Watch the meeting

Members present: Neil Parish (Chair); Chris Davies; Simon Hart; Dr Paul Monaghan; Rebecca Pow; Ms Margaret Ritchie; David Simpson; Angela Smith.

Questions 336 - 483

Witnesses

I: Dr Manon Antoniazzi, Director, Culture, Sport and Tourism, Welsh Government; Gerwyn Evans, Head of Tourism Development, Welsh Government; Bettina Sizeland, Deputy Director, Tourism and Major Events, Scottish Government; Richard Walsh, Senior Tourism Policy Adviser, Scottish Government.

II: Kim Mears, Managing Director, Infrastructure Delivery, BT Openreach; Andrew Field, Superfast Broadband Programme Director, Broadband Delivery UK; Professor Barry Forde, Chief Executive, Broadband for the Rural North Ltd; David Broom, Head of Business Development, WiSpire Ltd.

Written evidence from witnesses:

- Welsh Government
- Scottish Government
Examination of Witnesses

Witnesses: Dr Manon Antoniazzi, Gerwyn Evans, Bettina Sizeland and Richard Walsh.

Q336 **Chair:** Good afternoon. Welcome to the Select Committee, and thank you very much for coming this afternoon. We are looking at rural tourism. Starting with Richard, could you give your name, rank and serial number for the record, please?

**Richard Walsh:** My name is Richard Walsh. I work for the Scottish Government in the Tourism and Major Events team. I am a Senior Tourism Policy Adviser.

**Bettina Sizeland:** Good afternoon. My name is Bettina Sizeland. I am Deputy Director of Tourism and Major Events in the Scottish Government.

**Dr Antoniazzi:** Good afternoon. I am Manon Antoniazzi. I am Director of Culture, Sport and Tourism for the Welsh Government.

**Gerwyn Evans:** Good afternoon. I am Gerwyn Evans, Head of Tourism Development within the Welsh Government.

Q337 **Chair:** Thank you very much for coming. It is a pleasure to have you from the devolved authorities and countries to give evidence today. The first question is about inter-country working. How do you work with VisitBritain and VisitEngland? Who wants to start off on that one?

**Dr Antoniazzi:** I am happy to, Chairman. I would say that we value our operational links with both organisations very much and we work very closely together, at various levels. I would say that we have some concerns about the separation of the VisitEngland and VisitBritain brand, given the organisational closeness of the structure now and the potential for confusion in some of our target markets overseas. However, we have a seconded officer who works within VisitBritain’s offices at the moment and we make every effort to make sure that VisitBritain has the information that they need to promote Wales alongside the other home nations, in the appropriate markets.

Q338 **Chair:** Naturally, there will be a lot of international tourists who will visit Britain, and hopefully will visit Wales, Scotland and Northern Ireland, as well as England. It is good to have this organisation, but I suppose we are interested in whether it fits together. Do you feel you get a good enough share of the funding? Perhaps I will bring in Scotland now, shall I? What are your views on it?

**Bettina Sizeland:** I would say that our main relationship with VisitBritain is through VisitScotland. That works well at a number of levels. Our VisitScotland Chair is a member of the VisitBritain board. When the chief execs meet with the devolved nations, then our chief exec in VisitScotland is part of that and that boils down to various director levels as well.
The main activity that works well for us is on the trade side, particularly in emerging markets, where there are these joint trade missions. That has worked particularly well in markets like India and China. Where it does not work so well is where we already have a distinct presence and identity, in more established markets like the US. There is a bit of overlap there that does not particularly suit.

One of the other areas where there is useful collaboration is on the digital side. There, VisitBritain and VisitScotland have been looking for joint opportunities to work with big global platforms like Google to really look at what that might look like. They have also been looking at content through BBC and Expedia as well, so I think there are some useful examples.

In terms of the resources, we always welcome more funding, particularly on the tourism side. In terms of marketing, the main emphasis has been on Loch Ness. That does not necessarily align with some of our priorities for marketing and tourism, in the way that we would do it.

Q339 **Chair:** Is that the international recognition of the monster or what?

**Bettina Sizeland:** It is quite a cool campaign, I have to say.

Q340 **Chair:** I can imagine. Say an American tourist comes along and they contact VisitBritain, and the American tourist says, “We want to visit London. We also want to visit Scotland. We want to visit Wales.” How do they pass these along? Does it work down to that level? Do they pass one between the other? What happens?

**Dr Antoniazzi:** We participate in a programme of familiarisation trips, which is another area of work where we work constructively together, which makes sure that tour operators from across the world and journalists, whether they are organised by VisitBritain or by VisitWales, have a chance to experience the industry.

Q341 **Chair:** How do you interlock together? Do you or do you not?

**Dr Antoniazzi:** We work on international tourism with VisitBritain. For domestic tourism, we are on our own and we are funded by the Welsh Government to undertake that. We share digital platforms, so there is obviously a lot of inter-referral between the digital platforms. For example, VisitBritain facilitates partnerships. We had a partnership last year with London partners, which suggested that, if people are coming to London, a good complement to that visit would be a visit out of London to Wales. We have had some activities to illustrate how well that could work.

Q342 **Dr Monaghan:** The Committee has taken quite a lot of evidence on the subject of rural tourism and a number of representative organisations in England have been quite critical of the role of VisitBritain and VisitEngland, in terms of not supporting the English provinces and regions. One of the challenges has been that VisitBritain tends to encourage foreign tourists through its campaigns to enter and exit the UK through London, which means that there is a concentration of activity in
London. Is that familiar to you? Have you heard that story before? Is it something you are concerned about? Should VisitBritain be doing better in terms of encouraging people to enter and exit the UK through the Scottish airports perhaps or the Welsh ones?

**Bettina Sizeland:** The truth of it is that a lot more tourists go to London and then, from London, use it as a gateway to go to other places across the UK than would go to some of the regions directly or even to Scotland. There is an opportunity, and it is a differentiation between what VisitScotland would do about promoting Scotland directly and what VisitBritain does additionally, which is promoting London as a gateway and encouraging people upwards. That is something that we would welcome more of.

Q343 **Chair:** We do not just want them going upwards; we want them going west as well, not only to Wales but to the west country. I am just intrigued: if you are coming to visit Britain and you click on VisitBritain, then you show an interest in Wales, Scotland, the west country or wherever, does that get sent automatically?

**Bettina Sizeland:** It is signposted.

**Dr Antoniazzi:** There are itineraries on their website and so forth. The only point I was going to make is that we very much welcome the targets that were set by DCMS for VisitBritain to direct tourism around the country, but we would note that what those targets did was to target growth, but that growth being distributed around the UK in the way that it is now. It enshrines the share of tourism that is going to the different nations and regions of the UK, as it is now. I do not think that VisitBritain sees its role as changing the balance of that between London and out of London, particularly.

Q344 **Chris Davies:** Good afternoon, all. Some say that VisitEngland has essentially been subsumed into VisitBritain. Our Chairman has just alluded to the south-west, and when we had the South West Tourism Alliance in front of us they explained that VisitEngland has a minute budget compared to Scotland and Wales. Those of us in Wales probably do not think that you have enough, but there we are. Of course you have your own tourist boards as well. Does that picture sound familiar to you?

**Bettina Sizeland:** In terms of whether VisitEngland has a small budget in comparison, our budget for VisitScotland is £40 million.

Q345 **Chris Davies:** What is Wales’s?

**Dr Antoniazzi:** £15 million revenue and £5 million capital.

Q346 **Chris Davies:** Do you think you have a sufficient budget at the moment?

**Bettina Sizeland:** The VisitScotland budget is mainly for international and national marketing, and events development. In terms of budget, we have maintained it the same as last year and the reason for that is that tourism is a key economic sector for us. We do not see it as being
just about tourism; it is because it is one of Scotland’s key economic sectors that we continue to maintain our investment in the sector.

**Gerwyn Evans:** It is very difficult to compare the different structures as well. The structure we have in Wales is that VisitWales is the tourism department within the Welsh Government. Scotland has VisitScotland. In understanding VisitEngland’s budgets, we are not sure how that moves across to what we have, because we all deliver different things with different models. It is very difficult to compare like with like in the budgets, but being in the economic department, very much like Scotland, has enabled tourism in the Welsh Government to receive additional budgets this year as well, so it is a beneficial thing from that perspective.

Q347 **Chris Davies:** It is very interesting that you say that you deliver different things, in that respect. Looking from the outside in, one would expect VisitWales and VisitScotland to work in exactly the same way, but how different are you as organisations, how differently do you work and what are your different priorities?

**Dr Antoniazzi:** VisitWales is a part of the civil service and therefore we have the branding of VisitWales but we are part of the Department for the Economy. Gerwyn and I are civil servants working to the Permanent Secretary in the Welsh Government. Our priorities were set out: there was a strategy published in 2013, Partnership for Growth, which is a seven-year strategy for 10% growth in the industry between then and 2020. That sets out the priorities by which we have been conducting our strategies and operations in the last four years.

**Bettina Sizeland:** Our set-up is different. In terms of VisitScotland, it does not sit in the direct civil service. It is an arm’s-length public body. VisitScotland itself is focused on marketing and events; those are the two main activities that it delivers. In addition to that, we also have a tourism focus within our enterprise agency, Scottish Enterprise, and Highlands and Islands Enterprise, and their focus is on supporting businesses, because so many of our particularly rural, remote and small businesses are dependent on tourism, so we have that additional focus.

In terms of strategy, we have a pretty mature strategy that was developed in 2012. It is industry-led by the Scottish Tourism Alliance. All public sector agencies are aligned to that strategy and support that strategy. Since being reviewed in 2016, that has a fairly narrow focus in terms of what we really need to do to support and grow the industry. In terms of targets, what that looks like is increasing visitor overnight spend by £1 billion by 2020, and we are well on target to do that, so the strategy has worked quite well.

Q348 **Chris Davies:** Going back to Wales, if I may, you quite rightly both say that you are civil servants and the department is now in-house. There are many in my—particularly tourist-related—part of Wales, Brecon and Radnorshire, who look back on the old Welsh Tourist Board rather fondly and would say that tourism was better served when tourism was run by outside bodies, rather than civil servants in Cardiff Bay. I am not asking
you to agree or disagree with that, but do you acknowledge that there is criticism around Wales of VisitWales being a government body run by civil servants and not doing the job that the Welsh Tourism Board used to do?

**Dr Antoniazzi:** I will ask Gerwyn to comment a little bit on how we relate to the industry. I would point to the results, which are positive pretty much across the board. Between 2011 and 2015, we have had an increase of international visitors of 10% in terms of volume and 25% in terms of spend. The results that we have to hand so far for 2016 are also very good. We have seen record years of results, in terms of day visitors this year, on top of last year, which was itself a record year. We do not have the full results to hand yet, none of us do, for the overnight day visitors for 2016, but it is looking to be a tremendously good year.

What we have also very much seen over the last two years has been the industry coming with us in marketing Wales according to particular themes. The Government set out three themed years. Last year was the year of adventure, this year is the year of legend and next year we have the year of the sea.

**Chair:** I think it is time we brought in Mr Evans, do you not? He has been very quiet so far. Thank you for that.

**Gerwyn Evans:** The good thing about VisitWales being in Government is it is enabling us to have strong relationships with other departments within the economy portfolio, enabling us to figure out capital budgets for strategic projects. We have been very successful from an investment perspective in working with the industry and private sector in developing economic products, such as Surf Snowdonia, the Zip World business in north Wales, which this year has ended up with north Wales being designated the fourth best destination in the world to visit by Lonely Planet. That has happened because we have been inside Government and been able to secure larger sums of investment to support the private sector.

At engagement level, I have worked on both sides of the Welsh Tourist Board and within Government, and our engagement levels have remained consistent through both structures. We have a very mature engagement system through local partnerships, brought together at the local level between the private and public sector, so the local authority and the tourism association in the main. We bring them together on a regional basis, split into mid, south-east, south-west and north, and they then feed up their issues and concerns to a national advisory board, which then feeds into our Cabinet Secretary. Our engagement has always maintained positive relationships throughout both.

**Q349 Chris Davies:** Those were two very Civil Service answers in saying, in a roundabout way, that you do not acknowledge the fact that the Welsh Tourist Board was favoured over VisitWales.

**Dr Antoniazzi:** It is a political matter how VisitWales is arranged, but I would point to the results.
Chair: The argument was that the figures back up the fact.

I just want to make everyone aware that, at 2.40, I shall call for us all to stand for a minute’s silence in memory of all those who died in the terrible tragedy last week.

David Simpson: What policies do you have that encourage visitors to urban areas and also to rural areas? Do you share best practice on this issue across all our nations?

Richard Walsh: Do you mean specifically the urban/rural split within Scotland?

David Simpson: No, across all the nations. You are dealing with Scotland, so you can speak on Scotland.

Richard Walsh: In terms of VisitScotland activity, VisitScotland’s remit is to market all of Scotland. The difference is that, in contrast to some areas of Scotland, we see that you can be in a big city in Scotland, and very shortly you can be in a national park. Within that, images of particularly striking rural areas have been used within VisitScotland advertising, imagery and marketing. For example, you will see images from the newly set up North Coast 500. You will see images in terms of Orkney turning up, in terms of the Ring of Brodgar, so images from both rural and urban areas are used within the agencies’ VisitScotland advertising.

VisitScotland and, as Bettina said, Scottish Enterprise, and Highlands and Islands Enterprise, our other enterprise agencies, also work with destinations to encourage them in terms of best practice in marketing themselves, but also to set up cross-urban and rural linkages. A particularly good example perhaps has been Glasgow City Marketing Bureau working very closely with Argyll and the Isles Tourism Co-operative, in that they have cited that you could land at Glasgow airport and, within one hour, be in a national park in terms of Loch Lomond and the Trossachs, indeed the Cobbler, one of the hills there. We see cross-marketing like that, showing that cities are not just destinations in themselves.

The Scottish Tourism Alliance and Tourism Scotland 2020 strategy recognise that they are often gateways outwith the immediate urban area into the rural setting that is there. The industry-led strategy is encouraging us to get those linkages working within the destination management organisations that can, as well as the national and international campaigns that VisitScotland is responsible for, work locally.

Q350 David Simpson: That is the point I was going to make, as regards the marketing and the differential between the domestic and how you work with international marketing as well. I am going to ask the same question to the Welsh folk. How does that work with the international? Could you develop that a wee bit better?
**Richard Walsh:** As we have said, particularly in terms of VisitBritain’s role in essentially heavy lifting in the developing countries, particularly when you are looking at things like trade fairs and you are looking at breaking into familiarisation trips for press and media, that operational level of business-to-business and media engagement in emerging markets with VisitBritain has been very important for VisitScotland.

Q351 **David Simpson:** What have the results been like?  
**Richard Walsh:** They have been encouraging. It is a slow burn. It is a slow burn.

Q352 **David Simpson:** What are the challenges?  
**Richard Walsh:** The challenges are immense, for example in terms of the way in which people choose to make a decision to visit the UK at its widest level. In terms of some of our markets, like our near neighbours in Europe, it is very close to departure day. They are using a variety of different methodologies. They are looking perhaps at TripAdvisor or other social media to make the decision.

When you are looking at emerging markets, in particular China, you are looking at a different set of decision modes. You are looking at when they are making that decision to travel. There is perhaps a greater propensity to use travel agents than to do independent travel. Again, you are looking at the market that you are trying to break into. That far, international market is something that we are trying to break into, get established and get knowledge from, and that is where VisitBritain is particularly interesting. For our near neighbours in Europe or perhaps our distant cousins in North America, Canada, New Zealand and Australia, there is a very different set of behaviours. Again, we know and can alter our marketing techniques.

What we are looking at, particularly with VisitScotland’s marketing campaign, “Spirit of Scotland”, is that the aim is not simply to advertise; the aim is to work with the industry. Instead of marketing for Scotland, it is marketing with Scotland. It is using user-generated content. It is using the destinations themselves to become champions, provide content, upload and use all the advantages to create an awareness of Scotland and the desire to visit Scotland that reflects these markets, because they are more likely to go by word of mouth, by what they see or by an interpretative, rather than simply to have an advert, which has its place in certain key markets. That would be the main differentiation.

**David Simpson:** Thank you. Let us hear how well Wales is doing.

**Gerwyn Evans:** We have one strategy for tourism in Wales. There is no different strategy for urban destinations or rural destinations. It is one strategy that brings together key issues and challenges that we need to look at up to 2020, around product development and promotion. People and skills is a huge issue, and profitable performance and working with the industry. The strategy is the same for the rural destinations as it is for the urban destinations. We are following what we call a product-led
approach and, by that, we mean investing heavily in new products that can change Wales’s profile and perception, not just in the UK market but internationally.

Q353 **Chair:** Do you have any figures, both in Wales and Scotland, as to how many people come to the cities and how many people might go into the rural parts?

**Gerwyn Evans:** It is difficult to define rural, in terms of tourism statistics. In the information we previously provided, the GBTS statistics we all use to see the tourism numbers, we estimate that around 46% of trips taken into Wales are into rural destinations and around 42% of the spend. It is nearly half really, in terms of the trips and the spend.

Q354 **Chair:** Would that be the same in Scotland?

**Richard Walsh:** Again, it is the definition of urban and rural, and it is how we capture the statistics, but we would broadly see that the major point of arrival is the big cities and then moving out of that. What we can do is track our bigger attractions that go outside the major cities, by using commercial barometers in the Association of Leading Visitor Attractions. The difficulty can be that the smaller attractions do not actually log where visitors are from. Some of the big destination attractions do. Edinburgh Castle, for example, logs where visitors come from, so what happens is that the industry itself, and in particular Edinburgh, is working together in order to get that information to see where they are.

**Chair:** Thank you. Let us be upstanding now, please, for a minute’s silence.

The Committee was suspended for a minute’s silence.

On resuming—

**Chair:** Thank you very much. Sorry to interrupt proceedings, but I very much felt that we wanted to pay those respects, so thank you.

Q355 **David Simpson:** In relation to the challenges, what is the difference between yourselves and Scotland? What challenges do you face?

**Gerwyn Evans:** One of the key differences is the international market. The key market for Wales remains the UK market. Manon mentioned that 2015 was the best year we have ever had, in terms of volume and value from the UK market. It was the first time we went over 10 million visitors from that particular market. The strategic ambition of the Partnership for Growth is to get above 1 million international visitors, and we are hopeful to achieve that over the next period. We have focused our investment from a market perspective on three key markets: Germany, the US and Ireland. We are investing heavily specifically in Germany at the moment, and trying to get value-for-money returns by reducing our resources down to the markets that we feel have the best impact for us over the longer term. We also have the major events function within VisitWales, which allows us to bring in visitors from all
over the world for the events that we have managed to secure. We had the Champions League final coming to Cardiff this year, as an example. It is a different approach to what is undertaken in Scotland with regards to international visitors. Our key focus remains the UK market, but with this targeted approach to international visitors.

Chair: Thank you very much. They are very good answers, but could we keep them just a little bit more concise, please?

Q356 Dr Monaghan: All of you have, in some way, mentioned the idea of having themes to attract people. Can you tell us what impact your themed years have had on business in Wales first, and perhaps rural tourism in particular?

Gerwyn Evans: It has given an opportunity for the industry to come together around a theme. It has galvanised them to come behind VisitWales and behind a theme. The year of adventure that we ran last year was hugely successful, in terms of the industry understanding what we were trying to do. It gives our marketing colleagues a key strength in the marketplace. It gives us one sales pitch in the marketplace, in terms of Wales is the year of adventure. The key success for us has been the industry buying into it and then working with us to try to transmit that message as much as possible.

Q357 Dr Monaghan: Can you tell us how the theme is identified? What areas do you intend focusing on?

Gerwyn Evans: It is through a lot of research into where our product strengths lie. Again, we have spent a long time investing in the adventure product in Wales, so we thought it was right to have the year of adventure first to back up that investment we have made, which, as I said earlier, has resulted in the Lonely Planet designation, which is huge for Wales. The year of legends this year has obviously built on our cultural heritage, and Manon’s portfolio also includes Cadw, the castles, etc, in Wales. We have a positive story there to tell to our UK and international markets. Then we have the year of the sea. They are our three core products really.

Dr Antoniazzi: We intend all the time to focus on areas that are obviously Wales’s competitive strength. I am sure that is what Scotland will be doing as well. We have certainly felt that we have been able to have at least three themes that have been sufficiently broad to celebrate what is good about the industry in Wales, and bring a lot of people with us, as Gerwyn said. I do not think it is a coincidence that we have had particularly good results from day trips domestically during 2016. I think that is probably related, and we are undertaking further evaluation now of how it worked in 2016 to inform Ministers’ decisions about 2019-20, going forward.

Bettina Sizeland: In Scotland, I suppose the start of our themed years was in 2009, with the first year of homecoming. Since then, we have built on that success and have had a series of themed years that sound very similar to Wales’s ones. In terms of the impact on rural areas, if you
look at the two food and drink ones that we have had in particular, 70% of our food and drink industry is in rural areas, so there is a natural impact there. We have the year of coast and waters coming up in 2020, which is again a big opportunity to look at rural areas and look at some regeneration around our maritime tourism strategy. In some of our themed years, we have branched out into looking at broader economic impact and social impacts, so next year is a very important year for us, with the year of young people, again with a mix of urban and rural opportunity.

**Richard Walsh:** I would simply say that every year is evaluated. The last evaluation that was completed was for 2015, which was the year of food and drink. That came out in 2016. The 2016 year of innovation, architecture and design is due out in 2017. As Bettina said, highlights for 2015 are that visitor spend on food and drink increased 5.2%, up from £942 million to £994 million in 2015. Given the preponderance of SMEs dealing with food and drink in rural areas, that increases the reputation and soft power of Scottish food and drink abroad.

**Q358 Dr Monaghan:** It is significant. Again, how do you identify the themes and build them into your strategies?

**Richard Walsh:** For the last one, in terms of 2020 and 2022, there was a period of consultation with the industry as well, and there was also feedback from the industry, in terms of the initial sense of how the themed years were operating. We got comments back that we were not announcing them quickly enough in order to enable businesses to prepare. There was a lot more preparation. There is a single point of contact through VisitScotland, in terms of downloading logos and absolutely free advice for any businesses that want to get involved. Again, the themes reflect the key appeal in terms of Scottish tourism and hospitality.

**Q359 Dr Monaghan:** We have had quite a lot of comments from various organisations and individuals about signage for tourist attractions, some of it positive, some of it negative. Brown signs have come under quite a bit of flak, to be honest. Have the Welsh Government done any kind of analysis on signage for tourism hotspots or in general perhaps?

**Dr Antoniazzi:** It is certainly a matter of interest for us as well.

**Gerwyn Evans:** Yes, it is a hot topic for the industry in terms of access to and improved signage. The Welsh Government do have direct responsibility for the motorway and trunk roads, so we have done some analysis of the brown signage rules and regulations, and hopefully we have simplified that, so the industry can apply to us now for funding to get improved brown signage for key destinations. That is a positive and something that we are trying to improve, year on year. The difficulty comes when it is down to local-authority-owned roads and highways, and the different rules. There is more work to be done on brown signage, but we think we are making progress in terms of accessing and supporting the industry to get better signage.
Q360 **Dr Monaghan:** The brown signs go on trunk roads only; is that right?

**Gerwyn Evans:** The Welsh Government are responsible for the brown signs on trunk roads only.

Q361 **Dr Monaghan:** Do you have anything to add, Manon? What about in Scotland, brown signs and signage more generally?

**Bettina Sizeland:** They are a help and a hindrance, are they not? In Scotland, as I am sure in Wales, they are considered a traffic management tool rather than a sort of marketing tool. In terms of funding, it is provided by the applicant. Sometimes that has worked very well and it provides good signage to the attraction, and sometimes there is a bit of difficulty. There has been revised guidance to businesses. The Scottish Tourism Alliance has worked closely with businesses to develop that.

Q362 **Chair:** What about getting them on to the motorways, because that has been a big issue, has it not? Who is responsible? Is it the equivalent of Highways England in Scotland? Is there a Highways Scotland? I know that motorway signage is one of the most difficult to get, or has been in the past.

**Richard Walsh:** Transport Scotland would be responsible for the trunk road network in Scotland, and again there has been a method of working closely with the industry in terms of the guidance that Transport Scotland puts out, which of course is also followed by local authorities in terms of brown signage on their network, which they are responsible for. VisitScotland also issues separate guidance, which is less technical, direct to businesses. Part of this has also been the message of getting out and saying that brown signage is traffic management; it is a range of measures that have to be put in to deal with traffic flow at any attraction or any business.

Also, the message needed to get out around reassurance that procurement of the signage was cost-neutral for the public purse. The actual procurement was done under best-value guidance, so it was operating in terms of how public bodies are meant to operate.

Q363 **Dr Monaghan:** Given that there are some challenges, and a mixed experience, if you could improve the system, what would your improvement be? What would your key recommendation be to improve signage generally across Scotland? Would you scrap the brown signs, keep them or have more of them?

**Richard Walsh:** We would have to defer to Transport Scotland in terms of that and recognise that they are useful for traffic management.

**Dr Monaghan:** It is in terms of tourism, not traffic management.

**Chair:** Surely your tourist attractions always want these signs, do they not? Do you support them when they want them?

Q364 **Dr Monaghan:** What we hear in the Committee is that sometimes they are helpful and sometimes they are not. Sometimes they are easy to get
and sometimes they are not. It seems to be inconsistent and that is part of the problem. It is a genuine question. Setting aside traffic management, for tourism and the purposes of tourism, particularly in rural areas, what would you do to improve the situation?

**Bettina Sizeland:** From a tourism perspective, they are not the best marketing tool. We are in the digital world now, are we not? We are in the world of mobile reception, so there are better ways of marketing your attractions than using brown signage these days.

**Q365 Dr Monaghan:** I know from my experience, and I am sure you do as well, that rural areas in Scotland—and I am sure it is the same for Wales—often do not have access to connectivity, broadband and all the rest of it. When tourists are driving around and travelling around, the brown signs can be helpful, but it is that inconsistency again that seems to be unhelpful. Is there something that we could do to change the system to make it either more efficient or to sweep it away and replace it with something better?

**Richard Walsh:** One thing that springs to mind—we would have to write to you—is working around the A9 in terms of the road development. There was a competition that was won and it was essentially looking at an app that will guide people up and down, signposting from the car to attractions up and down the A9, running off the mobile network. You do not necessarily need mobile data connectivity—of course, overseas visitors to the UK, whether or not they have connectivity, may not want to pay the data charges. A piece of pilot work has been done around the A9, but we would have to provide further information on that.

**Q366 Dr Monaghan:** Maybe you could do that. That would be helpful. Again, I hear what you are saying about connectivity, but there are large areas of both Wales and Scotland where you do not get a mobile phone connection, so an app would not be any good at all. How does it work in Wales? What would you do to improve the signage situation?

**Gerwyn Evans:** “Consistency” is the key word. We undertook a consultation with industry back in 2013, which allowed us to revise the brown signage architecture from a Welsh Government perspective, for motorways and trunk roads. That then enabled us to invest in brown signs for our key attractions. That is not the same for local authorities on A roads and other road systems, so we need to get to a position of consistency and clarity across all areas, which would be the next thing for us to look at.

**Q367 Dr Monaghan:** Would you like to have some kind of responsibility for all roads’ brown signage across Wales?

**Gerwyn Evans:** No, not responsibility, but just clear guidance on why business A gets a brown sign and business B does not, so that everybody can understand it. Transport colleagues in the Welsh Government have the remit to look after signs, because of traffic management issues, etc. We would like to see clarity of guidance over why a business deserves a brown sign over another one that does not.
Dr Antoniazzi: As Gerwyn noted, we get anecdotal feedback from tourism businesses that they feel that a brown sign makes a difference to them, which is why we work to make sure that VisitWales has informed the policy with regard to brown signs on roads that are within the responsibility of the Welsh Government. Like Scotland, there are other ambitious initiatives that we are looking at. We are looking at tourism routes throughout Wales, which we will be announcing more details of in the course of the year, which will seek to tie together particular tourism hotspots in a new way, which is helpful to people on the ground. I do recognise what you say: when you are there on the ground, seeing a brown sign can be helpful.

Q368 Chair: In the Welsh Government, in your evidence, you talk about a toolkit to help tourism businesses make changes and make them more sustainable. “Toolkit” is a very overused word, in my view. What is in the toolkit and what sort of uptake has there been? I do not want too long an answer, but what is in the toolkit to start with and has it had any effect?

Gerwyn Evans: It is basically a toolkit of best practice and case studies, working with real innovative businesses within the rural economy, in the main, around water management, heat and electric sources, and different sources for energy. There is some good evidence within Wales of sustainable business practices, and we are trying to share them around the whole industry. It is very much a toolkit for the industry to go and learn how they can improve.

Q369 Chair: Is that down to things like insulation in cottages? Do you go that far?

Gerwyn Evans: Yes.

Q370 Chair: Do they come to you for advice or do you just guide them in the right way?

Gerwyn Evans: All the information is online. They can do a self-assessment, they can input where they feel their business is currently, and then, on the basis of what they have inputted, we can look and provide advice and guidance from the case studies and best practice that we have developed to help them, in the end, to post a positive return on the bottom line, because sustainability does improve the bottom line.

Q371 Simon Hart: This question may be connected to the one that Paul asked just now. It is about the ability of farmers to diversify into tourism-related businesses. I just wondered whether you felt that the individual government policies in the two devolved regions that you represent were sufficiently helpful to enable farmers to go down that road, in particular on planning-related issues.

Gerwyn Evans: We do not get involved in planning issues obviously, because we are in the Welsh Government. We have to stay away from any planning decisions at the local level. In terms of support for farm diversification, we are in regular contact with the National Farmers’
Union, for example, and the Country Land and Business Association to provide advice and guidance as to how farms can diversify. There needs to be a market demand and a market need for whatever they are diversifying into. If I just quickly take an example of self-catering, in many parts of Wales it is oversupplied and we have a high-quality level of self-catering. We then would not want to provide funds to farmers to develop individual self-catering units, where the market is already saturated. We are working with farmers, farmers’ unions, etc, to understand how we can support them to diversify.

Q372 Simon Hart: Is it the same in Scotland?

Bettina Sizeland: We support farm diversification in Scotland through two programmes. One is the Scottish rural development programme, which is pillar II of the common agricultural policy. The other programme is through LEADER, which has been going on since the 1990s and is very much a bottom-up community planning and support programme. Those are the two areas where we will support farm diversification.

Simon Hart: In terms of feedback from the agricultural industry, what are the sticking points? Are they happy with the way the world is or are they lobbying you in any particular area?

Q373 Chair: Is it planning, or what is it?

Richard Walsh: The feedback we are getting is that, within the rural area, it is not just farms that are seeking to diversify as well. Although a third of SMEs in rural areas are farming, forestry and fishing, the other two-thirds are not. There is the market demand. What is it that they can prove a business case for, in terms of saying what is it that is particularly needed? What is the gap in the market area in this particular region in which they are seeking to expand?

Although it is not a planning issue, there is also the point that VisitScotland runs the national tourism development framework, which basically looks at the eight themes in the industry strategy. For each of the 32 councils that are planning authorities, and also the two national parks that are planning authorities, they are basically saying that this is where there is a gap in terms of infrastructure, market or product within this particular council or planning area. It also highlights where there is likely to be investment. Now, it is not guaranteed that that investment will come along, but that is referred to in our Scottish planning policy and it is referred to in our national planning framework 3, so it is a document that can be looked at when planning decisions are made by the planning authority. As the Scottish Government, we would not be involved in planning decisions like that, because they could be called in later. There is recognition of where there are gaps, and there is also a recognition of where there is market opportunity.

Gerwyn Evans: It is much the same, but we also try to concentrate through the rural development programme to improve the supply chains between the farming community and the hospitality sector specifically. Locally sourced food is obviously very pertinent today—the sense of place
in the demands of consumers. We are trying to work with the programmes, bringing farming communities and hospitality businesses closer together.

Q374 Simon Hart: When you were answering one of Paul’s questions earlier about connectivity—the question was around the development of apps; brown signs versus apps, or whatever it might be—there would be a number of areas, in Wales at any rate, where if you are reliant on the mobile phone system you are not going to get very far. If anything, it seems to be getting worse rather than better, in one or two particular isolated areas. Is there a danger, if the investment is focused on technology such as apps, that for those people who simply would love to be able to access this technology cannot? A gap is going to be created between those who have it and those who do not. Is that an exaggerated problem?

Gerwyn Evans: It is an issue and there is a fast broadband programme in Wales that is rolling out better connectivity.

Simon Hart: It is not even broadband, really.

Gerwyn Evans: It is an issue with regards to mobile phone signals within rural areas. People have to download the information before they get to many areas. We are fully aware of that issue and, when we support anything to do with technology, we make sure that that is built into the business case from the start, so that the consumer can access the technology at all points.

Q375 Simon Hart: Where that is not possible and does not look like being possible for a while, is there still an emphasis from the panel on perhaps more traditional ways of drawing people’s attention to the existence of a visitor attraction, i.e. brown signs?

Gerwyn Evans: They both do it together. That is the key thing. Also, when a visitor books a holiday in Wales, that information is provided following the booking, so they have the information upfront as well, at their home, so they come prepared with the information.

Q376 Simon Hart: I have just one quick question, which we may come to late again, but it is relevant in this context. Quite of lot of agricultural or semi-agricultural businesses that diversify into tourism-related businesses are heavily dependent on migrant labour, in both their agricultural business and indeed their holiday business. Today of all days, when we are commencing the Brexit process, are you content that the labour requirements will be sustained during and after Brexit for these kinds of industries?

Gerwyn Evans: We have obviously been talking to the industry in Wales following the Brexit decision, and the big issue that they tell us is the skills issue, with potential migrant workers not being available in the future. Their big worry, when we talk to those organisations, is British hospitality services in Wales.

Simon Hart: That has been raised.
**Gerwyn Evans:** It is their key concern.

Q377 **Simon Hart:** Would that be reflected in Scotland?

**Bettina Sizeland:** It is the same, so freedom of movement and skills in the hospitality sector have been raised as the two major issues post-Brexit.

Q378 **Rebecca Pow:** We have touched on this a little bit, on the farm question. It is related particularly to the rural-urban divide. I wondered if you might comment on your tourism funds and grants, and how they work particularly for the whole rural area, not just farming, but the rural regions. Mr Walsh, could you comment on that?

**Richard Walsh:** We would say that VisitScotland, in terms of their support to destinations in terms of marketing, is one attribute. As you say, Scottish Enterprise and Highlands and Islands Enterprise, as the main enterprise agencies, provide support. The point is that the two enterprise agencies in Scotland can cover big cities and the same agency can also cover quite rural areas. Again, you would not necessarily be looking at an exclusively urban-rural split, in terms of the support that is being given. We are looking in terms of broad support to all destinations of rural tourism enterprises across Scotland. Between VisitScotland, HIE and Scottish Enterprise, you are looking at about £998 million\(^1\) going out there to all rural business that has an interest in terms of alignment with tourism. There is not a specific urban/rural split, in terms of different types of grants that are given, in terms of tourism. In terms of going through the enterprise agencies, that is the broad level of support.

Q379 **Rebecca Pow:** Given that more of your tourism is going to rural areas than urban areas, as a percentage, are more businesses in rural areas getting the grants to help them improve their businesses for tourism? That is my point.

**Richard Walsh:** We cannot provide that information at this moment, in terms of failure rates for the particular types of business. Again, because it would not necessarily be split in terms of exclusively urban or rural, we would have to dig out that information. In terms of the broad support, you can have quite a difference between, for example, HIE supporting

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\(^1\) Witness correction: I meant to say that the total funding was “almost a million, £998k” instead of “about £998 million”.

The witness provided the following clarification: In 2015/16, VisitScotland, Highlands and Islands Enterprise and Scottish Enterprise all funded various destination marketing organisations right across Scotland, in addition to other proactive support, such as advice, access to workshops and other developmental and marketing support. Total funding awarded/provided (£999k): VisitScotland: £190,650 (aligned to *Spirit of Scotland* marketing); Highlands and Islands Enterprise: £482,462; and Scottish Enterprise: £326,000.
work in Inverness in the city itself and yet, in the surrounding area, it can be quite predominantly rural as well, so there could be a difference in terms of the type of business that is being supported or not being supported.

Q380 Rebecca Pow: For example, in business improvement districts, are you finding that people are able to bid into those pots of money to help their rural enterprises?

Richard Walsh: The biggest tourism business improvement district is actually around Loch Ness and Inverness, so that is our first tourism business improvement district as well. Business Improvement District Scotland is responsible for encouraging destinations. There are several business improvement districts running in Edinburgh, which are based around the Grassmarket and one running around Queensferry that is based on cruise liners, and then you also have the widest one, which is Inverness and Loch Ness, again in terms of support to a particular model.

Rebecca Pow: That is rural.

Richard Walsh: Yes, precisely.

Rebecca Pow: You made a business improvement district in a rural area.

Richard Walsh: Yes, but it need not necessarily be. Inverness city centre, for example, is included.

Q381 Rebecca Pow: Yes, I understand that you have them in many places. We are just trying to learn some lessons for the rural economy in particular. In Wales, do you have any particular grants or funds that work particularly for rural areas?

Gerwyn Evans: We have an internal capital scheme called the Tourism Investment Support Scheme, which is managed by VisitWales and the Welsh Government. The evidence I provided showed that around 70% of investment through that scheme goes to the nine predominantly rural wards.

Q382 Rebecca Pow: You can get quite large sums of money through that, can you not?

Gerwyn Evans: Yes.

Q383 Rebecca Pow: How much is that up to?

Gerwyn Evans: It depends on the business case. We do not set an upper limit in terms of the support we provide, but it could be in the millions of pounds to projects. We also secure funding from Europe, through the ERDF and RDP, and we have very successfully recently, so we have significant amounts of money to invest and, because of the state aid intervention levels, different parts of Wales will benefit in different ways. Most of the rural areas will have higher intervention rates than the urban areas. Gwynedd, for example, would have a higher intervention
rate than Cardiff, so there are benefits to the rural economy from our investment schemes, from that perspective.

Q384 **Rebecca Pow:** I just have one slight aside, Mr Chairman, as we come from the south-west. Tourism is a really big part of the south-west region and it is very rural. I just wondered whether you might have any comments that you have picked up to say that a region like the south-west—there are probably others in England that are quite rural—could learn lessons from what you are doing with your rural tourism to strengthen our economies in the south-west. Do you think there are things that you do that are really helping the rural economy?

**Dr Antoniazzi:** I would say that one of the reasons why tourism was designated a priority sector by the Welsh Government was the fact that it is an economy that is spread across Wales and has deep roots in rural areas, as well as the potential in urban areas to host big events. From that point of view, going back to the earlier question about skills, it offers satisfying jobs and careers for people remaining in rural areas. That is part of the rationale behind our investment.

**Gerwyn Evans:** We are very happy to share what is considered best practice in some areas. We have been up to Scotland to speak to VisitScotland and partners about our approach to investment, and we can do the same in England as well.

Q385 **Chair:** That would be quite useful, thank you. What about Scotland and getting them all to rush out into the rural areas?

**Bettina Sizeland:** In terms of things that work particularly well in the rural areas, recently we have had great success with the North Coast 500, which is mainly a marketing campaign. The circuit was already there in the northern highlands. It is a 500-mile circuit, which is why it is the North Coast 500. We have marketed it as a circuit route you can do on bike, by car or whatever, and it has been fantastically successful. Businesses have found that they have really grown as a result of being associated with that campaign.

Q386 **Rebecca Pow:** Did you put funding into that? Did businesses have to bid?

**Bettina Sizeland:** No, that is the interesting thing. The funding was all really about the marketing, so there was no funding in terms of the infrastructure or support for the businesses. Now we are looking at what we need to do in the future to sustain that and to grow the businesses, through the Highlands and Islands Enterprise. It was about a marketing campaign. The other thing that has worked well for us is using our regional cities as gateways to rural areas. Again, it starts to extend the length of stay, if you can use that gateway and get people to tour around and come back.

**Rebecca Pow:** That is a really interesting model and it would definitely help areas like the south-west and probably like Suffolk.

Q387 **Chair:** Thank you very much for that answer. Talking to Scotland, first of
all, you were talking just now about the support for tourism. Some of it goes through CAP payments and some of it comes from RDP. They are European funds again; have you given any consideration to how these things may be funded in the future, if we are no longer part of the EU? Have you got that far yet?

**Richard Walsh:** The position is that the Scottish Government have been asking for clarity from the UK Government, in terms of certain categories of payment. A guarantee has been made by the Cabinet Secretary for Finance but, at the minute, the Scottish Government are still asking for clarity about the positions for the other range of funding that no detail has emerged about.

Q388 **Chair:** I suppose it would not necessarily be included in the Barnett formula, because European funding would be outside that. It is probably an interesting case where Scotland would be applying for support as that came, would they, or is it beyond your pay grade to answer that?

**Richard Walsh:** I think we would fall back and say that we are seeking clarity.

Q389 **Chair:** What about Wales?

**Gerwyn Evans:** We cannot speak more widely. We are very successful in obtaining funds from Europe. The wider discussions between the Welsh Government and the UK Government need to happen on that. In terms of what we are doing, I mentioned our capital support scheme, which was a 100% grant. Last year, we have moved that to a minimum of 30% repayable for every project we support, knowing that we are going to build an evergreen fund, so every project that is now being supported has to have a repayable element, so that we can build funds going forward, in the instance of having no European money.

Q390 **Chair:** Of your budgets, have you got any idea how much of it would come via Europe and how much comes directly from the Welsh Government? The majority is from the Welsh Government, I expect.

**Gerwyn Evans:** We have a Welsh Government budget for the activity we do. We then bid to Europe for specific projects, so we are delivering 13 major tourism infrastructure projects around Wales at the moment, with £27.7 million ERDF and total project costs of £85 million. We have secured an additional £12 million from the rural development programme specifically for tourism.

**Chair:** It would be project-type funding that you might be looking for, really.

**Gerwyn Evans:** Yes.

Q391 **Dr Monaghan:** This is again on the theme of finance and related policies. We have heard in evidence previously that some tourist representative organisations would like to see VAT reduced in the tourist industry. To perhaps start with Wales, do you have or do you intend to introduce any sort of financial support for the rural tourism industry? Would you like to
see VAT reduced? Do you have any other ideas of what would help?

Gerwyn Evans: It is a non-devolved matter.

Dr Monaghan: I realise that, yes, but you can still ask for it here.

Dr Antoniazzi: Our Cabinet Secretary for Economy has said that he is generally supportive of change, but that further work needs to be done. That is the Welsh Government position specifically on VAT at the moment. In terms of general support for rural tourism, again it is part and parcel of our general approach to tourism support. It is certainly a priority sector.

Q392 Dr Monaghan: Has your ministerial colleague said what they would like VAT reduced to?

Dr Antoniazzi: No.

Q393 Dr Monaghan: What about in Scotland? Where are we with requesting a reduction in VAT for rural tourism?

Bettina Sizeland: In terms of VAT and a VAT reduction, it is something that we are interested in, but we also have an interest in the VAT receipts that we get as well, so we are quite sure what the right balance is. As part of the devolved nations, we wrote to Treasury earlier this year for a review of VAT rates, but that request was rejected, because it is a devolved issue, so it is not something that has to come back to Treasury.

Q394 Dr Monaghan: It is a reserved matter, rather than devolved. What reason did they give for refusing it at the Treasury?

Chair: It was money, I expect.

Dr Monaghan: They are always interested in Scotland’s money, Neil.

Richard Walsh: The situation was that it was in a meeting with DCMS, Welsh Ministers and Scottish Ministers and it was said that we should write to Treasury to explore the issue, not necessarily to commit to a cut, but to explore the modelling and the methodology. I do not think we actually got a response in terms of that. The earliest reasoning we have, in terms of the Treasury’s point of view, was from the adjournment debate in February 2014, which I think Margaret Ritchie had secured. Again, the VAT issue that came back from the Treasury spokesman at the time was that you needed to look at what VAT thresholds were in terms of businesses. Although European countries had lower VAT in terms of their businesses, they also had lower VAT thresholds in terms of the operating businesses. Part of the argument was that the Treasury model would say that, because the VAT thresholds were set at £83,000, it was a far more generous threshold.

The point is that, particularly given the Northern Ireland Affairs Select Committee report that came out last week in terms of looking at tax impetuses towards tourism there, the fact that there is at least a commitment from the Treasury to discuss the issue with the Northern Ireland Executive means we would be interested in seeing what
the models are and lifting up the hood to see what the impact would be. Of course, as Bettina has said, we now retain VAT revenue from 2019-20.

**Dr Monaghan:** That is very interesting, thank you. Neil, are we going to have anybody from the Treasury here to give evidence, so that we can question them about VAT?

**Chair:** It is going to be quite difficult to get time to do that, but we could consider it or else perhaps we could get some written questions answered. That would be one way of going about it.

**Dr Monaghan:** It is clearly a big issue. We have heard it from a lot of people now. That would be helpful.

**Chair:** I know that quite a lot of countries reduce VAT. France does, does it not? A number of them do in order to encourage more tourism, so it would be an interesting one. Let us perhaps think about getting some written questions from Treasury.

Q395 **David Simpson:** What more can you tell us in relation to the Welsh and Scottish Governments in relation to encouraging careers or people to pursue a career within the tourism industry? We will start with Scotland first.

**Bettina Sizeland:** In terms of skills, encouraging retention is key to the success of the sector, so we have done quite a lot of work on that. In terms of the agencies, Skills Development Scotland, with the enterprise agencies and VisitScotland, have developed a plan of support particularly targeted at school-leavers and people still in school. It is about looking at how we might introduce tourism skills into the curriculum and partnerships, encouraging students to go and have a look at the tourism sector. That is the kind of activity that it includes.

Q396 **David Simpson:** Do you have any engagement with the business community in that?

**Bettina Sizeland:** Yes, it is very much a joint plan with the business community through the Scottish Tourism Alliance.

Q397 **David Simpson:** In doing that, has there been much of an uptick as regards the education side, talking to young people, careers officers or whatever?

**Bettina Sizeland:** Have we seen an impact?

**Richard Walsh:** Through the work of Skills Development Scotland, we have seen a very, very heavy impetus in terms of the tourism skills investment plan. In terms of the industry, we have been learning far more about the way that the industry has already been working very closely with a number of institutions. There is some fantastic work that has been going on. We would flag the Hospitality and Tourism Academy in Edinburgh and the south-east, which is actually a collaboration between Queen Margaret University, Edinburgh College and high schools in Midlothian, I think. That has been fantastic for children from S3—
third-year high school— and S4 onwards, over a number of years. Alongside their Scottish qualifications, they have gained higher HNCs and HNDs, and they have been eligible for entry directly into year two of Queen Margaret University hospitality and tourism.

We have seen a number of pieces of work by individual colleges, like Fife College and West College Scotland, holding what I can only describe as almost freshers’ fairs or takeover days, where the industry comes in and shows the range of career opportunities that are there. You also see individual pieces of work, such as Springboard Scotland, which just this week was running the FutureChef competition, with huge amounts of competitors from across the UK. Although we only had two people go forward in terms of competing in the competition in London, you have left behind the legacy each time that that is run in a school, a legacy of people recognising that there is far more in terms of a tourism and hospitality career.

**Dr Antoniazzi:** VisitWales does not have a remit to fund or deliver skills training specifically, but we work with a range of partners to bridge between our education and skills colleagues, and the industry.

**Gerwyn Evans:** We are very much focusing on educating the educators. You mentioned the careers service; we are working with the Careers Wales service.

**Chair:** Those are the opportunities, really.

**Gerwyn Evans:** It is all around the perception of hospitality and the perception of a career in hospitality. We are trying to change that for the younger generation, because there is a negative perception in some people’s minds about a career in hospitality, so we are trying to focus our attention on that at the moment. We are working with businesses and some of the larger hotels to open their businesses to schools, let schoolchildren go round and understand the number of jobs and activities that you can undertake.

**Q398 David Simpson:** For both of you, in relation to careers, in order to attract young people into the industry of tourism, what are you doing to extend the season of tourism? It is seen very much as a seasonal thing, so, if young people are going to make a career of that, you would need to extend the seasonal working. What have you done to achieve that? I know weather might not be in your favour and all the rest of it, but have you done anything? You are smiling from Scotland, so you must have done something.

**Richard Walsh:** I am just thinking that weather is barely an issue, as far as Scotland is concerned. There are several things that we are doing, one of which is that some of the work that we have been doing in terms of events in particular can extend the seasonality because, if you bring people to an area once, they can have such a great quality experience that they wish to revisit. There has been a lot of work done in terms of spreading events, not just the big headlining events, but supporting the
regional events, particularly aligned to our themed years, wherever possible.

What we are also doing in terms of seasonality is recognising that people sometimes might face issues in terms of why they are shutting up shop. Why are they finishing? Why are they shutting up from October to March? Some of that is necessarily maintenance. Some of it is them actually going off on a holiday themselves. What we have also been doing is trying to encourage people to extend longer, by initiatives such as socially inclusive tourism and also one or two initiatives in what we call in the industry “respitality”—respite hospitality—which is small but significant.

Again, what it is doing is encouraging people to stay open that little bit longer. It is encouraging people to recognise that tourism is for everyone and that there may be reasons why people are not coming in October to March. It might be that people are not coming because they do not feel confident enough to come to a particular region. Individual enterprises are looking at accessibility statements. What you are doing is you are helping to encourage people to come to them. You are adding everything that you possibly can do to encourage that business to stay open and get more traffic through it, particularly in the shoulder months.

**Dr Antoniazzi:** I will not repeat everything that my Scottish colleague has said, but we are very much thinking through the lens of the themed years as well, in terms of building programmes of activities and major events that attract people all year round and working with the industry to make sure that the industry is open to receive visitors. As you say, it is a critical part. It is something that was highlighted as a need in our strategy back in 2013.

**Q399 Dr Monaghan:** I will maybe start with Scotland this time. You have mentioned the North Coast 500, which is basically the road that runs round the periphery of my constituency, but what policies or initiatives does VisitScotland have to assist and encourage visitors to reach particularly hard-to-get-to places in rural areas using public transport?

**Richard Walsh:** The first one is that, when you visit visitscotland.com, the customer-facing website has an itinerary planner. What you can do is go through and identify where you want to go, and it will redirect you to public transport planners. There is also the point that, in terms of the more remote areas, you are predominantly looking at bus travel. There is also funding going towards encouraging bus companies themselves, which are private companies, to put on more sustainable transport in terms of greener vehicles and in terms of also making sure that they have accessible information. There is roughly about £1 billion in terms of spend on infrastructure going in, in terms of supporting and encouraging public transport usage throughout Scotland, but predominantly rural. It would predominantly be supporting and encouraging the bus companies, as commercial operators, to remain sustainable and to have information for potential visitors.
Dr Monaghan: Presumably you are also encouraging links between public transport, so bus operators, ferries, trains and community transport schemes as well.

Bettina Sizeland: That is where VisitScotland brings all the different operators together to have that discussion. We have also had initial discussions with VisitBritain around their “final mile” work, which is looking at what happens when people get off the ferries. Are they taxi companies around? Are there bicycle lending schemes, etc? The slightly more creative and innovative side is being looked at as well. VisitScotland has that regular conversation with the operators to make sure that it is lined up.

Dr Monaghan: Are you perhaps making sure that cyclists can take their bike on the bus, on the ferry or on the train as well?

Richard Walsh: Wherever possible, but there are always capacity issues, particularly on rail. It is something that was flagged up in the franchise negotiations with Abellio, and again it is a particular issue. ScotRail themselves has a tourism manager, and discussion with VisitScotland and discussions with the Scottish Tourism Alliance flags up all the feedback particularly into rail.

Bettina Sizeland: They say they are providing extra capacity for people to carry bikes this summer.

Dr Monaghan: Good, and how does it work in Wales?

Gerwyn Evans: It is very similar to Scotland’s experience. We have also been working with VisitBritain around the “final mile” activity, but we are also trying to educate the industry, through their website and when people are booking, providing support to their visitors. If they are coming in via a community rail franchise, they will pick up their guests when they arrive. It is about working with the community rail partnerships and the local community bus provision that happens in some parts of Wales, in trying to get a coherent message out to the people visiting Wales that you can get to any part of Wales.

Chair: It is very difficult in the rural areas, is it not?

Dr Monaghan: It is an interesting point. You are obviously making special efforts on that, but have you found that there are any geographic areas in Wales that you just have not been able to get to using public transport?

Gerwyn Evans: I would assume there are, obviously. It is down to the individual businesses then to provide the facilities to their guests to get them from the nearest public transport destination.

Dr Monaghan: In Scotland, are there any particular geographic areas that you found real difficulty in getting public transport links to?

Richard Walsh: None spring to mind, but somebody will probably write in and say.
Dr Monaghan: What about the islands, perhaps?

Richard Walsh: You are looking at a point in terms of the islands. Those islands that, for example, have had a road-equivalent tariff on ferries have had a particular uptick in terms of traffic, to the extent that we understand that parts of Skye, for example, are saturated and indeed they are overextended in terms of their capacity throughout the year. It is not just the shoulder months. We cannot claim that road-equivalent tariffs on any ferry have been entirely responsible for it. You are looking at the fact that the Fairy Pools on Skye was featured on TripAdvisor, so the power of social media, irrespective of any perceived difficulty about public transport in reaching them, which was overcome entirely.

Chair: Thank you, both to Scotland and Wales, for coming to see us. We did invite Northern Ireland, but of course there is a little bit of a problem at the moment in Northern Ireland with getting an Executive together, so it was quite difficult for them to come. We do very much appreciate your coming and sharing your experiences with us. Hopefully it will give us some good information to put in our report, so thank you one and all.
you are doing to increase the rollout of superfast broadband in England? Of course, we have had quite a lot of rural businesses and tourist businesses come to us saying that it is not so much an option now, but a necessity to have broadband and an internet connection. If you have a holiday site, many people will go and decide whether they are going to come and visit you or not, depending on whether you have a connection. What are you doing about it, basically?

Andrew Field: We manage the superfast broadband programme, which, as you may know, was started around 2010-11, under the initial leadership of Jeremy Hunt. We have had two tranches of funding, first in 2011 and then another tranche of funding later on in 2013-14. We have allocated that out to local authorities in England and then the devolved administrations in Scotland, Wales and Northern Ireland. Those local authorities have each entered into two rounds of contracting under those first two waves of funding to extend superfast broadband coverage across the country. As part of that process, BDUK put in place a framework contract in the early stages of the programme that at first had BT and Fujitsu on it. Most of the local authorities use that contract as the vehicle for their delivery programmes, although a number of projects also undertook their own procurements.

Where we are now is that superfast broadband, defined as having availability of speeds of more than 24 megabits per second, is now available to over 90% of premises across the UK, and certainly well over 90% within England. We are on track to reach 95% of premises by the end of this year. Essentially what we are doing is adding to the commercial delivery that was already in place and has been continuing through BT, Virgin and others, through public funding to support that commercial delivery.

Chair: Can I just stop you there? The trouble is that we bandy around the 95% all the time. I have a series: we have Brecon and Radnorshire, 59%; you have my own constituency of Tiverton and Honiton, 67%; South Down, 66%. The problem we have is that, when you talk about percentages, you have lots of the rural areas and lots of areas with rural tourism, as well as farms and all other residents and businesses, which just are not getting the connection, are they?

Andrew Field: They are getting it. Coverage would be far lower in those constituencies than if we had not been carrying out the programme, but we know that there is still a long way to go.

Chair: You are absolutely satisfied with the speed at which it is all being rolled out then, are you?

Andrew Field: Absolutely not. Absolutely not.

Chair: You are being very complacent if you are, dare I say?

Andrew Field: We are very, very well aware of the imperative to deliver as quickly as possible and as far as possible. This is a major infrastructure programme. We know that there is still more to do. We
will get to 95% by the end of the year. We will keep going beyond the 95%. We believe that, with the funding that we are getting back through the programme, through the various contractual mechanisms that we have, it will be possible to deliver up to another 600,000 premises further by 2020, which will add another 2%, so we are going to keep going. We are not going to stop at 95%. Those figures that you quoted are based on data that Ofcom published at the end of last year, which relates to coverage last summer, so those figures will all have increased by now and they are continuing to go up, but we know that we need to keep going, as far as we can and as quickly as possible.

Q409 Chair: Those of us representing rural constituencies are finding that it is not being rolled out anywhere near as fast as it should be. Many of the contracts that BDUK has had have been with BT and Openreach. Finally, Ofcom has found its teeth and suggested that Openreach should be split away, so how much of the lack of rural broadband is down to the lack of co-operation between Openreach, BT and the other companies? I have had quite a lot of experience of that in the constituency, and I think you at BDUK should be a lot more concerned. I am surprised that you did not do and say more about it. You have been far too cosy with BT, have you not, and the Government? Everybody has been far too cosy, with not enough competition. BT, BDUK and Openreach have not delivered.

Andrew Field: BT have delivered against the contracts that we have in place. We are working hard with BT to extend the delivery as far as we can.

Q410 Chair: Why did Ofcom suggest that then? Is Ofcom wrong that there was no need to split away Openreach and there has not been a problem with other companies not being able to get access to the network? Who is right and who is wrong then?

Andrew Field: Ofcom has put in place measures to improve the market but, as BDUK, we had to deal with the market as it was when we started the programme four or five years ago. That is what we will continue to do as the changes take effect, with regards to the change between BT and Openreach. All the contracts have been subject to competition. BT did win all the early contracts, but that was not simply because they were the only bidder; in many cases there was competition for those projects, but BT was able to put forward better proposals than the alternative.

Q411 Chair: While BT has complete control over Openreach, they virtually have all the cabling in the country. Therefore, they have a great deal of advantage and I think they almost have monopoly. Even BT’s own Chief Executive has admitted that the service offered by BT Openreach has not been where it needed to be in recent years. Surely Government have almost signed up to all this because, yes, they were the ones that bid, but they were the ones that held all the ace cards. We also had places where they would start delivering broadband if they thought somebody else was coming in and then they would pull out again, or not pull out again but just do no more. There have been all sorts of things going on, and finally we are beginning to see some retribution, if you like. I just do
not see why Government and you at BDUK were so complacent with what was going on.

Andrew Field: I do not think we have been complacent. We have been pushing BT and Openreach hard to deliver what they have committed to deliver through the contracts. In addition to that, we have also been working hard to develop the alternative network market. We carried out a programme of seven market test pilots, between 2014 and 2016, to help demonstrate the abilities of other providers and alternative technologies, and other suppliers are now competing and winning contracts in competition with BT. We will work with the changes that Ofcom has put in place, as they work through, and we hope that they will also help encourage delivery to go as fast as possible.

Chair: I welcome that. I remember going around, like other MPs who were here in the 2010-15 intake, getting signatures to get money from Government, councils putting in money and everybody putting in money, to actually deliver rural broadband. You go back to the electorate in 2015 and they still do not have their broadband. People like Rebecca Pow and the others who have come in in 2015 are still having to work hard to deliver it. What do we say? We get the rural businesses and the rural tourist businesses in there giving us evidence, saying, "We have not got a connection. We are not getting it. We have been promised it. If we get it, it is not fast enough and it is not what is said to be the speed". What do we say to them? What do you say to them, because you are the organisation that is supposed to delivering it, through the contracts, I accept?

Andrew Field: Fine, so we do understand that there is still a massive demand from the people who do not have it, and that demand is increasing all the time. Coverage is going up. Through the BDUK programme, we have now covered well over 4.3 million premises with superfast broadband. That figure will be at about 4.9 million premises by the end of this year and we will keep going on beyond that, as I said. We believe it is possible to do another 600,000 or so using the funding that is coming back, plus further commercial delivery by BT, Virgin and other providers. The number of premises that are left is reducing all the time. We know that it is still important that those premises do get coverage. There is a lot going on.

Chair: It does not help those who are not receiving broadband. That is the trouble. I am going to try to get a little bit of discord between the panel now. Barry and David, what is your experience and, Kim, if you want to join in, what is your experience of getting the broadband or not getting the broadband, and where are we?

David Broom: According to Norfolk County Council, 87% of premises can now access superfast broadband. That figure is projected to go up to 95% by 2020. What we find is, in Norfolk, because it is essentially fibre to the cabinet, depending on the location of the cabinet and premises around, for premises half a mile to a mile from the cabinet the signal dissipates fairly quickly over copper wire. The expectation is that the
The cabinet is livened up with superfast and people expect to get that. If they are a mile from the cabinet, they do not get anywhere near superfast. That is one issue.

The challenge also in Norfolk is for the so-called not-spots of the remaining 5%. It would be nice if they were all in one big cluster and we could target that cluster. Actually, they are in little pockets dotted all around what is a pretty large county. Finding a viable business model to get to those is another difficult issue. Our infrastructure is based on or uses church towers. In a sense, it uses readymade infrastructure.

**Chair:** There are not any hills in between either that cause you problems.

**David Broom:** It is nice and flat, absolutely. The churches are well situated and there is a good line of sight. That is a model that has been quite successful for us.

**Q414 Chair:** There is this issue of how far you get the fibre cable and how far there is copper cable. The other problem, in a minute, is when we talk about the rest of the country having super-superfast broadband. We are going to find that a lot of our rural areas still do not have snail-speed. I do not know what we can do about that to get the fibre cable into the premise.

**David Broom:** Alternatives are also quite important at this stage. The universal service obligation and the BDUK programme enable people in areas where their speed is less than 2Mb to obtain a voucher to pay for the installation of satellite, for example. Last year, we were in the top 10 of installers using the voucher scheme, so I think that has been a big plus, although satellite itself introduces or causes more service or performance-related issues. Depending on the usage of the internet, it is by no means the answer, but it is one way. Not necessarily in defence of BDUK, but I would say that that voucher scheme has worked quite well in Norfolk.

**Professor Forde:** The first thing I would say is that I think the UK is being very unambitious in what it is using as a definition of “superfast”. We are talking about better than 24Mb, 25Mb or 30Mb. These are yesterday’s targets and really what we should be looking at now is at least 100Mb as a floor. I think we should be looking long-term, rather than short-term. That is what B4RN is doing; we are doing the hard lifting upfront. We are actually digging fibre all the way to the properties.

**Chair:** That is where you get the superfast.

**Professor Forde:** It is superfast. We can get 1Gb, 10Gb or whatever speed anybody wants. We are looking for 50, 70 or 100-year project cycles. It is long-term hard work. It is a very good way of doing the last few per cent, because the last few per cent are expensive to get to, no matter how you do it. If you are actually putting fibre all the way to it, you have solved the problem once and for all. You are not going to have this lark coming back in five years when people want to do something different. The second thing that is interesting, in a way, is how
impossible it has been for projects like B4RN to access any of the money from BDUK or county councils’ superfast programmes. Our projects are community-based.

Q415 Chair: Is breaking into the big contracts the problem?

Professor Forde: We have never been able to get a penny out of any of the contracts. Community projects are perceived by the councils and BDUK, in my opinion, as too risky. We have never been able to tick all their boxes to access any of the funding. In B4RN’s case, we have had to raise 100% of our funding from within our communities. They have put up the money, they have done the work, but they are getting world-class broadband, so they are really happy with what they are getting, and we can keep growing that. It is very unfortunate, in my view, that we do not seem to be able to access any of the revenue streams that have been put forward by Government to help in our patch. We are working on the last few per cent; we are not working in the more urbanised bit. It just does not seem to be possible for organisations like us to tap into it. It is wrong.

What we do find in the easier bits of our area, the cherry-picking bits, is a lot of activity from BT over-building us. It is not BT’s fault, in my opinion. It is the county council and BDUK contracts that are wrong in the way that they have been structured to try to cherry-pick the easiest working outwards, which means that the funding is there for doing the easy bits. Then we come in, trying to do a whole patch with easy and difficult. What we find is that the easy bits are then being undercut. It does not affect us in B4RN, because the community owns our project, they have done the work, they are very loyal to us and they are not going to shift to BT anyway, but that money would be much better being spent somewhere else, where there is no B4RN and there is still a community broadband. I think BDUK and the county council really could do an awful lot more to help that last few per cent.

Chair: Thank you, because you rather echo what I believe. It has been far too cosy a relationship. There have been far too big contracts and, because BT was the big player, naturally, Government and BDUK have played with them. They have cherry-picked the best spots; they really have. I have stirred everybody up now, so first Simon and then Margaret and then Rebecca.

Q416 Simon Hart: On Mr Broom’s earlier comment about which premises were actually enabled, I would fall absolutely into that category myself. I am somebody who is technically enabled, so would appear on Mr Field’s statistic as a property that has had the box ticked, but my broadband is pretty well non-existent, because of the distance between the green box and my premises, which exceeds 500 metres. Statistically, I am enabled; practically, I am not.

Andrew Field: That is not correct. We will only count premises that are able to get a speed of above 24Mb.

Chair: How do you check that? If it is being offered at a high speed,
surely you believe it is a high speed.

**Q417 Simon Hart:** I want to ask you a question, before you interrupt with an answer. I cannot speak for other colleagues here, but I can tell you that, short of NHS-related matters, the performance of your organisation is the biggest single item in my mailbag. It consists of all sorts of very sensible things, very reasonable, measured businesses that complain about delays. They complain about false promises and they complain about being connected when in fact they are not. There is a litany of very disgruntled people, who are not mad or crazy or unreasonable.

You slightly, if you do not mind me saying, gave the impression that actually everything is fine: “There is nothing to worry about; there is nothing to see here. We are doing a really good job and, frankly, why are you asking me these difficult questions?” I want to be able to go back to these people and explain why I am wrong, but I have not heard anything so far that enables me to do that. The suggestion that I am actually wrong in imparting the information that I have given you about my premises is pretty cheeky, if you do not mind me saying, because your colleagues in Wales have actually given me a totally different story.

**Andrew Field:** Apologies for being cheeky. To be serious, we do only count premises that are able to get speeds of above 24 megabits per second, and that is basically worked out on a model basis to start with, because we do not know what speeds a line can actually get until it goes live. We have a model basis for determining the number of premises from each cabinet that would be able to get a speed above 24Mb. Those are the ones that are counted towards the contracts. The premises that are able to get speeds lower than that will not be counted.

We have also done a cross-check between actual speeds taken up by customers against what the model says and, overall, that shows a very, very close correlation. We know that overall, in aggregate, the actual delivered speeds are very similar to the model speeds. That is not necessarily the case for every individual property.

Another issue that is not really within our scope is the question of what customers are being told by their retail providers. Retail providers may be making offers and promises that may not necessarily be able to be delivered through the infrastructure itself.

There may be a third set of issues as well, which is around service standards, of both Openreach and the retail providers, which again is not really anything that we can control directly. What we do is provide the infrastructure. We know that there is more to be done on that. We are not pretending otherwise, but some of those consumer issues are not just about the infrastructure.

**Q418 Simon Hart:** Sorry, my retailer was BT originally. There is a relationship between Openreach and BT. Do you think, as a customer, the distinction is sufficiently clear for people to be able to say, “It’s not BDUK’s problem. They are doing a really good job. I have just been slightly mis-sold a product by BT”? Is that what you are saying?
Andrew Field: To be fair, at the moment, most people will not understand the difference in landscape between BT Openreach, the BT consumer sales part and all of those entities. One of the benefits of the split between Openreach and BT will be that it makes that distinction clearer.

Q419 Simon Hart: You accept there is a problem in that respect, because obviously it is the BT wagon that turns up outside the house to try to correct it.

Andrew Field: I am sure that the split will help in making it clearer to consumers which part are Openreach issues and which part are the retail provider’s issues, whether that is BT, TalkTalk or Sky.

Q420 Simon Hart: I cannot speak for other colleagues, but does it concern you that such a significant part of our mailbag is frustration, anxiety and concern that what is being promised is not being delivered? Is that reasonable?

Andrew Field: It does concern us, very much so, yes. We should not be promising things that are not being delivered. As far as possible, we in BDUK, Norfolk County Council and all the other county councils try to be clear about what is going on and not over-promise, but it is difficult, at the very local area level, when things may be in plan for the next six or 12 months. Practical issues then come along, which mean that that delivery may be delayed or moved to another area and those premises get left for a longer period of time. Those sorts of things do happen at the local level. At the national level, we simply do not have visibility of all of those factors.

Q421 Simon Hart: It impacts on so many private suppliers. We would all like to go to a decent wireless system or a decent satellite system, but the impression given is that the BDUK fibre roll-out is just around the corner, so it does not quite make it worthwhile to take that step. I raise the question as to whether that is almost deliberate to stop us going down the road to one of these other suppliers.

Andrew Field: We are definitely not deliberately trying to do that at all. We try to be as clear as we can about which areas are in the plan, when they are likely to get it and what the position then is for the areas that are not in the plan, but the plans are subject to change.

Simon Hart: Mr Forde winced when you said that, so whether he wants to address that is up to him.

Professor Forde: We started in 2010 and we had umpteen meetings with the county council and everybody else. We said, “Tell us where you are going to roll out, we will avoid it and we will concentrate on where you are not”. At every stage of the game, it has been, “We do not know yet. This is a matter for discussion and survey.” Five years later, they are still popping cabinets into areas that we finished three years ago, and they still will not tell us what their plans are. That is our experience.
**Kim Mears:** Just to pick up on a couple of the points, your mailbags and my mailbag will be absolutely full, because there is no doubt that the achievement of 95% in December 2017 still leaves the 5%, and those 5% are angry because they want it now. I completely understand why you would get the volume of complaints that you get, because I see them every single day.

**Chair:** Also, the 5% are not spread evenly across the country. There are those big pockets.

**Kim Mears:** They are absolutely dispersed. There is no doubt that a lot has been done over the last four or five years. Over 5 million rural homes have received fibre, 24Mb and above, because of the work that we have done with BDUK. Now, every single month, 50,000 homes are going to get that kind of fibre enablement. It is a huge programme. It is never going to be enough until there is a universal service obligation or something, whether it is 10Mb or whatever, when everybody can say that they have decent connectivity. I do not think we are ever going to remove the mailbags being full of those heart-rending tales because they want connectivity.

**Simon Hart:** I think the mailbag is not so much the 5%. I accept exactly what you say about that. It is some of the 95% who have been promised something that they do not have or been given a commitment that has not been delivered. That is where my particular problems arise. The 5% sometimes understand that they are in the 5%.

**Kim Mears:** If I look in respect of the commitments that we made, through our contractual commercial commitments with BDUK, it is a tough gig. It is a really complex engineering programme. Over 5 million homes were absolutely on target with all of those contractual commitments. It is something that I am personally really passionate about, which I do every single day, day in and day out.

I would probably go back to your other point around service. There is no doubt, from an Openreach point of view, that we have a lot more to do on service. If I go back to just over a year ago when Clive Selley joined as our new CEO, we were very clear, even before the announcement of an independent Openreach, that it was one of our key priorities around driving improved service. That is absolutely what we have set out to do and that is happening. I truly believe that you will see that coming through. Just in the last few weeks, we have announced 1,500 new recruits. All of that will make a difference in respect of the speed of service, the turnaround, provision and repair. There are definitely two agendas. How do we improve service? We know we have to do it. We are well on the way to doing it. An independent Openreach will drive that even further.

**Chair:** Just to stop you there, are you independent or are you not? You are still 100% funded by BT. We really have to drill down on this one, because BDUK had said absolutely nothing about this cosy relationship until Ofcom finally did something about it, but is anything being done
about it? Can those people genuinely get into the infrastructure? You have been hugely criticised by Ofcom. You have largely accepted in what you have said that you were not delivering in the way you should have done, so what confidence can we, all our constituents and all those businesses out there have that you are going to behave better in the future?

**Kim Mears:** There are two points. Certainly one of Ofcom’s drivers was access. There is something that is called PIA. It is basically other network operators being able to use our poles and our duct network. That product has been there for many years, but has had very little take-up. We have been working really closely—this is one of their key points—with Ofcom and providers about how we encourage the use of our ducts and poles.

Q424 **Chair:** Sorry, this has been going on for years and you have admitted it now. I think the quote from BT Openreach is that, “The service offered by BT Openreach has not been where it has needed to be in recent years”. How many years do you need to get it right? It has been going on for years. It has been going on since 2010—2011, 2012, 2013, 2014, 2015, 2016 and 2017. How many more years do you want before you are going to get it right or is it just carrying on forever? It is not good enough, is it? BDUK is compliant in this, because nobody wanted to rock any boats. The boat has been firmly in the water and nobody wanted to rock it. I am not saying that you will not deliver, but why should we be more confident in you now than we were a few years ago, because you should have behaved in a more open way? You are called Openreach, but you are not very open, are you?

**Kim Mears:** I have a number of points. On service, we are absolutely committed and, over the last year, we have dramatically improved the service that we offer. We still have to do more.

Q425 **Chair:** Why is it this year and last year? What were you doing for all those years? I have been raising this in Parliament, along with many other colleagues, for years now. It is not fresh information, and yet BT and Openreach were saying they must not be split up and it would be a terrible thing to happen, with not a word from BDUK. The whole thing soldiered on until we have finally got somewhere, but you are still 100% funded. You are not really separate from BT, are you, because you are wholly owned by BT, are you not? Are you wholly owned? Nobody else owns you, do they?

**Kim Mears:** In respect of the network, which is Ofcom’s key point, it is around access to our ducts and poles. That is there now. More and more network providers are coming on board to use our network. In respect of service, we are absolutely committed and are delivering improved levels of service. If we talk around connectivity, from an Openreach perspective, we have now delivered fibre to over 26 million homes, with BDUK—over 45 contracts with local bodies and BDUK. We are meeting all of those.

Q426 **Chair:** I am not disagreeing with you there, because you have delivered,
but there are lots of places where you have not delivered. The argument is that those who could have delivered have not had access to your infrastructure. Like I said, it is only now that Ofcom has got really tough with you that you seem to be coming up with some sorts of solutions. You still have not answered my question. Why has it taken you five, six, seven or eight years to get to where you are? I suggest it is only because you have been hit with a big stick. Otherwise, I think you would have carried on your previous practices. You still have not told me why it has taken so long.

Kim Mears: If I look around connectivity, the fibre roll-out is the fastest roll-out of fibre anywhere in the world.

Chair: I am not asking you about how you have rolled it out. I am not asking you how BT rolled it out. The particular question that you are not answering, the question I am asking you, is why it has taken you so long to allow companies to come in, in those hardest-to-reach areas, because they are in many of our constituencies. You are just doing it now. You would not be here facing this questioning if you had done it years ago. Why did it take you so long? I do not want a history lesson. I want to know why.

Kim Mears: Access has been available for many, many years.

Chair: That is not the experience. You would not have been split away and you would not have had this criticism from Ofcom had you been delivering that.

Kim Mears: What we have done recently, over the last year, is to make that access much more easily available, for example by giving maps to all of our ducts and poles to allow other operators to see what is there.

Chair: Thank you. Just stop there; that is fine. You have done that, right. Why did you not do it six years ago? Answer that question. You have given me the solution now, but why did it take you so long to get to where you are? There is no answer, other than that you used the monopoly that you had and you kept other companies out. That is why we are where we are. You have answered the question. I will move on to Margaret now, please.

Q427 Ms Ritchie: I want to concentrate on part of that rollout programme, because some of us in the devolved regions feel that we have missed out. I understand that, of the £325 million capital deferral in BT’s accounts owed back to Government, only £130 million has begun to be allocated for Phase 3 and Phase 4 projects. I understand that, if that money had been allocated or could be allocated, it would help those least well reached programmes in respect of broadband and rural broadband. Can you tell us how that money will be reallocated, when it will be reallocated and how it will help in reaching those hard-to-reach areas in England and also, if you could, refer to the devolved regions, particularly with reference to broadband, Mr Field?
**Andrew Field:** The contracts that we have in place all have a gain-share mechanism of some description whereby, as take-up goes above a predetermined agreed level, there is a share of profits between the investors in the project, essentially the public sector and the private sector department that is delivering the project. That is a mechanism that has been put in place specifically to ensure that the supplier would not be overcompensated for the delivery given that, at the start of the projects, we did not know what the level of take-up was going to be. If the take-up ends up below that level or if it had ended up below that level, that would have been a cost to the supplier. As it goes above that level, we have this gain-share mechanism that returns money back to the projects.

Now, that mechanism takes place over a period of seven years from the end of the initial build process. Once the build is complete, there is then a calculation done of where take-up is at that point, compared to where the original projection was. If take-up is higher, then the profit-sharing mechanism kicks in and that returns some revenue back to the local authority or the devolved administration responsible for the project. The same calculation takes place at year two, year four, year six and year seven. Seven years after the build has been complete, the last reconciliation of that calculation takes place.

BT has deferred £325 million in their accounts, in recognition of the likely projection of what that take-up cost will be over the period of the contracts. That is seven years from the end of the delivery of each of those contracts. They have also made an early offer to each of the local bodies, which totals about £130 million, as an early payment of that gain-share funding. That funding is available to the local authorities and the devolved administrations now for reinvestment in further coverage. Nearly all of the local bodies either have already invested that in further coverage or are going through a process at the moment to contract to do that. The remainder of that funding will become available over that seven-year period.

Q428 **Ms Ritchie:** Are you confident that that will be reinvested in providing broadband?

**Andrew Field:** That will depend on how the local authorities and devolved administrations want to play it. It is entirely up to them whether they want to use it for further roll-out or reuse it for something else. At the moment, they are nearly all using it for investment and that is certainly what we are encouraging them to do.

Q429 **Ms Ritchie:** Does BT Openreach have any particular view on this?

**Kim Mears:** It is exactly the same. There is £129 million, which has been offered early as part of the gain-share. We are working through that with the local bodies in respect of further coverage.

Q430 **Chair:** Connecting Devon and Somerset has not used this gain-share money, have they?
Andrew Field: That is correct. At the moment, the Devon and Somerset project, as you will probably know, Chair, have been undertaking a procurement process for further coverage, using their Phase 2 money from a year or so ago. They still have their gain-share funding available at the moment and they need to take the next step now in deciding what to do with that funding.

Chair: I think it is high time they used that money. Are you as BDUK saying to Connecting Devon and Somerset that that money should be used?

Andrew Field: We are encouraging them to reuse it for further roll-out, yes.

Chair: That is not BT, BDUK or Openreach in the dock there. It is because there is this gain-share money, and Devon and Somerset seem to be finding difficulty in allocating it. I do not know quite what the issue is, but that needs to be used, because a lot of people are not getting it, because that money is there and is not being used.

Professor Forde: This is just an observation. The money that is coming back to the local authorities under gain-share is only going back to them at the moment if it is spent with BT. It does not seem to be available to go into a pot that alternative operators like B4RN can bid for. Certainly what we are seeing in our neck of the woods is that additional money that is coming out of the county councils seems to be rather focused on over-building where we have already built.

Chair: That is an interesting one, is it not? BT and BDUK would argue that it is part of a contract for where that money originally came from.

Andrew Field: That is correct.

Chair: Again, it is a lack of competition.

Andrew Field: Last year, the county councils, Cumbria and Lancashire, both undertook open market reviews and consultations with industry, on coverage plans. They have only been allowed to reinvest that gain-share funding in areas where there were no clear plans by any other operator. They are not able to use that funding in areas where there were clear plans for coverage within the next three years.

Chair: You would not be able to use that money for any other operator to come in and deliver it.

Andrew Field: At the moment, the funding has to be deployed through the contracts. In terms of those particular projects that would be BT, yes.

Kim Mears: I was going to make the same point. It is a really robust process on the open market review. If at any point we find out—and there have been occasions—that either another operator has not declared or something has been missed, we have been asked to change our plans
to remove homes to enable that other operator to take place. We have actually done that.

Q433 **Chair:** You will behave well in the future, will you?

**Kim Mears:** I would like to think that I personally behave well all the time.

**Chair:** I think it probably will need to be a little better in the future.

Q434 **David Simpson:** A concern we have heard from some witnesses over the past number of months is that there is no industry consensus on how broadband should be provided to rural businesses. How does industry work together to tackle issues like this? How do we get that consensus delivered? Certainly in my constituency there are major issues with trying to get those signals or the infrastructure, but how do you work with industry to get this sorted?

**Andrew Field:** Shall I start with that? In a sense, part of the answer to that is what I was just saying about the open market review and consultation process. Wherever public funding is going, the first thing is to establish whether there are any other plans, by any operator, to deploy in those areas. If there are not, then those premises are able to be covered using public funding. Where there are other plans, we will work with those operators and encourage to make sure that those plans are delivered. Equally if that is not the case, and there have been one or two examples where other local providers have said that they do have plans and then do not deliver on those plans, we will go back with the local authorities or the devolved administrations and look at remapping those areas, so that they can become eligible for public funding, so that those premises do not miss out.

Q435 **Chair:** How long is that going to take? Some of those people are going to be old and grey, drawing their pensions or even worse, if you are not careful, before they ever get their broadband.

**Andrew Field:** This is an ongoing process. For the premises that are not currently covered by any operator, there are plans at the moment, by BT, Virgin or others. There may be plans for coverage through the BDUK contracts or they may just be out of scope altogether. Those plans change over time and, as they change, we try to respond to them accordingly. We are trying to work with the providers and understand what is going on, but it is a dynamic situation.

Q436 **David Simpson:** Barry, can I ask you to comment on that? Over recent months in Northern Ireland, especially in my constituency, I have heard a lot about B4RN. It seems to be an initiative that has been driven through the community, and a number of communities are looking at it. Do you want to comment on how we can sort out the consensus with businesses?

**Professor Forde:** Funnily enough, we do not see businesses as being particularly different from the domestic, because we start off from the point of view of getting fibre to every property. Whatever business wants in the way of service above it, it is going to get. It is really a case of how
we cover an area in a way that allows businesses and domestic premises to get service. Businesses clearly feel very deeply disadvantaged. You are talking about tourism in particular; we have a plethora of caravan sites, holiday cottages and things in our neck of the woods. They feel deeply disadvantaged by not having decent broadband. A number of times we will find a caravan site that is willing to dig seven or eight kilometres to get to the B4RN network, so communities are willing to engage and do a tremendous amount of work.

The problem we have is that the BDUK process and the county council process cannot seem to take that on board. They might start off doing something, like they will enable a cabinet with FTTC or something. There are then sites that are too far away to be served properly from that. The community wakes up to this and puts together a project, but we do not then have any mechanism for stopping the rollouts going out from the county council. People get discouraged by seeing investment going into BT to provide these services, while the community is happening to do a parallel without any funding, so one of the biggest problems is perhaps a lack of flexibility in how the contracts are awarded between BT, local government and the devolved administrations. We need flexibility in there, so that we can react to local circumstances.

David Broom: I very much agree with that. One of the challenges for us has been engagement, with our local authority, with BDUK and to some extent with BT. On what Kim was saying was about access to BT's infrastructure and this so-called passive infrastructure access is the term, we were very interested in that and are very interested in it, but it only really came to light for us fairly recently, in talking to some of our wholesalers and providers.

Chair: Why did it only just come to your attention? Surely Openreach was not being open again.

David Broom: When we have approached BT, we have not had any feedback. We have asked some of the big wholesalers that work closely with BT about PIA. A couple of them have come back to us and said, "We are not really sure what you mean". There is scope for greater engagement and clarity with both BT and BDUK. Our challenge with BDUK has been accessing public funds to help develop our network. It is very difficult to do that in practice. We bid for one of the pilots that Andrew has mentioned and we bid to upgrade our network to superfast. We failed in our bid because BDUK said that we had no evidence that we could deliver superfast. Our bid was actually to put that in, so you end up in almost this sort of Catch-22 situation.

Another point is that we need to be what is called next-generation access compliant to access public funding. That is not an issue for us, in a sense, except that if our network is open for other providers, it is not necessarily an issue for us, except that BDUK’s wholesale rates, whereby other operators can access our network, are based on national rates and they are actually much lower than we would want to charge commercially, if another operator wanted to access our network. It really
means that pursuing NGA compliance, whilst it would give us a measure of credibility, would not give us access to public funding on that basis, because we would not want to open our network commercially at those sorts of rates.

Q438 **David Simpson:** Kim, you are going to sort this all out. How will you gain consensus?

**Kim Mears:** One of the things that is really important, which feeds through from what you guys were saying, is around the voucher scheme. Notwithstanding what we have done commercially and what we have done at BDUK, we offer something that is called a community fibre partnership. That is where communities come together doing a self-dig. We actually put in what we would have spent commercially and then they are able and eligible to go and get vouchers from Government to pay towards it. It is really important that we get the confidence going forward that the vouchers are going to be available to allow communities to really engage.

Q439 **Ms Ritchie:** How do you hope to use new technology to better roll out broadband to rural businesses?

**Kim Mears:** I do not think it is necessarily always a technology question, in respect of whether it is fibre to the home or a cabinet. Many of our challenges are in our deployment strategies, for example. Just last year for example, on fibre to the premise, we worked with the DNOs that allowed us to use the overhead poles. That radically reduced the cost of delivery and allowed us to take fibre to the premise further, for cheaper.

We are looking at things like long-range VDSL, for example. This is where you will have a copper cabinet and, by using different power, we can actually upgrade the speed. The pilot is going on at the moment. The pilot is looking pretty good for speed output, but it means that, if we were going to roll out at scale, it would mean a massive engagement with our communication providers and really across industry. There is a lot going on, but it is not just about whether there is a magic answer around technology. Satellite and wireless will come into the final 1%. It will be a mixture.

**Chair:** You have been piloting these things for a very long time. Again, it is all too slow. It is all far too slow.

Q440 **Dr Monaghan:** It is a question for Andrew and Kim, I suspect. What are you doing to guarantee the provision of broadband at functioning and reliable speeds to the 5% of premises not covered by the UK’s Government 2017 superfast broadband target? I will start with yourself, Kim, please.

**Kim Mears:** I have no guarantee for the final 5% today. There are certainly discussions with Government in respect of a universal service obligation and a universal broadband commitment. There is a view that that will be 10Mb. That is still being discussed in Government. We need to make a decision and agree across industry how that will be delivered.
If we are going to do it by December 2020, which is certainly the
Government ambition, we need to make the decision now, pretty fast, so
that we can get on and make it happen.

**Andrew Field:** As I said earlier, first, we have further delivery continuing
beyond the end of this year. We have the gain-share funding coming
back, as we have discussed previously. There are efficiency savings from
the current contracts, as they come to completion. If the contracted
funding is not all fully spent, that is available for further reinvestment.
We believe that there will be at least £150 million of funding available as
a result of that, in addition to the gain-share funding. In addition, the
local authorities and the devolved administrations are also finding further
funding themselves, which they are putting forward for further
procurement.

Take all those together; as I said earlier, we believe that another
600,000 premises can be covered by 2020 with superfast broadband,
through continuation of the existing programme and some further
commercial rollouts by a range of commercial providers. Beyond that,
there is the proposal for the universal service obligation, as Kim has said,
and communities can undertake their own initiative. The initiative such
as B4RN is really a do-it-yourself approach, or they can co-fund with a
supplier such as BT, through the community fibre partnership scheme.

Q441 **Dr Monaghan:** In what way does that represent a guarantee that you
are going to deliver broadband to the remaining 5%?

**Andrew Field:** It is what I have said. The universal service obligation is
the final part of that jigsaw for any premises that are not covered
through any of the other routes, if they have speeds below whatever
threshold that is set, and the ambition at the start of this is that that will
be 10Mb.

Q442 **Dr Monaghan:** Sorry to interrupt, but my question is: in what way does
that represent a guarantee to the remaining 5%?

**Andrew Field:** What it is is a commitment that there will be further
delivery beyond the 95%, and the universal service obligation will be in
place for all premises that have speeds below 10 megabits per second.

**Dr Monaghan:** That is not a guarantee.

Q443 **Chair:** Just by magic, you will decree that those 5% are going to have it.
How are you going to deliver it? This is the trouble, you see. These
businesses sit here, year in, year out, waiting for somebody to deliver
broadband. We as a taxpayer, be it Government or a local authority, put
millions and billions of pounds in, and they still do not get it.

**Andrew Field:** We understand the pressure and the demand. Lots of
premises have already got it and more premises are getting it. We are
putting in a lot of money.

**Chair:** I do not want that. We are talking about the ones that do not
have it, not about the ones that have got it. How are you going to
deliver it?

Q444 Dr Monaghan: Can I just reinforce my question as well? We are asking you what you are going to do to guarantee delivery to the remaining 5%. You are talking about a universal service obligation. Neither of you has talked about the use of modern technologies to deliver to hard-to-reach areas. It strikes me that, frankly, you do not know what you are talking about. The remaining 5% will be bitterly upset to listen to the two of you today. What are you going to do to deliver to the people who do not have broadband?

Andrew Field: New technology will be part of the solution for that 5%.


Andrew Field: Kim has talked about one technology, long-range VDSL. Wireless will be another one.

Dr Monaghan: That is yesterday’s technology.

Kim Mears: This is not a technology debate.

Dr Monaghan: Of course it is.

Q446 Chair: The question is: how are you going to do it?

Andrew Field: There is no magic technology.

Kim Mears: It is not a technology debate; it is an economic debate.

Q447 Dr Monaghan: It is a technology debate. It is a social debate. It is an economic debate. You are not delivering. Your customer service is 50% of our mailbag; you have heard that already today. We want to know today what you are going to do to get this service delivered out to people who do not have it. You are holding back rural economies. It is as simple as that.

Andrew Field: That is why we are here. We are doing everything we can to deliver to the 95% this year. We believe we will get to another 600,000, which will add a further 2%, by reinvesting the funding as I have described. Beyond that, the universal service obligation will be in place for those premises with speeds below the threshold, which is expected to be set at 10Mb at the moment.

Dr Monaghan: You cannot tell us how you are going to deliver that service to the remaining population.

Kim Mears: As Andrew has described, if you look at the fibre roll-out programme, by December 2020 it will be close to 96% or 97%—something like that. We have been very clear, in talking to Government, that if there was a universal service obligation of 10Mb we would absolutely lean forward, subject to the right regulatory framework around certainty. We have that now. Obviously it is an economic debate about how we would recover those costs. We need to firm up those decisions
as an industry, because it could be long-range VDSL; it could be fibre to the cabinet; it could be fibre to the premises; it could be wireless.

**Dr Monaghan:** It will be none of those things in some areas.

**Kim Mears:** It could be all of those.

**Chair:** Let me explain. Paul’s constituency is massive, is it not?

Q448 **Dr Monaghan:** I will explain it. You are never going to deliver broadband to some areas digging holes in the ground. It just is not going to happen. Neither of you has a suitable or plausible answer to the question that I have asked. You are not going to be delivering to the remaining 5%. You have no guarantees; you have no solutions. You cannot identify the technology that you are going to use.

**Kim Mears:** I think it will be a mix of all of those things.

Q449 **Dr Monaghan:** All of what things?

**Kim Mears:** If you look at the final 5%, it is not just a rural debate. Some of it is inner-city on long lines. The final 5% is not just a pure rural issue. It will be a mix of those technologies that I have described.

**Chair:** There are far bigger numbers of people in rural constituencies without broadband.

**Dr Monaghan:** Absolutely.

**Kim Mears:** I agree, and it will be a mixture of wireless, satellite and fibre.

Q450 **Dr Monaghan:** I agree with you now. Why wait until now before you start developing these technologies and these processes to deliver to the 5%?

**Kim Mears:** Many of these technologies and processes are out there today, in respect of wireless and satellite. Certainly if you look at some of the community schemes, many are already talking to wireless and satellite providers, as certainly Andrew will know. What I am saying is that, when you get to that final 5%, a mix of all of those technologies will play in.

Q451 **Dr Monaghan:** I feel that these answers are absolutely incredible. I want to ask Barry and David when they think the remaining 5% will receive a service. What technology is likely to be used?

**Professor Forde:** I do not think it is going to come from BT, to be quite honest. BT is too wedded to sweating its copper assets.

**Dr Monaghan:** I think we have just heard all about that, to be honest with you.

**Professor Forde:** It is going to have to come from fibre. If we look at the rest of the world, fibre is where everybody thinks we are going. It is very sad that the UK only has 2% penetration of fibre to the premises.
We do not even appear on the European charts and we really need to do something about that. I think we are focusing on technology, but we need to focus on a different method of delivery. B4RN is a community-type project. People who live in rural communities, in our experience, recognise that there are problems about living in rural areas. They do not have gas, they do not have mains sewage and they do not have transport. They are willing to step up to the plate and put in time, effort and money to resolve that.

What we actually need is central government support that allows communities and alternative network providers that want to focus on relatively small areas to step in and do the job properly now and put the fibre in so that we do not have this problem again in 10 years. All that is happening at the moment is that, whatever funding comes up, gain-share and everything else, seems to be focused towards BT. It seems to be very difficult for community projects to access funding and alternative providers. We need to recalibrate who is going to do the delivery. It is not just going to be BT. We need ways that those third parties can access funding.

Dr Monaghan: I will come to you in a second, David, but what needs to change in either the policy environment or the regulatory environment to make sure that that actually happens?

Professor Forde: There are two things and one is attitudinal, in the sense that local and central Government are risk-averse. Dealing with smaller groups always has a higher risk profile, and therefore people tend to adopt a strategy to try to take the risk out. By the time you have taken all the risk out, you have taken the project out as well. This willingness to accept a bit more flexibility in how they do things is challenge number 1.

Challenge number 2 is that there are regulatory things, such as street works and highways. Again, that is within the Government’s remit. Our experience of things like highway departments has been that, in rural areas, you are going to have to cross roads. We go cross-country, but you still have to cross roads. It would be nice to see local government departments actually supporting local initiatives, rather than regarding somebody trying to put fibre in as a risk to highways and things. We need collaboration between the different parts of Government, so DCLG, DCMS and others, to look at how the different silos of local and central Government can work together to make things happen. I think it is perfectly doable. I do not think that there is any reason why we cannot do the last 5%; we just have to do it differently.

David Broom: I would agree with much of what Barry has just said. What needs to change is that, as well as talking the talk about the final 5%, we need to walk the walk, and actually get together and really make a commitment to deliver to the 5%. We recognise, as Kim has said, it is going to be a number of technologies. Wireless is part of that. We are predominantly a wireless supplier. The technology in wireless is there to deliver speeds of 100Mb-plus. Our model is looking at delivering fibre to
a point in the local community, which may be the local church, which is one that we have been particularly successful with, and then taking the fibre from there wirelessly to premises nearby, as a cost-effective model to deliver to the final 5%, in our view. What we need to see is some evidence of tangible, practical assistance, funding or engagement, and a concerted industry effort. As well as saying, “It’s going to be this. It will be that,” somebody actually has to pick up the baton and deliver it.

Q453 **Chair:** We have talked quite a lot about the next question. This is the competitive disadvantage that rural businesses are in not to get broadband. First to BDUK, for those hardest-hit businesses that are in that 5%, and might be in that last 2% or 3%, when do you realistically think they are going to have coverage? These businesses have to have hope. Otherwise, I make the point that, if you are going on holiday, you will choose a site that has the delivery of broadband and internet. Otherwise your children and even yourselves, if it is a wet day, will not know what to do with themselves. What hope can you give them?

**Andrew Field:** We believe that 600,000 will be likely to be covered between the end of this year and 2020.

Q454 **Chair:** That is 2%, is it?

**Andrew Field:** Yes, that is 2%.

Q455 **Chair:** That is from 95% to 97%, is it? Is that what you are saying?

**Andrew Field:** That is part of the story, yes. The remainder will be covered by the universal service obligation, which will be in place, assuming everything happens as the Government are expecting, by 2020. That will give a floor to be set at 10Mb, at the moment.

Q456 **Chair:** Let us be clear about this. That is going to be in place in 2020, but does that mean to say that those businesses will have it by 2020? What are you actually saying?

**Andrew Field:** I cannot comment on the detail of it, because the scheme is still under development and design. This is a policy issue, which is not part of BDUK’s area of responsibility. The intention is that, by 2020, any business or domestic premises with speeds of below the threshold of 10Mb or whatever it is set at will be able to request an upgrade of that level.

Q457 **Chair:** Is that by satellite?

**Andrew Field:** That will depend on the detail of the design of the scheme.

Q458 **Chair:** Come on; we have to be a bit more open with people than that. If you have to dig cables, put them in and deliver something to these last businesses, which you are not going to because lots of them are miles from everywhere, they have to have a bit more hope than that. It is all jam tomorrow. I have been telling my constituents jam tomorrow, for six or seven years, and they are getting a bit fed up with jam tomorrow. They might like a little bit of jam today. If they are not going to get jam
today, they would actually like to know when they are going to get the jam. I do not quite see that.

**Andrew Field:** The position is what I have said at the moment. The Digital Economy Bill needs to get Royal Assent, and the Government need to conclude the analysis of the options for the delivery of the universal service obligation and then consult on those options before putting into effect.

**Chair:** What you are using, and I do not blame you for it, is very much a civil servant’s solution: we will say that the universal service obligation will be in by 2020 but, in practice of course, that will not actually deliver broadband to your premise. Therefore, for our constituents, our rural businesses and holiday businesses, your procedure is of no interest to them. They are only very interested in whether they have broadband. Are they going to have broadband by 2020?

**Andrew Field:** All I can say to that is that they will be able to request it by 2020. Precisely how it will be delivered will depend on the design and delivery of the scheme.

**Chair:** Say they request it in 2019, for argument’s sake, do you think they would be able to do it then? Would it then be delivered by 2020? Are the Government going to give a voucher for a satellite system? Are they going to give then a wand and say, “Right, wave the wand”? I am being facetious, but I am afraid that one or two of them are getting to feeling a bit like they might have to get a wizard or somebody in to try to deliver it. What is going to happen?

**Andrew Field:** I am sorry, but I cannot answer the question. It will depend on the design of the scheme. The universal service obligation is not part of the responsibility of BDUK. That is where we are at the moment.

**Chair:** The wand is obviously a solution, I think.

**Angela Smith:** My constituency is one of the worst-served in the country, in terms of superfast broadband. It comes out on any table at almost the lowest end, but it is not always the hardest-to-reach places that fail to get the best broadband service possible. In one case, we had a huge campaign locally from constituents who lived relatively close to Barnsley town centre, so it is not always the bits of my constituency in the national park that have a problem. The comment that Kim made earlier was really interesting, because it is my understanding that it is often the economics of providing the service, not the technology. What part do the economic case and the business case play in determining whether or not those businesses that are in the 5% are going to get the service that they deserve?

**Kim Mears:** From Openreach, there was first of all two-thirds coverage of the UK. That was our commercial programme. When it comes to working with BDUK, it is different for each of the local bodies. An open market review takes place and they determine the intervention area. That will say, “This is where we want you to create a deployment plan”.

**Andrew Field:** I am sorry, but I cannot answer the question. It will depend on the design of the scheme. The universal service obligation is not part of the responsibility of BDUK. That is where we are at the moment.
Many of the local bodies will then say, “We’d like you to include these priority areas”, in many cases business parks. They will then normally ask about value for money, so, “Can you create your deployment plan on value for money? Give us as many premises, businesses, homes passed as you can within that deployment plan, for the sum that is available.” It depends on some of those decisions that are made when we are creating that deployment plan on the wishes of some of the local bodies.

Q462 Angela Smith: What happens to the 5%, which are presumably very often not in the deployment plan?

Kim Mears: The final 5% is a real mix.

Angela Smith: My question was about the 5% and the economics of the 5%, not the others.

Kim Mears: For the final 5%, I believe that the intent is that it will be 10Mb for all. That is the conversation and that is certainly what is being included in the Digital Bill that is going through Parliament at the moment. The question will be how we deliver that.

Q463 Angela Smith: That is still not an answer. What part will the economics, the financial side of this, play in determining how you reach that threshold with the 5%? What proportion of the decision-making process is made up of the financial case and the financial resources available? What part does that play?

Andrew Field: Can I just come in on this? As I said, many of those premises in the final 5% will actually get coverage through continuation of the existing rollout programmes. Essentially, the way in which the money is allocated by each of the local bodies in support of that rollout is pretty much as Kim has said. They may have some local priorities that determine where the investment goes. Beyond that, in essence, the approach is to cover as many premises as possible with the funding available. As local authorities get gain-share funding coming back in, which they can reinvest, they will be determining the priorities for that investment and the extent to which they just want to maximise coverage by deploying it in the most cost-effective areas, in terms of numbers of premises per pound spent. Any premises not covered through that route will then be in scope for the universal service obligation.

Angela Smith: That will not necessarily be delivered by 2020.

Andrew Field: That comes back to the discussion that we just had. The intention is that the universal service obligation will be in place by 2020.

Q464 Angela Smith: How confident are you that, at that point, the financial resources will be available to make sure that the universal service obligation is going to be delivered?

Andrew Field: That is part of the issue around the design of the whole obligation. Whoever the obligation falls on will have to be recompensed in some way for the cost of that final rollout, and that may well be
through a provision that allows that cost to be passed on to the whole mass of consumers.

**Q465**  
**Angela Smith:** Forgive me, but South Yorkshire had Digital Region, which fell apart partly because of, it has to be said, a lack of co-operation from BT when it came to the final mile. There was a lack of co-operation in terms of establishing how best to do that and access to the network. In the end, it became obvious that financial resources were the reason why BT did not want to deliver on those not necessarily hardest-to-reach, but quite hard-to-reach areas. How confident can we be that, under this new structure with the 5% and universal service obligation, financial demands will not once again delay significantly and, in some cases, involve no service being delivered at all? How confident can we be that financial stuff will not continue to get in the way?

**Andrew Field:** We can be very confident that the delivery approach from now, going forward, will be very different from the way it was with Digital Region. Digital Region was not a success and the project stopped. We have already delivered many millions of premises, and that will continue to go further, using the model that we have. The model works well. The gain-share funding and any underspend will be reinvested in further delivery if that is what the local authorities want to do. That will keep going further. The premises that are not covered through that route will then be in scope for the universal service obligation, but this is not the same as Digital Region, which was a project that started, delivered and then stopped.

**Q466**  
**Angela Smith:** I was not suggesting it was the same as Digital Region. I think you know that as well. We are not getting any sense of assurance that the money will be there to cover the cost of the universal service obligation, and it is quite disappointing that we are not getting that.

**Andrew Field:** We are very confident that there will be efficiency savings from the contracts. Much of that funding is already being reinvested. We are very confident that there will be gain-share funding coming back. £129 million is already available and we know that, given the take-up levels we now have, that figure will go up very, very significantly. All of that money will be available for further reinvestment. It will not cover all of the premises in that last 5%, but it will potentially cover up to another 600,000 premises.

**Q467**  
**Angela Smith:** Finally, what are you doing to ensure that the funding is secured for those premises that are not covered, which will require the universal service obligation mechanism?

**Andrew Field:** As I said, that will depend on the design of the universal service obligation. Ultimately, either consumers or taxpayers will have to pay the cost for the delivery of the USO commitment.

**Q468**  
**Angela Smith:** What representations are you making to ensure that a realistic picture of the money required and the structures required is being presented?
**Andrew Field:** BDUK is part of DCMS, so we are contributing to the evidence base on that. We are not responsible for the policy, but what we have done is helped to contribute to an understanding of where those final premises are likely to be and the potential cost for delivery to those premises.

**Q469 Angela Smith:** You are doing that now.

**Andrew Field:** Yes.

**Q470 Chair:** You keep talking about 5%, but you have to remember that in the region of between 20% and 25% of a lot of rural constituencies are just not getting connections? You can understand how annoying it is for this 5%—95% and all these things—and then to start talking about super-superfast broadband, when they do not have snail-speed. Somehow or other, we have to try to get the message through to you at BDUK and to Government that there is a proportion of the population out there that are running good businesses and living out in the rural areas, and are really being treated like second-class citizens. This cannot go on. You are aware of that, are you? The 5% you talk about is not spread evenly. That is why you could have expected us to be so excited about it this afternoon.

**Andrew Field:** Yes, we are very aware of that. As Kim said earlier, you obviously see it in your postbags and Openreach see it in their postbag. Our Ministers get exactly the same thing in their postbags.

**Q471 Chair:** The special measures that I feel should have been in place are still not really in place, are they? Like I said, I am sorry to keep on about it, but we have been talking about this for years. We are beginning to get a little bit more competition. BT is beginning to talk about new technologies, when they have had years to do it. Other companies have been stopped from coming in with new technologies, because of the Openreach situation. So far, the saga has been pretty sorry for a lot of my constituents, a lot of Paul’s and a lot of Angela’s. If we have a broadband debate in this House, it is one of the best attended, because Members of Parliament from all over the place come. We are just not reassured, this afternoon, that you get it.

**Andrew Field:** Sorry if that is the impression we are giving. We are subject to similar pressure, not quite in the same way as you, obviously. We know that there is a lot of demand. It is really important. Economically, this is vital for those areas that are not covered. We are going as fast as we can, but it is a major infrastructure programme and it costs a lot of money. We are doing everything we can to deliver as quickly as possible. If Openreach could go faster, we would be delighted.

**Q472 Chair:** I have had answers from BT that they are very difficult to get to, these premises. That is what you are being paid the money for. Otherwise, you would do it commercially and Government would not put in the money. This is the frustrating part. We have put the money in and our businesses do not get the service.
**Kim Mears:** We absolutely get it. I get your frustration in respect of the final 5%, when it might be the final 10%, 20%, 50% or whatever it is in some of these small communities. I absolutely get it. On the contracts, we are where we need to be and, in many cases, ahead of where we need to be. We have to solve the problem once and for all, though, which is 10Mb being the floor, not the top, for all. That is not contracted. That will not happen by chance, so we have to solve the 10mb-for-all question. I honestly believe that that is not just an Openreach problem; it is an industry effort.

**Q473 Chair:** It is not all your fault but, like I say, you are part of the problem. Hopefully that will get better, but you can understand the frustration over the sheer time it has taken. I have just one last point before I move on to Paul. I should not really do this to you, but I went to a business park in Mid Devon and there is a business there called Green Resource Engineering. It is a very good company, but the whole industrial park has not got a broadband connection. That is very much part of the original BT contract to deliver, but it is still not there. You are behind on all that. That is just not good enough; it really is not. It is flat there and relatively easy to get to. It is not right in the middle of the Blackdown Hills. It is really ridiculous that it is not there. Some places that are halfway up a mountain you accept, to some degree, but you do not accept a lot of these areas. You have been contracted to deliver and you are behind.

**Kim Mears:** I would love to take away the detail.

**Chair:** I will make sure you get the detail.

**Kim Mears:** I would genuinely love to deal with it. We are just about to close contract 1 so, if it has not happened, I really need to understand why, so I would love to take away that detail.

**Chair:** Okay, I will not go further, because it is unfair to put a case like that to you directly, but I will make sure you have the detail. That does need sorting.

**Q474 Dr Monaghan:** Moving on a little, in evidence-gathering sessions previous to the one today, some witnesses have told us that they only need broadband for part of the year. Are there packages on the market for broadband contracts lasting for periods of less than 12 months? I will maybe start with yourself, David.

**David Broom:** Yes, we have packages starting at one month with no data caps at all. If we can reach the customer with a service, then we are very happy to provide that service without your typical 12-month contract.

**Dr Monaghan:** There is a lot of flexibility from yourselves.

**David Broom:** We are comfortable with that because we feel that, with the service that we can deliver and the speed that we can deliver, once
we have a customer, if we can deliver that and we aim to, then they will stay with us anyway.

Q475  **Dr Monaghan:** Are they popular?

**David Broom:** Yes, and we have also found examples of where we deliver a service wirelessly to an area that has subsequently been livened up with fibre to the cabinet. You would perhaps expect our customers to leave us to take a fibre service but, actually, they do not. They stay with us.

**Dr Monaghan:** Very good.

**Kim Mears:** I am a wholesaler, so I am a network provider, not a communication provider.

**Professor Forde:** We are in a similar position in a way. We have a one-month contract as well, so we are quite happy to do it month by month, if they can give us a month’s notice. We also have a rural economic support hat that we wear, so we want to encourage people with holiday cottages and things like that to put in broadband. For properties that are furnished lets for the holiday season, we give them a half-price contract as well. Have it half-price and we also have a month-by-month contract, so we are prepared to be very flexible.

Q476  **Dr Monaghan:** The costs of a short-term contract compare favourably with longer-term contracts, then.

**Professor Forde:** We do not have any difference. We charge £30 a month as a standard. You can give a month’s notice any time you like and resume three months later if you want, with no penalty.

**Andrew Field:** Again, we are basically paying for infrastructure delivery, not for the retail service wrap that goes around that. All the publicly funded infrastructure has to be open to any retail provider. In essence, that is actually the same as the whole of the Openreach network, in any case. It entirely depends on what the retail providers are willing to offer.

Q477  **Chair:** Just finally, we have talked a lot this afternoon about the problems and we have talked about some of the solutions. What else can we do, in our report, to say to Government or say to whoever what we need? I almost think we need to work from 100% back instead of trying to work up all the time. All the time you have people left off. Could we say to Government to start at 100% and that you will deliver 100%? Is there a method of doing that? I just throw the question at you.

**Professor Forde:** I would say yes, but what you need to do is to support and encourage local rollouts because, if there is a big demand and a big problem, you will inevitably be able to find a local solution. It is then a case of how you support that local solution. Looking at a BT-type centre out-build, which is ever more expensive as go out, the subsidies just get silly. Think about it differently. Think of it as much more localism and quite small areas, and find ways of actually handling the support for those projects.
Q478 **Chair:** Theoretically, we should be getting to have done the bigger contracts, should we not? Theoretically, we should be mopping up the very hardest-to-get areas. What you are saying, Barry, is very much to take those small pockets and deal with them as pockets. Is that what you are saying?

**Professor Forde:** I am saying that. It is not just a funding exercise. We have shown with B4RN that we have raised 100% of our funding from within the community. What we need to do to support projects is things like keeping BDUK, keeping the local authorities and keeping BT off their backs. If you have a community project that is raising the money and getting on with things, they need to have some sort of protection to make sure that somebody is not going to suddenly pop up and give a big grant to over-build them. We need to give them some protection, give them some encouragement and support them.

Q479 **Chair:** That is the other issue about community projects sometimes. People are worried that, if they join that, suddenly somebody else might come along and deliver it. Naturally, they do not mind putting some of their own money in.

**Professor Forde:** It really should not happen to get it to the last few per cent.

**Chair:** It is very annoying if you put quite a lot of money into a system and then someone else delivers it for you.

**Professor Forde:** We do not mind if somebody comes in commercially. For instance, we do not mind competing with BT. What really irritates B4RN is when we suddenly find a BT build, using taxpayers’ money, to do an area that we have already done, when there are so many other areas that have not been done. It is that that we would really want protection against, not anti-competitive, just proper use of Government money.

Q480 **Chair:** From BDUK’s point of view, are you also beginning to change your mind-set slightly, or are you still totally wedded to massive contracts with that private monopoly called BT? It is probably a good job I am in Parliament when I am saying that. I could be sued otherwise.

**Andrew Field:** Things are changing. The size of the contracts is reducing all the time. As you know, Devon and Somerset have just undertaken a procurement for six different lots. They have awarded four of those lots to another provider and the other two lots are still subject to finalisation of the contract. The size of the projects is definitely getting smaller and there is now more competition from other providers, which is good.

Q481 **Chair:** BT Openreach, we have been told that you are going to be much more open now. When these little companies and little communities come along and want to tap into your infrastructure, you are going to be very open and transparent. Is that right?

**Kim Mears:** Absolutely. Also, if anybody has any ideas in respect of co-investment, I am open to each and every one of those as well. You
asked what we need to do. It is a mixture of all of the above. We have to lock the UBC. Going back to your point, there needs to be confidence that everybody will have a minimum level of connectivity. We do need to lock that, once and for all. I would love confidence in respect of the voucher scheme. We are working really hard with communities, where they are self-digging; we are putting money into the pot and they are using vouchers. We have over 45,000 homes and businesses contracted now, just in tiny little communities, exactly as you were describing beforehand, where we are working with them. There are some great videos, if you go on YouTube, where those guys are really doing innovative things, exactly the way that you guys are describing.

Q482 Chair: I have just one final point. Are you putting in enough? In a way, it is sexier and perhaps more lucrative for BT to start working on those bigger sections of the population, where you can get even faster speeds. Can we rest assured that you are looking at these technologies that will get it to these hardest to hit and you are not forgetting them? Again, our constituents get even more annoyed when other people are getting faster and faster broadband, and they are getting virtually none or hardly an internet connection.

Kim Mears: To be really clear, we have three big objectives: better service, broader coverage, which are all of the things that we have been talking about today, and there is one call faster speeds, but all three things.

Q483 Chair: All has been duly recorded and will be held in evidence, which we will ask you about again. David, do you have anything to add?

David Broom: I used to work for central Government and for the Church, so I am used to things going at a fairly slow speed, but I do sense that there is actually more political impetus around this now and more industry determination to tackle the problem of the final 5%.

Chair: The trouble is that is no longer an add-on, is it? It is very much part of your business and part of your life, and everybody is disadvantaged if they do not have it. That is partly why you felt the frustrations of us all this afternoon. Thank you very much for taking the heat. We have some very good evidence and we will put it in our report. We look forward to getting broadband out to many more of our rural businesses, our tourist businesses and general businesses. I will let you know, Kim, about that premise and perhaps you will look into it.

Kim Mears: Of course I will.

Chair: Like I said, if there is anything else that you would like to supply to us in writing, please do. Thank you very much for your evidence this afternoon.