolating effect on some of the most vulnerable people in our society.

We were concerned to hear that according to Ofcom, only 1.2% of those eligible for a social tariff had taken it up. There is a problem here. We believe that consideration should be given to methods to increase take-up. This might involve automatic enrolment, or at the very least, mechanisms to make it easier for users to take up the social tariff. Further, we believe communication with users must be improved so that they are aware of the social tariff and how to access it.

## Recommendations

**Recommendation 5.** The Welsh Government should hold discussions with the UK Government, Ofcom, and providers to explore opportunities to increase sign-up to the social tariff. The Welsh Government should report back to this Committee on progress within the next 6 months.

**Recommendation 6.** The Welsh Government should undertake a piece of work to consider the impact of the cost-of-living crisis on its Digital Strategy. It should report back on the conclusions within the next 6 months.

**Recommendation 7.** The Welsh Government should explain how its Digital Strategy will remove barriers for groups who are disproportionately affected by a lack of digital connectivity.

## 4. Public broadband initiatives

### Welsh Government initiatives

#### Superfast Cymru and its successor

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**37.** Improvements in superfast broadband coverage follow public investment led by the Welsh Government through its Superfast Cymru programme. BT was paid about £220 million to bring superfast broadband levels up to about 96% of premises between 2014 and 2018. BT is currently running a successor scheme for the Welsh Government to connect 39,000 additional premises. The Welsh Government is contributing £24 million of a total public funding of £59 million. Building should be complete in 2022.

**38.** Constance Dixon said that the Superfast Cymru scheme was originally for full fibre for 26,000 properties. That increased to 39,000 properties with the extension that targeted local authority areas with the lowest level of broadband connectivity. She said the scheme had been successful and 30,000 properties were now connected.

**39.** In a written statement issued on 8 July 2022, the Minister announced that,

“Given the challenges faced by the project we have now reached agreement with Openreach to extend the project to 31 March 2023 to ensure that as many premises as possible are able to benefit. The number of premises to be built to under the agreed roll-out is 37,137. While this is slightly lower than the anticipated 39,000 total premises, we recognise that a significant number of the premises de-scoped had already been given access to gigabit broadband under commercially led rollouts. In addition, we acknowledge that some premises had to be de-scoped where actual costs exceeded the modelled costs that Openreach had originally anticipated, and so could not be justified from a value for money perspective.”

#### Access Broadband Cymru

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**40.** The Welsh Government’s [Access Broadband Cymru](#) provides grants to individuals for the installation costs of new broadband connections for homes and businesses in Wales of up to £800. It is a demand-led scheme and has no connectivity targets.

**41.** In a written statement issued on 8 July 2022, the Minister said:

*"Following a recommendation by the National Infrastructure Commission for Wales following its work on digital infrastructure issues, we have conducted a review of the scheme. The review highlighted a number of recommendations which my officials are working through, and I hope to be able to say more shortly.."*

## **Local Broadband Fund**

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**42.** The Welsh Government has made £10 million available to support local authorities and social enterprises to deliver broadband projects locally through a Local Broadband Fund.

## **UK Government**

### **Project Gigabit**

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**43.** Project Gigabit is a £5 billion project that brings together everything the UK government is doing to deliver fast and reliable digital connectivity. In March 2022, the Deputy Minister for Climate Change said:

*"We are pressing the UK Government to ensure that Wales gets its share of the £5 billion of investment for the needs of homes and businesses in Wales. Discussions are ongoing about how it will be delivered and the role of the Welsh Government."*

**44.** The Welsh Government and Building Digital UK (BDUK) intend to procure further coverage to improve gigabit broadband availability.

### **Gigabit Broadband Voucher Scheme**

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**45.** The UK Government is running a Gigabit broadband voucher scheme which provides premises in rural areas with funding towards the cost of installing gigabit-capable broadband.

**46.** The Welsh Government provided top-up funding in certain circumstances, which ended on 31 March 2022. The Deputy Minister for Climate Change said that "the UK funding has failed to reflect the true cost of deploying in the Welsh landscape", and that he has met with the UK Government to "suggest that the upper cost threshold of the scheme should be reviewed by the UK Government to reflect the cost of deploying gigabit broadband in rural and remote areas".

**47.** When asked about this, the Deputy Minister said the top-up funding had stopped "because we were hiding the embarrassment of the UK Government, where its voucher top-up scheme was not sufficient to meet the extra connectivity costs in Wales, so we stepped in and plugged that gap." He went on:

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*"We can't keep doing that. We don't have the money to do that, because the UK Government is making us spend money in areas where we shouldn't be spending money. So, it was a judgment that we had to step away from this, because we simply didn't have the funding, and by doing it, we were letting the UK Government off the hook."*

**48.** He said he was eager to work with the UK Government on designing a scheme that would work in Wales: "we want to absolutely work in partnership with them, but it's not for us to do the heavy lifting on that."

**49.** Ben Allwright said that Ogi had used the gigabit voucher scheme. It was useful but not "without challenge." He said that where Ogi *"want to enter areas that have a particularly high cost profile, either because we can't access existing duct infrastructure to bring the cost down, or the frontages of buildings are just very high, or the building's very remote, the use of the gigabit voucher scheme has been really, really good."* He added that *"the Welsh top-up as well, on top of that scheme, has been really good at making that money go further. So, our experience of that has been good, and we think that scheme should continue"*.

**50.** Ben Allwright recognised that there are many rural properties in Wales, which might mean that "if you are looking to tackle the hardest first, then potentially you're going to find that these subsidies are not enough". Constance Dixon backed this up, saying that "the topology of Wales is absolutely key". There is a higher proportion of difficult-to reach-properties in Wales compared to other parts of the UK.

**51.** Despite this, Ben Allwright said that Ogi had found the voucher scheme, "including the Welsh top-up scheme, to be adequate to cover a lot of the communities we'd be looking at". Constance Dixon also felt that the scheme and the top-up had been successful "just by the pure volume of how many communities have benefited". She noted that over the previous two years, Openreach had "worked to contract with over 3,500 premises typically using gigabit vouchers".

## **Universal Service Obligation**

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**52.** Since March 2020, if you cannot get a download speed of 10 Mbps and an upload speed of 1 Mbps, you can request an upgraded connection from BT under the Universal Service Obligation (USO). Where an affordable service with these characteristics is unavailable or is due to become available in twelve months under a publicly funded scheme, the customer is eligible for the USO if the cost of providing the connection is below £3,400. If the cost exceeds £3,400, the customer must pay the excess. BT is the provider for the USO in the UK except for Hull. Figures published by Ofcom in 2021 showed that, in Wales, 108 USO orders had been placed. The orders should serve 689 homes.

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**53.** Hywel Wiliam (Ofcom Advisory Committee for Wales) noted that customers might be able to access an additional £400 grant through the Wales broadband access grant scheme. Despite this, a connection would still be unaffordable for many people given the high costs of broadband improvements in rural areas. He concluded that "according to Ofcom's figures, I think there's an estimate of around 7,000 locations where, even with all that money, it's not going to be possible to provide a stable broadband fibre connection that is adequate".

**54.** Rhian Connick (NFWI-Wales) expressed concern that the available funding would not be sufficient in certain areas, particularly in rural Wales. Meeting costs above the cap would be challenging, particularly in the middle of a cost-of-living crisis.

**55.** Figures published by Ofcom in 2021 showed 108 Universal Service Obligation (USO) orders had been placed in Wales, which should serve 689 homes. Elinor Williams explained that the USO is an "intervention of last resort" to provide connections of 10 Mbps. It was introduced in March 2020 with BT as the provider. She said that Ofcom estimates "there are around just under 15,000 homes and premises in Wales that do not have access to what we call decent broadband and could be eligible for the USO".

**56.** Dr Sian Phipps said the Communications Consumer Panel had urged Ofcom to "regularly review the broadband speed as part of the USO, because, obviously, it doesn't offer faster speeds, and I think, in the past, we've raised concerns about the affordability of connecting those really hard-to-reach areas". Hywel Wiliam said that "there are unexpected benefits emerging from the obligation. There's more investment happening because it's more practical, very often, to provide fibre than just to provide the minimum".

## Our view

As we set out earlier in this report, we agree with the Deputy Minister's position in relation to funding telecommunications, which is a non-devolved policy area. However, we believe that the Welsh Government must engage with the UK Government on the development of interventions. Without meaningful engagement, what is to prevent the UK Government from again developing a scheme that does not meet the needs of Wales? We would be grateful if the Deputy Minister would report back to this Committee in 6 months on the progress of these discussions.

The decision by the Welsh Government to stop its top-up funding for the gigabit voucher scheme means that there is now a gap that needs to be addressed. We are concerned about the effect this will have on efforts to improve connectivity for the hardest to reach. Because of Wales' topography, there is a higher proportion of difficult-to-reach-properties in Wales compared to other parts of the UK. We believe the UK Government should raise the amounts

available for individuals and businesses under the gigabit voucher scheme to close the gap and to address the particular needs in Wales.

We note that the Universal Service Obligation has had a positive impact, in particular by full fibre being installed rather than the minimum 10 Mbps connection. However, we have several concerns about this issue. Firstly, we are concerned that users in the hardest to reach areas will need to make a contribution far above the cap. This will simply be unaffordable for many. Second, the cap was calculated before costs started to soar. We believe there is merit in looking again at the level of the cap, to assess whether it is appropriate in today's financial climate.

## Recommendations

**Recommendation 8.** The Welsh Government should hold discussions with the UK Government about raising the amounts available for individuals and businesses in rural Wales under the Gigabit Voucher Scheme.

**Recommendation 9.** The Welsh Government should hold discussions with the UK Government about the level of the cap on installations under the Universal Service Obligation with the aim of ensuring that it reflects significant increases in costs and the ongoing cost-of-living crisis.



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## 5. Commercial competition

**57.** The National Infrastructure Commission report on “Digital communications infrastructure” highlighted the dominance of Openreach in the broadband infrastructure market, and how this could be slowing down commercial broadband deployment in Wales:

*“We are concerned that Wales does not appear to be attracting investment from the new generation of smaller commercial fibre to the home operators which are emerging elsewhere in the United Kingdom. This kind of entry is attractive both because it would directly contribute to expanding fibre coverage in Wales and because it might increase pressure on Openreach and lead it to reallocate more of its resources to Wales. It might also introduce a welcome degree of competition into the next tenders for public subsidy of fibre to the home infrastructure in Wales.”*

**58.** In response to a question about the amount of choice available in terms of infrastructure providers, Ben Allwright said that “a large proportion of Wales really only has one major provider, which is Openreach. Openreach is regulated, they provide wholesale products, and a myriad of retailers then provide services to consumers over that”. He noted that a few urban areas have access to Virgin Media as an alternative infrastructure provider. He said:

*“Ultimately, we want to bring in an alternative infrastructure—genuinely competitive infrastructure for public services, for consumers, for businesses et cetera. We are great believers in infrastructure competition. We've raised £200 million for our first plan. That's a first phase of a plan to roll out to at least 500,000 premises, and we believe that is the best way to give everybody more choice and it should benefit everybody.”*

**59.** Elinor Williams said that improvements in competition and choice had arisen from some of the regulatory decisions that Ofcom has made in the past few years. Those decisions aimed to promote investment in gigabit-capable networks. Some involved taking different regulatory approaches depending on the level of competition in that area of the UK. The current wholesale fixed telecoms market review runs from 2021-26 and “early indications show that some of the decisions we made in that document are working and they are promoting investment”.

**60.** Constance Dixon believed that changes in the regulatory environment make it “more attractive for alternative builders, particularly where you've got something called passive infrastructure access”. Giving providers access to “the ducts and the poles that Openreach have” was delivering two key benefits:

*"No. 1 is it's about, you know, competition is good, and the more that is available, the more that we can get to cover all of Wales, so we're really welcoming competition in that sense; secondly, the disruption is minimised as well, in terms of digging up roads, putting up poles, so that sharing-of-infrastructure approach is really important."*

**61.** Ben Allwright said that access to the Openreach duct and pole infrastructure had led to more choice. He said this "had massive benefits because it's brought the commerciality, the viability of installing new infrastructure into the reach of so many more premises in the UK. It's been game-changing".

**62.** Constance Dixon said that Openreach was working with the UK Government's Department of Culture, Media and Sport on "automatic upgrade rights", which meant that "where we do have access via wayleaves for poles, if we've got a wayleave for a copper infrastructure, we really want to be able to automatically upgrade to full-fibre".

**63.** Ben Allwright said that there are approximately 140 alternative network operators in the UK.

**64.** He added that the market was buoyant and "is already bringing new entrants into Wales. Ogi won't be the first or the last new entrant in Wales". He said that the existence of subsidies for the hardest to reach will bring more operators" and concluded that:

*"the work that the Welsh Government did on the trunk road concession, which is a concession contract that Ogi won that allows us to install fibre cables in existing ducts alongside the motorways and fast roads, again, has been a real game-changer for us. So, those kinds of initiatives—access to existing infrastructure, welcoming in new operators, and Project Gigabit—will all bring the market to Wales."*

**65.** Constance Dixon said companies thinking of investing in Wales must consider the "cost of build and how many people can you sell your services to". Several factors could help to reduce costs and therefore encourage investment:

*"we've estimated that it's thousands and thousands of permits for the local authorities when we want to work on a road, and, actually, could we have a slight tweak and, rather than having an individual permit for every single thing that we do, could we have flexi permits where you might have a cluster of roads over a certain period and you can work in that period, so that you're stopping that stop-start scenario of building up fibre and being much more*

*efficient...I would say mandating full fibre in homes is really key, because if you've got those rural homes and we can get fibre there, then it's easier to spread from that point."*

## **Barrier busting taskforce**

**66.** In its report on digital communications infrastructure (2020), the National Infrastructure Commission called for a "barrier-busting task force" to improve the rollout of digital infrastructure.

**67.** Dr Sian Phipps expressed concern that end-user representation was missing from the task force. Rhian Connick said she hoped the task force would "listen, and that they come to the consumer as well and hear what the issues are, and that they communicate with the consumer as well as the industry". Hywel Wiliam agreed that "it's important to have this body in place, but also follow their recommendations that it's important that targets are set. For example, they're calling for this new body to set a target on the availability of 5G services. That's very important, following on from the comments that we made earlier in terms of the importance of mobile services".

**68.** On the 8 July, the Minister for Climate Change issued a written statement, saying that:

*"The taskforce, made up of representatives from the broadband and mobile industry, public sector bodies in Wales, the Welsh Government, and the regulator Ofcom, has focused on five key areas: planning, regulation, public assets, street works and communications. The five working groups we established to examine these issues have completed their work to identify barriers and to propose possible solutions to address those barriers. The taskforce board will meet in July to consider the working group findings and make recommendations to the Welsh Government. I intend to publish their recommendations when I receive them."*

**69.** On the task force's membership, the Deputy Minister told the Committee that, given its remit, he did not believe an 'end user' is a "particularly useful perspective to include within that discussion". He explained that in the context of the task force's work, the "users" are "the utilities and the companies and the local authorities who are trying to navigate that complex landscape". He concluded by saying that the end-user was "very much at the centre" of the Welsh Government's Digital Strategy.

## Cooperation between the public and private sectors

**70.** In its written submission, Ogi highlighted the benefits of public-private cooperation, saying:

*"It is no coincidence that Ogi's rollouts focus on areas where the public sector is embracing the potential of digital. Pembrokeshire's Digital Broadband Delivery Programme Team are vital links between providers, contractors and the communities where investment is being made, while the WG has also led the way with the South Wales Trunk Road Concession."*

**71.** Ben Allwright said that Ogi had positive experiences collaborating with several local authorities, with Pembrokeshire being an example of best practice. He said the local authority had decided that full-fibre and connectivity should be a strategic priority:

*"They do a great job of pulling together the private sector, the communities involved, the available subsidies, and they help, really, to generate awareness, help build demand and help find solutions, basically, between those parties to actually address each community's needs."*

**72.** He added that this had worked well, and more progress could be made if other local authorities took a similar approach.

## Planning

**73.** Constance Dixon said that "the more and more homes that are built without full-fibre connectivity, you're going to stay at 95 per cent, 96 per cent, because for every one that we try really, really hard to connect, through USO, through vouchers, through commercial, more are popping up without anything". She said that Openreach works with all major developers and that full fibre is offered for free for plots of twenty or more houses. She explained that Openreach asks for a small contribution from the developer to build full fibre into plots of two or more houses. A key issue in Wales is the higher number of small developments. She supported the requirement for all new builds to be required to have the infrastructure for gigabit technology. This was already the case for social housing in Wales but should extend to all tenures.

**74.** Ben Allwright said that, currently, service providers were relying on housing developers to engage with them. He said that "*what we'd like to see is, certainly, the legislation change around home building such that a fibre connection had to be provided as part of that build*".

**75.** He noted that, increasingly, larger developers were aware of connectivity as an issue. He said that Persimmon Homes had created its own internet service provider company in response. Ben Allwright said he was pleased that the homeowners would be able to access superfast broadband but was concerned that their choice of provider might be restricted.

## Our view

We thought that the suggestion from contributors to make full-fibre connectivity a requirement in all new-build housing developments was useful. We support the suggestion and believe the Welsh Government should explore how such a requirement can be introduced in Wales.

We were interested to hear that housing developers are considering digital connectivity when they are planning developments. We note that one has established its own internet service provider. Although this may be intended to improve the product for homeowners, we are concerned about the potential for developers to tie in homeowners to their own internet service providers. This could potentially restrict the choice available to homeowners and make the market less competitive. We believe the Welsh Government needs to keep this under review.

We support the establishment of the "barrier busting taskforce" to consider ways to improve the rollout of digital infrastructure. We note that the taskforce will be considering several of the concerns expressed by contributors to the Committee's work in this area. The taskforce is shortly to publish its report. We are pleased the Minister has given an undertaking to publish the recommendations in full.

We were pleased to hear of the positive experiences of internet service providers working with Pembrokeshire local authority. We believe that it would be useful for this good practice to be shared with other local authorities and were pleased that the official accompanying the Deputy Minister suggested that this might be considered as part of the report of the "barrier busting taskforce."

## Recommendations

**Recommendation 10.** The Welsh Government should set out its position on legislating to require full fibre connectivity for all new-build housing developments. The Welsh Government should also explore how it can ensure that developers are not able to restrict homeowners from being able to access other providers.