

# Superfast-Cymru - A contract efficacy analysis

Can the contract between the Welsh  
Government and BT deliver on  
expectations?

openreach

a BT Group business

BT



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Llywodraeth Cymru  
Welsh Government

# Superfast Cymru

## Contract Analysis

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### Introduction

This document has been constructed based on receipt of the redacted copy of the contract between the Welsh Government and BT (ICO Reference Number: FS50505435), which was released after:

- An FoI (Freedom of Information) request
- Appeal (challenging the application of the legislation)
- Request for internal review (previous challenges and new challenges based on new incorrect reasons for refusing to release)
- Complaint to Information Commissioner

The interpretations, conclusions, views and any stated facts should be considered the opinion of the author, and do not constitute written advice or guidance, and the entire document should be read in that context.

It is important that whilst the author is considered to have sufficient capability, experience and knowledge to offer views, the reader should make their own enquiries and fact checking before relying on this document to inform their opinion.

The contract, as supplied at the beginning of November by the Welsh Government, can be viewed at the URL supplied with this document, or by contacting the author.

Enquiries regarding the content of this document should be directed to the author:

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Richard Brown was a founder of Olivetree IT which became exwavia Limited, and has extensive experience in the broadband industry.

Having represented the UK in Brussels, and written a series of documents on the subject (one is held at the National Library of Wales), this document forms another part of his efforts to try to assure an appropriate digital future for Wales and the UK.

Richard believes that a ubiquitous 100Mbps service for all subscribers who wish to receive it should be the aim for any government, and additionally believes that any government who seeks to purchase infrastructure to deliver this is making a fundamental mistake.

For the purposes of clarity, Richard also declared that he considers that Ofcom have failed to deliver on their remit of encouraging competition in the market.

Finally, as part of the declarations for clarity, Richard wholeheartedly supports BT being part of the UK's digital future, and considers that BT are only doing what any Plc are obligated to do – which is to protect the interests of their shareholders in the most effective manner possible.

## Copyright

Images in this document are used with permission or in the Public domain, with the exception of the BT Openreach logo and the Welsh Government logo, which are used on the cover of this document in line with free use, fair dealing, or fair practice as illustrative of the contracted parties being discussed.

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### **Abstract**

#### ***Background***

The Welsh Government have entered into a legal contract with BT Openreach, with regard to the purchase (by granted funds) of network infrastructure. The intention of the contract is to deliver on the declared aim of the Government to achieve a 96% coverage of superfast connectivity across the nation (with a minimum of 2Mbps to the remainder).

The contract intends to utilise various funding methods, and the Government has declared that a total of £225m in public funds will be matched by BT Openreach, bringing the grand total to £450m.

The declared aim is to have the project completed by 2016.

This document seeks to test the contract against those (and other) declarations by the Welsh Government.

#### ***Findings***

The result of this exercise has resulted in a mix of findings, with many being positive.

The findings of the analysis are intended to further the understanding of interested parties, with regard to the likely outcome of the contract.

Findings are described as commentary on particular sections of the contract, with those sections included within the document to aid readers in understanding.

The findings are opinion based and have not been subject to peer review prior to release, but are accurate in the opinion of the author.

#### ***Conclusions***

The contract is not fit for purpose, and exposes many of the Welsh Government's press declarations to be (at best) misleading, and (at worst) simply untrue.

The contract (in the opinion of the author) is unlikely to lead to the desired (and declared) outcomes, and is substantively different to the commentary made by the First Minister, via the Welsh Government Press department.

The author makes it clear that the responsibility for the existence of the contract itself, does not lay with the Director required to sign it, but with the First Minister and his Cabinet, who compelled it to be agreed.

The document lays out the specific areas where these conclusions are drawn, together with any public commentary made by the Welsh Government.

### Analysis

Each part of the following analysis will be detailed below, and shall faithfully reproduce the words from the section (but not the layout) from the original document that is subject to this analysis.

To aid reference to the original document, each section below, uses the same Page numbers and section descriptors that are used in the original document. Where these are absent, sufficient description of the location within the document is given to allow for reference by the reader.

#### **Page 4 Clause (2)**

The document clearly states that the contract is between BT Plc and the Welsh Ministers (no reproduction of the addresses is required here).

Whilst this is perfectly understandable, there is a distinct area of concern with regard to this.

Firstly, Page 44 of the same document details the CEO of BT Openreach as the signatory to the contract. Whilst this is a minor difference on face value, it becomes more significant when it is understood that there is a legal governance issue (imposed in theory by Ofcom) that each part of the BT group should have 'Chinese walls' between them to prevent unfair exposure to competitive information leaking from one wholly owned subsidiary to another.

Indeed – this 'break up' of Openreach from BT Group Plc came about in 2006 as a result of legally binding undertakings made to

Ofcom.

Part of this was Openreach being created as an operationally separate business unit which provides wholesale access telecoms services to all communications providers on an equivalent basis.<sup>1</sup>

There is a fundamental concern that if Openreach is supposed to be a functionally separate organisation, and the CEO of Openreach is the signatory to the contract then information must (by definition) be being passed between Plc and Openreach, in a manner that has been expressly forbidden by the legal undertakings given to Ofcom.

#### **Page 4 Section B**

*"The Welsh Ministers wish to provide financial assistance in the form of a grant to ensure that Broadband Coverage (as defined below) is achieved in such a way that any retail services forming part of the Broadband Coverage will be at prices comparable to those available on the market in urban areas of the United Kingdom"*

Unfortunately, this would appear to be an abuse of the grant system.

By using the reason as protecting rural dwellers from disproportionate pricing (something that has been evidenced repeatedly<sup>2</sup>), the Ministers have sought to give BT Plc a huge tax advantage with regard to the payment to them.

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1 <http://media.ofcom.org.uk/2012/03/07/ofcom-sets-wholesale-charges-for-openreach/>  
2 [http://recombu.com/digital/news/britains-postcode-lottery-hidden-cost-rural-broadband\\_M11685.html](http://recombu.com/digital/news/britains-postcode-lottery-hidden-cost-rural-broadband_M11685.html)

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Essentially, the way that the rules are currently structured, Government grants (with regard to HMRC rules<sup>3</sup>) form a trading receipt to the organisation (and so subject to normal taxation) unless it is classed as a capital grant, which is used to acquire 'capital assets'.

In the case of capital asset grants, these may not be subject to taxation. There seems to be little other purpose to a contract for broadband in Wales being written in this manner, and so it would appear, that the only reasonable conclusion that can be drawn is that the Ministers sought to aid BT in avoiding taxation on the monies being paid to them.

Corporation tax on £195m could be worth in the order of £40m to HMRC if it were all taxed as profit at the highest rate (which would seem likely with BT Plc).

Given the Press attention to mega corporations avoiding tax payments, the fact that the Ministers have allowed the Welsh Government to become complicit in such a scheme would appear to be a great concern.

### **Page 4 Section H**

*"As part of the tender process, the Grantee [BT] has represented that it has skill and expertise in the provision of Broadband Works (as defined below) and is capable of carry out the Implementation Works on time and to budget and that the Broadband Works taken together will achieve Broadband Coverage"*

<sup>3</sup> <http://www.hmrc.gov.uk/manuals/bimmanual/bim40451.htm>

It is not credible to suggest that BT are not capable or sufficiently skilled in order to be able to deliver the required works, as contracted.

What is less credible is the definition of those works which are later described in this document.

The major concern here, is that the Ministers either fundamentally do not understand what is required, or have been misled as to such by BT.

There is insufficient data in the contract to establish which.

### **Page 5 Clause 2.3**

This section (2.3) describes the variation to completion dates that is likely due to a series of potential changes.

As an example:

*"2.3.1 – any dates in the Agreement which relate to either Party's rights, obligations and liabilities in connection with the Broadband Works shall except in the case of the Implementation Commencement Date automatically move forward by an equivalent period to the period between 31<sup>st</sup> July 2012 and the date on which the conditions are completely fulfilled"*

This somewhat dense, legal language is essentially describing a situation where sufficient evidence of funding cannot be made by the Welsh Government (as an example) to BT.

This situation seems to have arisen, and as such it is likely that the completion date (mentioned later in the contract) would be

delayed due to the apparent delay in BDUK (a DCMS department) failing to gain approval from EU for funding of various projects, including the one covered by this contract.

That would suggest that the expectation for a completion date is already some months later than the one in the contract – and certainly much later than indicated by the Welsh Government in the Press<sup>4</sup>, which still seems to suggest that Spring 2016 will see the completion of the works.

The contract end date (later in contract) is in fact summer of 2016 (Page 7 Clause 5.3.2), and 'drop dead date' (redacted) appears to be some time after this date.

There would appear to be no Press from either BT or the Ministers to suggest such a delay, but as it is contractually evident, it would seem unlikely that such delay is already part of the planned works.

This is a worry, not least as there are likely to be subscribers who are 'hanging on' in the hope of getting superfast broadband provision soon, and this can only stifle investment in the region.

Planned private investment being delayed is bad enough, but if it failed to materialise due to an inability to plan around real (rather than press release) dates for implementation, this could prove to be a huge financial own goal for Wales.

<sup>4</sup> <http://www.btplc.com/News/Articles/ShowArticle.cfm?ArticleID=38C2D3BE-7493-49DA-838B-10E748E2F0D8>

### **Page 6 Clause 3.1.3**

*“sets out circumstances where the Welsh Ministers may be entitled to a repayment of any financial contribution made by them”*

This is an extremely reassuring clause, not least because much of the internal discussion within the civil service at the Government was the expectation that such a clause would be omitted. It's presence therefore is a very welcome sight.

What is less welcome is that the information controller who was compelled to release this document to Richard Brown, has chosen to redact the clause detailing those circumstances of 'claw back' and so no additional applause can be given for a robust methodology for assuring the contract terms are met.

### **Page 6 Clause 5.2**

This is a troublesome section which is entitled "Principal Obligations".

The section describes in 5.2.1 the creation of the Network as a principal obligation. This is good, and is in line with Page 4 Section B, that describes the grant being made for that specific purpose (and so falling into a non-taxable categorisation).

What is more troubling, when read in conjunction with Page 4 Section B, is the following clauses:

5.2.2 – The Operational Works

5.2.3 – The Maintenance Operations

and

5.2.4 – The Wholesale Services



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Whilst these inclusions are absolutely necessary for the Ministers to have confidence in the Network that they have contracted to pay for, what is problematic is that this is not permitted under the clause describing what the grant is for.

It seems that these clauses are a very sensible inclusion from the Welsh Ministers, but are contrary to the desire to help BT to avoid taxation.

As such, the terms of the contract (the works that are required under that contract) would appear to enforce requirements on BT that are explicitly not being paid for.

Whilst such inclusions (often referred to as 'value added') are not unusual, in this instance it would be highly unusual for anybody (private or public) to fund a broadband network that was not going to also have to fund the maintenance and management of such a network.

The inclusion of the clauses compelling BT to deliver such 'value added' services, as opposed to them being part of the funded delivery lends weight to the likelihood that the Ministers have assisted BT in being as tax efficient as possible.

### **Page 7 Clause 5.3.2**

[The grantee must carry out the Broadband works so]

*"that Broadband Coverage is achieved through the Contract Intervention Area by 30<sup>th</sup> June 2016 and in any event by the drop dead date"*

It would be easy to sneer at this at suggest

that the Ministers have chosen to lie to the electorate<sup>5</sup> by maintaining that 96% of homes and businesses will have access to fibre broadband by end of 2015 (as stated in the article in the footnote, updated on 1<sup>st</sup> Oct 2013 when this document was written).

It would be equally easy to pour derision on the reluctance of the Ministers to be honest with the electorate with regard to just how difficult this undertaking is.

Rather than enter into such practices, what is more appropriate is to raise significant concern over what is actually meant by the Broadband Coverage. This is detailed in the clauses following 5.3.2.

*"5.3.2.1 a minimum of ninety per cent (90%) of all Premises in the Contract Intervention Area are capable of having access to broadband services at a minimum of 30Mbps PPIR with 2Mbps CIR;"*

This clause is startling.

The Ministers have committed the Welsh Government, and indeed have spent a great deal of taxpayer money, repeatedly stating that the delivery for Superfast Cymru is 96% of households and businesses.

The reason that there appears to be a 90% at 30Mbps inclusion is a simple one of funding. The EU have designated that 30Mbps is the minimum requirement for a broadband service to be considered as superfast.

What is less obvious from this clause is that public funding in areas where this service already exists is prohibited.

<sup>5</sup> <https://www.gov.uk/government/news/uk-government-backed-broadband-roll-out-reaches-another-milestone-in-wales>

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It is prohibited by EU regulations on state funding.

Fibrespeed, eXwavia, AB Internet, hostingUk.net, and Netserve are just a few of the providers who are delivering superfast broadband on Anglesey for example.

Anglesey was identified as being amongst the first locations that BT were to build infrastructure under the Superfast Cymru contract.

*"5.3.2.2 a minimum of ninety five per cent (95%) of all Premises in the contract Intervention Area are capable of having access to broadband services at a minimum of 24Mbps PPIR with 0.5Mbps CIR;"*

this is the key clause for absolute dismay.

At no stage have the Ministers ever claimed anything lower than 96% coverage for superfast broadband under this contract.

It is clear that there is a degree of wishful thinking by the Ministers that BT will choose to deliver more than they are contracted to do so (despite clauses discussed below for paying BT for much lower delivery). The Ministers have chosen to use the Press Department inside the Government to claim a target figure that is vastly (approx 30k residents) different to that which they contracted BT to deliver.

1% is a tiny fraction of a population, until you happen to be a part of that 1%.

### **Page 10 Clause 7.1**

*"Record of the Contract Intervention Area: Details of the Premises and postcodes which lie within the Contract Intervention Area are*

*set out in Schedule 4 (Contract Intervention Area). The Grantee shall use reasonable endeavours to maintain and make available to the Welsh ministers accurate records of the Premises and postcodes which lie within the Contract Intervention Area at the Contract Commencement Date and as amended from time to time in accordance with clause 7.2 below."*

It is extremely positive that the Ministers have assured the inclusion of the a record of the postcodes which should receive the benefits of the intervention.

The inclusion of a record of those premises could be used to a great benefit, and should Assembly Ministers be given access to that information then they would be able to best advise their constituents as to when superfast broadband should be available to them.

The major concern remains that it took eight months of legal discussion to gain the redacted release of this document, and postcodes are part of the redactions within this document.

As such there is a legitimate belief that the Ministers have no intention in releasing this information to any party other than those intimately involved with the contract delivery or formation.

### **Page 11 Clause 7.5**

This section should be a hugely positive section to read as it concerns itself with difficult to implement areas.

Those areas have been defined in the first sub-clause:

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*"7.5.1 – The Parties also recognise that there are physical, geographical and technical difficulties in carrying out the Implementation Works in certain parts of the Contract Intervention Area. The Grantee agrees and acknowledges that implementation of the Broadband Works and achievement of Broadband Coverage in the Contract Intervention Area includes Premises in physically challenging, geographically remote and technically difficult parts of the Contract Intervention Area (together the "Value Zones"), as identified in Schedule 4 (Contract Intervention Area)."*

which is reassuring and accepts, what is well known anecdotally, that there is a great deal of Welsh residents who live in areas that are challenging to provide superfast broadband to.

Whilst this is understood, there is a minor challenge as the information controller compelled by the Information Commissioner to release this document to the author, has chosen to redact the areas that have been identified as "Value Zones".

This makes it impossible to evaluate the appropriateness of the selections.

With that stated 7.5.2.1 gives a degree of interest:

[The Grantee undertakes that it will carry out Implementation Works in Value Zones as follows:]

*"in Financial Year 2013/2014, in two (2) Value Zones"*

Which means in short order it will be possible to establish which two zones have

been completed, and subsequently attempt an assessment of those zones and the likely nature of future zones.

### **Page 11 Clause 7.6**

Unfortunately this clause is useless to the reader (in it's entirety) as the respective Annual Targets definitions is subject to redaction.

### **Page 12 Clause 7.10**

This clause is critical to the understanding of what has been contracted by the Ministers with BT.

It is essential that the reader understands that Premises passed is the definition that the contract is working to, not subscribers delivered.

Premises passed is an estimate of those premises who may be able to access an exchange or cabinet that is capable of delivering superfast speeds.

This is fundamentally different to the Welsh Government declaration:

*"Superfast Cymru will boost commercial roll-out to deliver high speed fibre broadband to 96% of homes and businesses in Wales in 2016"*<sup>6</sup>

There is a significant, and fundamental disconnect in understanding between the statement, and the contracted delivery.

The contracted delivery (ignoring the blatant percentages difference), differs from the

<sup>6</sup> <http://wales.gov.uk/topics/businessandconomy/broadbandandict/broadband/ngbw/?lang=en>

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statement, in so much as a Premise passed, may or may not be able to subscribe to superfast broadband.

To understand why this may be the case, it is necessary to accept that a small amount of technical understanding is required.

In the simplest terms, a Premise passed is one that is served by an exchange or a street cabinet (or is served directly to the Premise in rare instances) that is capable of superfast broadband delivery.

Premises passed does not take into consideration the connection between the Premise and the exchange or cabinet.

These connections can fail to allow for the delivery of superfast speeds in the following (broad) categories:

1. Line length – the line connecting the premise to exchange or cabinet exceeds the maximum length that superfast broadband can be delivered over (commonly accepted as being approx 2Km). Regardless of the capability of the exchange or cabinet, any premise that has a line length exceeding the maximum will not be able to reach superfast speeds – despite being counted within Premises Passed.
2. Line quality – in a similar manner to line length, line quality can have a dramatic effect on the ability of a Premise to achieve superfast speeds. There is much aged (brittle with micro fractures) copper – deteriorated aluminium, and lines in poor state of repair. All of these lines may prevent

the stable delivery of superfast speeds, or worse still, prevent delivery of those speeds in their entirety.

3. Intermediate infrastructure issues – this is the junction boxes, equipment, etc that sits on the line, between the Premise and the exchange or cabinet. If these are aged, or simply do not function as originally designed, they can also prevent the ability of the premise to achieve superfast speeds.

Whilst it is hoped that these will be minimal in their impact, anecdotally it would appear that this is much more common than desirable.

In the instance where (as an example) a poor quality line is serving a remote hamlet of half a dozen or so premises, it is (in the opinion of the Author) unlikely that there will be an imperative on BT to rectify this with any urgency.

The Welsh Government have not contracted BT to enable the delivery of superfast broadband to Premises in Wales, simply that the core infrastructure (exchanges and cabinets) will enable a measurement of Premises passed to reach a total of 95% for UpTo 24Mbps speeds.

This fundamental misunderstanding of the technology has led to misleading public statements, and is likely to be the *bête noire* of the Superfast Cymru contract when BT declare themselves completed.

### **Page 14 Clause 9**

This entire clause refers to the milestone payments that BT are entitled to, based on

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reaching specific targets or goals for delivery. Unfortunately those milestones (and subsequent payments) have been redacted, so it is impossible to make an assessment of any impact of such.

What is worthy of note (and will be detailed more later) is that these milestones do not appear to be contingent of overall contract delivery.

It would appear that the milestones being met (independent of any overall success) will result in BT receiving payments.

This is not abnormal in a contract (particularly one of a relatively high value, and longer duration) as the delivery company are likely to suffer a cash issue, and subsequent pressure on the business if it were necessary to deliver the contract in it's entirety prior to any payment.

What is of notable concern, is the apparent absence of any requirement to meet the declared outcome that the Welsh Government has declared to the public.

### **Page 16 Clause 10.5**

*"The Welsh Ministers' liability. Any liability of the Welsh Ministers to make payment in respect of any Premises which have not achieved Premises Passed prior to the Drop Dead Date shall be extinguished with effect from the Drop Dead Date. Clause 12.3 will apply at the Drop Dead Date in respect of Implementation Works completed prior to the Drop Dead Date."*

This is an excellent clause. Whilst the Drop Dead Date has been redacted and subsequently the actual time that this clause

would be effective is not transparent, at least there is a point at which the Ministers have prevented future payments.

### **Page 18 Clause 12.2**

This clause deals with the anticipated performance that BT expect to achieve against target:

*"The Grantee must, not less than fifteen (15) Working Days prior to the relevant Quarterly Target Date, advise the Welsh Ministers of the number of Premises Passed it anticipates will be achieved at the Quarterly Target Date."*

It seems likely that there can only be two reasons as to why such a clause would be present in a contract of this nature. The first would be for internal planning etc, which seems less likely, simply because the Welsh Government (in line with most Governments) are unlikely to participate in unnecessary speculative assessment, when waiting for a short period longer would give actual (therefore, accurate) data.

What seems more likely is that there is a desire to start preparing Press statements based on the anticipated data. This is disappointing, not least because the information that has already been published by the Welsh Government as part of their Press communications with regard to this contract already contains inaccuracies that the Government must have known about. This includes the amount of Premises that are targeted for work.

### **Page 20 Clause 14.7.3**

*“the Grantee will ensure equality of treatment between Retail Service Providers and will not discriminate between them in the provision, receipt, conditions and pricing of the Wholesale services;”*

This is a troublesome clause.

Ofcom are the regulatory body for this industry, and for the Welsh Government to suggest, or contractually demand for a particular approach by BT to the market would appear to be in direct conflict with the regulatory body. There are no mentions of Ofcom within this section and as such it would appear that the Ministers have chosen to act as both the Grantor, and the regulatory authority.

This is beyond the bounds of the Ministers' powers, and may be illegal.

### **Page 20 Clause 14.7.4**

*“the pricing of the Wholesale Services must be set at a level which will enable Retail Service Providers to offer Retail Services in the Contract Intervention Area which are comparable to the average of prices charged to customers in metropolitan areas of Birmingham, Manchester and London and parts of Wales not within the Contract Intervention Area”*

This is a troublesome clause.

Ofcom are the regulatory body for this industry, and for the Welsh Government to suggest, or contractually demand for a particular approach by BT to the market would appear to be in direct conflict with

the regulatory body. There are no mentions of Ofcom within this section and as such it would appear that the Ministers have chosen to act as both the Grantor, and the regulatory authority.

This is beyond the bounds of the Ministers' powers, and may be illegal.

### **Page 22 Clause 16.6**

*“Marketing etc: The Grantee undertakes to market the Wholes Services by way of the marketing activities that are set out in the Marketing Plan, but only when those marketing activities have been approved by the Welsh Ministers and the level of Financial Contribution agreed between the Parties. The Welsh Ministers shall only pay Financial Contributions in respect of those marketing activities that the Welsh Ministers have approved in accordance with the Marketing Plan.”*

This clause is wholly inappropriate.

Firstly, the contract documentation is in direct conflict with the intention of the Ministers to pay (or make a contribution toward paying) for marketing activity. Page 4 Section B makes it clear that the Grant is being made to the Grantee (BT) on the grounds that infrastructure is being purchased, and so is a capital grant.

No provision is made for contributing toward marketing activity within capital expenditure.

Additionally, to think that public funding is being actively given to a Plc for the sole purpose of generating sales into the Plc is simply abhorrent. The author can think of

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no circumstance at all, where a customer (in this case the Welsh Government) would be responsible for funding the success of the supplier (in this case BT).

Whilst there is an argument to suggest that the Welsh Government wish to ensure take up of the services made available (in line with their policy expectations), this is a direct influence on the broadband market in Wales, and is to the detriment of any other wholesale provider who would not have similar access to marketing contributions from public funding sources.

Such a commitment by the Welsh Government gives BT a disproportionate market advantage over other wholesale providers, and as such would be considered a significant influence into the market dynamics.

This is entirely without merit for a Government.

Finally, the marketing plan is subject to redaction, so the full impact of the Welsh Ministers competition intervention cannot be judged.

### **Page 24 Clause 21.2**

*“Maximum Financial Contribution for 90% Broadband Coverage: Under no circumstances will the maximum Financial Contribution payable to the Grantee under this Agreement for achieving Broadband Coverage in not more than ninety per cent (90%) of Premises within the Contract Intervention Area exceed one hundred and ninety five million pounds (£195,000,000), that figure of ninety per cent (90%) to*

*consist of the following:*

*21.2.1 A Minimum of eighty nine per cent (89%) of Premises achieving the Broadband Coverage set out in clause 5.3.2.1 above; and*

*21.2.2 Ninety per cent (90%) of Premises achieving the Broadband Coverage set out in clause 5.3.2.2 above”*

This series of clauses essentially describe the amount of money that BT will receive under the contract.

Whilst £195m is not insignificant as a sum, the declared amount in the Press has been significantly higher.<sup>7</sup>

The total amount that has been declared to the Press that the Welsh Government will invest (from various sources) will total £205m.

This is already £10m higher than the amount that we can see in the contract. Additionally, BT suggest that their total investment will be in the order of £220m, which is to include their commercial investment in Wales.

That makes BT's commercial investment in Wales (assuming their figures to be accurate) to total £220m-£195m = £25m.

As any ISP will attest, a £25m investment Pan Wales will not last very long, and is really a quite insignificant investment in the commercial delivery of a nation.

With that said, the figures still fail to gel, as the declared total investment in Wales for 'fibre broadband' is £425m (which appears to be £220m by BT and £205m by Welsh Government), but as we can see in the

<sup>7</sup> Appendix 1

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contract there is £10m still unaccounted for.

Whilst there is a degree of pedantry that can be witnessed in quibbling over around 2.5% of the total spend, it is perfectly legitimate to ask why the number has been quoted as a higher figure.

In the instance of both the number of Premises Passed, that will be addressed by this contract, and the amount of money that will really be invested, the numbers have been unnecessarily inflated.

For the avoidance of doubt and absolute clarity, the contract being examined delivers the following investment in Welsh Broadband wholesale services:

Maximum of **£195m** by Welsh Government+  
Maximum of **£195m** by BT  
(matched funding)=

---

Maximum of **£390m**

The fact that BT intended to spend some money in their own market space independent of this contract (so called commercial rollout) is irrelevant to the spend in this contract.

There are no other figures in the documentation to suggest a larger figure, although there would appear to be a series of calculations (21.2.1, 21.2.2, and 21.3 for example) that accept the delivery of much less than expected at a lower rate.

### **Page 25 Clause 21.5**

*"Grantee's investment: The Welsh Ministers acknowledge and accept that the Grantee has made a contribution of a sum at least*

*equivalent to the Maximum Grant."*

It is difficult to see how this particular clause is intended to be read.

The way that it is written would suggest that BT (the Grantee) has **already** spent, or transferred the sum of £195m.

If this is the case then the contract investment must (be virtue of timing) take into account the commercial spend by BT for commercial rollout. Clearly this is not how the contract has been represented in the Press.

Alternatively it could be supposed that the clause is intended to record the commit by BT of those funds to be made available to the project. Whilst this (more generous) interpretation would appear to be more advantageous for Wales, the major concern here is simply that for that (the commit of funds) to be true, some sort of evidence of such (and the investment of those funds) would/should be part of the contract.

In the absence of clarity, and without (it would appear) any other clauses to measure the spend by BT in line with the contractual obligations it can be interpreted that the Ministers are simply taking a Plc at their word that the money will be (or has been) spent.

Such apparent lack of concern for such a significant sum of money (£195m) seems preposterous at best.

It seems entirely likely on reading this document that BT do not have to document or prove that they are making a contribution of £195m under this contract, and indeed it would appear that the Ministers have



absolved (by acknowledging and accepting) BT of all responsibility to meet this requirement.

This would be contrary to EU regulations.

### **Page 25 Clause 21.10**

*"VAT: The Parties have agreed that the Broadband Works are not a supply of services to the Welsh Ministers and that the Financial Contribution is not payment in consideration of the provision of services to the Welsh Ministers. Accordingly the Parties believe that the provision of Broadband Works do not constitute a supply subject to VAT."*

Whilst such a declaration would appear to be useful for clarification of the accepted position, it is entirely contrary to the delivery burden placed on BT within the contract.

As already detailed elsewhere in this analysis document, BT are compelled to deliver wholesale services as a result of this contract (even to the extent that the Ministers have chosen to engage in price manipulation in the market space).

Wholesale service provision as a requirement of the contract, does not allow for the contract to be considered as a 'capital investment' only contract.

Additionally, by agreeing to this statement with regard to VAT, the Ministers have (should wrong doing be proven) documented their collusion in VAT evasion.

If BT were being granted money, solely for capital investment, it is entirely unlikely that such a clause as 21.10 would be necessary,

as BT would be able to make their own representations to HMRC with regard to this.

Additionally, the Ministers cannot be considered as having unique or overwhelming expertise with regard to VAT.

As such, the declaration within the contract serves a single purpose, which would appear to be the avoidance of VAT liability.

The VAT on £195m is £39m.

### **Page 26 Clause 21.14**

*"Clawback: The provisions of Schedule 12 (Clawback) apply. The Grantee must comply with the provisions of Schedule 12 (Clawback) including (without limitation) paying to the Welsh Ministers such sums as are due to the Welsh Ministers pursuant to that Schedule."*

Any provision for clawback (return of money for a contractual failure) is welcome.

In the absence of the Schedule 12 (redacted) it is impossible to make an assessment of the likely efficacy of such provisions, but the very fact that these have been considered and form part of the contract is sufficient to allow for a degree of confidence.

### **Page 33 Clause 31**

Freedom of information.

This clause (Including sub clauses 31.1.1, 31.1.2 and Clause 31.2) very clearly describes the sole arbiter of responsibility for FoI requests are the Ministers.

Given the amount of time (approx 9mths) that it has taken to obtain a redacted copy

of the contract, the reader is asked to draw their own conclusion.

### **Page 35+36 Clause 34.1**

*“Subcontractor information: The Grantee must disclose such information as may reasonably be requested by the Welsh Ministers or the Audit Representatives from time to time to the extent such information is necessary to verify any claim for Eligible Costs,”*

Given that Clause 21.10 (discussed above) makes clear that the Grantee (BT) is receiving funds solely for capital expenditure, it is inconceivable that Clause 34.1 serves any purpose.

Subcontractor costs can only be for services rendered, and subsequently cannot be considered as Capital Expenditure.

### **Page 37 Clause 35.4**

*“Termination for Convenience: The Welsh Ministers may (at their discretion) terminate this Agreement for convenience at any time on giving twelve (12) months written notice to the Grantee”*

It is extremely warming to find such a clause in the contract and subsequent sub-clauses 35.5.1 and 35.5.2 which describe that the Ministers can do this without extraordinary cost.

Whilst the notice period could be considered excessive (1year on a 3year contract) at least the taxpayer is given hope that if this contract is found to be lacking reasonable expectation of delivering the

required outcome, it is possible to cancel the contract with minimal detriment to the public purse.

The Ministers (or their advisers) are to be applauded with the minor suggestion that a more appropriate time period be considered on future contracts of this nature.

Naturally, the reader should consider whether they wish to ask the Ministers to prepare an investigation as to whether this clause is appropriate to invoke.

### **Page 38 Clause 37**

#### *Suspension by Welsh Ministers*

*37.1 Events: in the event that prior to completion of the Implementation works, the Welsh Ministers learn that:*

*37.1.1 a complaint has been made to the European Commission or proceedings have been brought in a UK Court or in the EU Courts alleging that the payments or part of the payment to the Grantee under this Agreement constitute unlawful State Aid: or*

*37.1.2 the European Commission is contemplating the launching of an investigation under Article 10 of Council Regulation 659/99 or Article 108(2) of the EC Treaty in respect of this agreement,*

*the Welsh Ministers may give notice of the suspension of this Agreement...”*

A request had already been made to the European Parliament by the Author for clarification with regard for the potential for duplicate ERDF funding being used in North Wales.

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The query was initially addressed to Edwina Hart as the Welsh Business Minister to establish whether the previous £5m in ERDF funding that had been utilised to establish the Fibrespeed network is being duplicated by the new contract (and subsequent ERDF funding being utilised for that contract).

Whilst it is not, at this stage, true to say that a complaint has been made to the European Parliament, it is possible that the enquiry made by the Author may result in an investigation by Brussels.

### **Page 44**

This is the signatory page of the contract, and is commented upon primarily because the implications of that page may be missed by the reader.

The signatory for BT is Olivia Garfield, CEO of BT Openreach.

Ms Garfield<sup>8</sup> is broadly well respected, and is certainly more than capable of reviewing a contract of this nature to establish whether it is appropriate to her business. Coupled with the undoubtedly extensive resources that she has to be able to gain legal and commercial advice as to the implications of signing such contract, it is clear that Ms Garfield has committed her signature to this contract in full knowledge of the content of the contract itself.

James Price<sup>9</sup> has signed on behalf of the

8 <http://www.openreach.co.uk/orpg/home/aboutus/ourorganisation/businessinfo.do>

9 <http://wales.gov.uk/about/civilservice/managementstructure/sdpb/membership/jamesprice/?lang=en>

Welsh Ministers, and as a professional economist who has risen from Director in 2007 to Director General in 2011 (with a further promotion in 2013 to take more responsibilities), is likely to fully understand the impact this contract could have on the Welsh Economy.

Clearly James is particularly well respected by the Ministers, having been given the responsibility of signing this contract on their behalf.

As both Ms Garfield and James are capable and respected individuals, it is difficult to understand how their signatures have found themselves onto a document that actively seeks to evade HMRC taxation, and the contracted requirements do not meet the public statements.

### Conclusion

The contract as reviewed appears to be unable to assure the public commitments that have been made by the Ministers.

### **Broadband Coverage**

The publicly claimed delivery expectation that has been set by the Ministers by means of the Welsh Government website; Superfast Cymru website (a collaboration between the Welsh Government and BT) and public statements in the form of Press Releases, Senedd statements and AM briefings, are that (variously)

"We are bringing superfast broadband to businesses and communities across Wales to make our country one of the best connected in the world. The Welsh Government and BT are working together to ensure that 96 per cent of Wales has access to fibre broadband."<sup>10</sup>

"Superfast Cymru is the largest partnership of its kind in the UK and will help the Welsh Government achieve its aim of taking high speed broadband to 96 per cent of Welsh homes and businesses."<sup>11</sup>

"The ambitious Welsh Government and BT project, the largest partnership of its kind in the UK, was launched in July last year and will help the Welsh Government achieve its aim of taking fibre broadband to 96 per cent of homes and businesses in Wales by the end of spring 2016."<sup>12</sup>

The common theme here is that there is a clear and unambiguous statement that the Superfast Cymru contract with BT will deliver 96% coverage.

Clearly, there is no contractual requirement nor obligation to meet that figure, and there seems to be no confidence nor expectation within the contract that 95% will be reached, let alone exceeded.

What is less immediately obvious, is the way in which this 96% figure is being used. The reader must be clear that this does not represent a percentage of homes and businesses that will receive superfast broadband/fibre broadband (delete as applicable dependent upon the party making the claim).

The measurement is solely on Premises Passed. Premises Passed is a measurement of presumed capability that only considers the core infrastructure. In this case the core infrastructure is the exchanges and cabinets that BT will be using the £195m to enable for

10 <http://www.superfast-cymru.com/home>

11 <http://cymru.gov.uk/newsroom/businessandconomy/2013/7107345/?lang=en>

12 <http://www.btplc.com/News/Articles/ShowArticle.cfm?ArticleID=38C2D3BE-7493-49DA-838B-10E748E2F0D8>

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superfast broadband capability (or fibre broadband as per BT statements).

This utterly ignores the capability of the line between the exchange/cabinet and the premise to deliver the faster services. Australia committed a huge spend (£24bn) to enable a universal 100Mbps service.

The measurement that the Australian Government originally accepted from the NBNC (National Broadband Network Company), was premises passed.

In August the industry Press was awash with headlines similar to the one on ZDNET<sup>13</sup> which suggest that there are approx one third of all the premises passed that are unable to gain access to the increased service speeds.

Australia is a sage example of what is in store for Wales if this contract continues in the manner in which it has been written. Premises passed is simply not a measure of the amount of the population that will be able to gain access to improved services. It is simply a measure of the capability of the core network – something that will not change Wales' future, but will certainly enhance BT's.

### ***Committed Spend***

There is no way to be able to marry the figures that have been publicly declared, with the figures that are in the contract itself.

At no point has either the Welsh Government (Ministers), nor BT ever suggested that the total (maximum) spend for the Superfast Cymru project is £390m. Figures from £450m to £425m are common, but it seems impossible to find a figure that is based on the actual contracted investment of £390m.

This is important, in the same way that 95% not 96% is important.

It speaks to the public message and our collective confidence in what we are being told. If the figures are universally and collaboratively inflated by the contracted parties, then it is unlikely that we can have any real confidence that the delivery of the contract is in any way protected.

This contract could be significant, but to unnecessarily mislead the electorate with regard to the content that is actually within the contract can only be a deliberate obfuscation of the intention.

If one wished to be generous, this could be considered as an aspirational inflation, but such generosity is then undermined by the realisation that, given the likelihood that planned investments will be influenced by the inflated expectations, there is simply a timebomb of discontent in the making.

<sup>13</sup> <http://www.zdnet.com/au/one-third-of-nbn-premises-passed-cant-connect-7000019298/>

Clearly the timing of the contract end being after the next expected General Election in Wales will not be missed by many readers, and the Author is left to ponder whether there may be some reputation padding taking place via this contract.

The acceptance of the Ministers that BT have already made their £195m contribution needs further analysis that is not possible based on this contract. Whether this contribution has been made directly to the Welsh Government or is implied as part of the existing BT investment, or is intended to signify the expectation the Ministers hold that BT will spend that amount on this contract is unclear.

That lack of clarity has caused other governments more than a few problems in the past.

### ***Taxation Evasion***

The contract as viewed creates a reasonable fear that there is collusion to avoid appropriate HMRC taxation within the terms of the contract. On the one hand the rules that are intimated by the relevant clauses certainly would allow for both the Corporation Taxation and the VAT to be avoided, as they would simply not apply.

Unfortunately, other clauses within the contract make it clear that the statements made in the contract (and as agreed by both parties) that these elements of taxation should not apply are likely to be misguided or untrue.

The assertion that the Ministers are not purchasing services is undermined by both the declaration that title and ownership (together with the operation) of all of the funded equipment must remain with BT. No capital equipment is being purchased by BT.

The Ministers then have used the contract to specifically dictate the manner and type of wholesale broadband services that must be provided by BT as part of this contract.

Additionally, the Ministers and BT have collectively agreed that as no services are being purchased, there is no VAT liability.

Whilst taxation evasion may appear to be an accusation of sorts, it is certainly not intended to be anything other than a very clear note to caution. If the HMRC review this contract and the provisions of such, BT may be liable for approx £40m in VAT payments.

Such an unplanned, unexpected and large sum of money may place the contract delivery as a whole at jeopardy.

Further – should the HMRC then decide that in fact (as the Author believes) the assertion that the money being gifted to BT is not for capital expenditure alone, and comprises of a great deal of service elements and marketing spend, then a further circa £40m may be due to HMRC.

A total 'hit' of £80m to BT would certainly not make the £195m that they have committed

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to match a straightforward exercise.

### **Timing**

Virtually all of the pertinent schedules have been redacted from the contract, so it is difficult to be at all granular about delivery schedules.

What is apparent is that we are currently around eighteen months into this contract (from point of signing to the creation of this document), and there is little demonstrable progress.

The first cabinet was installed to much press interest<sup>14</sup> in February 2013, but there seems to have been little to 'hang your hat on' since. The Superfast Cymru website could reasonably be expected to have used its news & updates page to shout loudly about progress, so it feels appropriate to list the articles in chronological order (from the point of the first cabinet announcement):

[BT appoints programme director to lead multi-million superfast Cymru fibre broadband project](#) March 4, 2013

This is the appointment of Ed Hunt. It does not deliver faster broadband, and is over a year after the contract was initiated.

[Internet short cut for Welsh village with the longest name](#) May 21, 2013

One village getting faster broadband, in an area that is already (theoretically) served by another Welsh Government project – Fibrespeed (£30m)

[Superfast Cymru news issue 1](#) May 2013

A copy of a flyer in English and Welsh detailing what Superfast Cymru is.

[Superfast Cymru news Issue 2](#) July 2013

Flyer with a re-iteration of what Superfast Cymru is together with the assertion that "Fibre has arrived in parts of Bangor, Caernarfon, Porthmadog, Phyllheli, Ebbw Vale, Tredegar, Dolgellau, y Felinheli, Llanwnda and Waunfawr.

[First communities in South Wales switched on to fibre broadband](#) August 29th 2013

"Four Blaenau Gwent towns have become the first communities in South Wales to be switched on to high speed fibre broadband as part of the Superfast Cymru roll-out."

[Superfast Cymru news Issue 3](#) September 2013

Flyer celebrating Ken Skates looking at a street cabinet in Blaenau Gwent together with a

<sup>14</sup> <http://www.btplc.com/News/Articles/Showarticle.cfm?ArticleID=E018E4DF-0156-43B7-A24D-38E889861BC2>

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declaration that "Fibre is now available in parts of Gwynedd, Anglesey and Blaenau Gwent"  
[Superfast Cymru: Another 151 Communities To Benefit From Fibre Broadband](#) September 30, 2013

Declaration that 151 additional towns and villages in Wales will get high speed fibre broadband by Spring 2015

[Superfast Cymru Issue 4](#) October 2013

A flyer which is essentially a repeat of the message above

It is very difficult to find more than a handful of 'parts of' locations that have actually witnessed an increase to broadband speed.

This is significant as the longer it takes for there to be a significant shift in realised broadband speeds, the less chance there will be to take remedial action.

### ***Responsibility for the contract***

BT are a Plc. Their duty is to the shareholders.

This is unequivocal. They are not required, impelled, or expected to have a social conscience or the best interests of Wales at heart.

In their responsibility for this contract they have carried out their duty impeccably. The contract delivers £195m of tax free funds to deliver services that are part of their core business, and will continue to generate income for many years to come.

The Welsh Ministers are the most senior elected officials of Wales. Their duty is to the electorate.

Often Politicians are required to enter into activities or actions that, on the face of it, are unpopular and difficult to justify in the Press. Later it becomes clear that the actions that were taken or the activities that were entered into were entirely appropriate to the nation's interests.

Occasionally the most senior of Politicians enter into activities or actions that are difficult to justify in the Press because they are simply difficult to justify at all.

This contract is not fit for purpose. It seeks to allow the purchase of network infrastructure that cannot deliver the aspirations of the nation as described in the Press by the First Minister.

It seems that the electorate have been deliberately and systematically misled as to the content of the contract, in terms of both the financial truths, and the delivery realities.



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In July 2012 First Minister Carwyn Jones made a statement that was widely reported across the Press. The salient points of this statement were reported by the BBC<sup>15</sup>:

1. "Today is the day that Wales moved into the fast lane"
2. It will mean broadband speeds for Wales around 15 times faster than those available now
3. The £425m next generation broadband scheme for Wales, about half of which will be paid for by the public sector, will lay fibre optic cables across tens of thousands of miles
4. Our partnership with BT will see to it that Wales does more than simply catch with our neighbours.

In response to these assertions:

1. Unfortunately this was simply untrue when the statement was made and is untrue right now, over a year later. Wales still lags behind in every meaningful broadband measurement
2. This is a subjective statement, although at the time average speeds in Wales were reported by Ofcom as being in the order of 4Mbps. This makes the speed Mr Jones is suggesting to be around 60Mbps. This may well happen in some parts of Wales, but this contract is unlikely to achieve such speeds as any sort of universal coverage
3. The contract value is far from £425m, and BT themselves have confirmed that the length of fibre to be installed is approx 17.5Km. This equates to approx 10k miles. Whilst the exaggeration from 10k miles to 'tens of thousands of miles' could be forgiven as a tongue slip, given the rest of the concerted misinformation that Mr Jones has overseen with regard to this contract, it is more likely to be part of that 'over egging' of the Superfast-Cymru pudding.
4. Wales catching up with the UK would be great, NI or Scotland, or England. This contract cannot assure such an event, and indeed it would appear that Mr Jones and BT were already very aware of this at the time they sent their respective managers to sign the contract

The ultimate responsibility for this contract lay not with BT, who are looking after their shareholders, nor with Mr Jones who is trying to assure a re-election.

The ultimate responsibility for this contract lays with us. The Author, and the reader. We are the only ones who wish to make sure that Wales benefits from superfast broadband **AT** the premises.

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<sup>15</sup> <http://www.bbc.co.uk/news/uk-wales-18904182>

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If we collectively shrug that:

- BT and Mr Jones' Cabinet have systematically painted a different future to the one that has been contracted; or
- if we choose to accept 96% and 95% as being interchangeable; or
- that £425m is much the same as £390m; or
- that BT paying zero taxation on £195m of income; or
- that £30m spend on Fibrespeed can be overbuilt by BT; or
- Premises Passed is close enough to premises benefiting; or
- after 18mths of the contract the existing, it is delivering lots of 'coming soon' being okay; or
- Carwyn Jones presiding over a deliberate and contractual price and marketing influence over the broadband wholesale market is acceptable

then we are allowing one of the most significant opportunities for Wales to be squandered.

Wales deserves better than to be made promises that are untrue and were known to be untrue when the promises were made.

## **Appendices**

***Appendix 1***

BT Press release document originally sourced from:

<http://www.superfast-cymru.com/news>

(Last article in list)

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# Superfast Cymru Contract Analysis



DC12-217

July 19<sup>th</sup>, 2012

## **WALES TO GET ECONOMIC BOOST FROM HUGE FIBRE BROADBAND PROJECT**

*Project takes total investment in Welsh fibre broadband to around £425 million*

*Hundreds of BT jobs to be created or protected*

Wales is set to become a global leader in fibre broadband as the result of an ambitious project announced today by the Welsh Government and BT. This project – which is the largest partnership of its kind in the UK – will use public and private funds to deliver fibre broadband to parts of the country not covered by commercial plans.

The initiative, which is subject to State aid and major projects approval from the European Commission, will take the total amount invested in Welsh fibre broadband to around £425 million when BT's commercial investment is also taken into account.

The project is the next phase in the delivery of the Welsh Government's commitment to make high speed broadband available across the country. It will build on BT's existing investment with the aim being that 96 per cent of Welsh homes and businesses will have access to world class broadband speeds of up to 80Mbps by the end of 2015. Ultra-fast broadband speeds of up to 330Mbps will also be deployed in certain areas and made available 'on demand' throughout the entire fibre footprint should Welsh businesses want to upgrade to even faster speeds.

This major investment is set to transform the broadband landscape in Wales and boost the Welsh economy. It will be of particular benefit to the tens of thousands of local businesses who are scattered throughout the country. This is because fibre broadband provides speeds that are approximately 15 times faster than those available in Wales today with ultra-fast broadband providing an even bigger uplift should businesses require it.

The project will be of particular benefit to those homes which currently receive speeds of less than 2Mbps. According to Ofcom, more than 20 per cent of Welsh homes currently receive such speeds but that

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number will fall to around two per cent when the roll-out is complete. The Welsh Government is developing plans to address any remaining premises which will form the final phase of its commitment to making Wales a broadband nation.

BT has been chosen following an extensive and thorough selection process. The company is investing approximately £220 million in Welsh fibre broadband with most of that going towards this specific project. The Welsh Government is contributing £58 million and has secured additional funding of £57 million from Broadband Delivery UK (BDUK) and around £90 million from the European Regional Development Fund (ERDF).

As a result of winning the contract, BT will create 50 new jobs and 100 new apprenticeships. 320 existing jobs will also be protected as a result of the project. In addition, the company will offer 900 young people a week's work experience.

BT is already rolling out fibre broadband to almost half of Welsh homes and businesses under its commercial plans and the project will extend that footprint so it covers the vast majority of areas that are not viable to supply on a commercial basis alone.

Wales' First Minister, Carwyn Jones, said: "This is an incredibly important agreement for Wales. Our partnership with BT will see to it that Wales does more than simply catch up with our neighbours; we intend to catch-up, overtake and then set the pace that others will strive to match. The project will transform the broadband landscape across Wales and ensure that local businesses can become global businesses. It will ensure that firms remain in Wales and it will also attract a more diverse range of high growth, high value companies to the country across all our key sectors from tourism to high end manufacturing.

"As a result of Welsh Government, UK Government, European Structural Funds (ERDF) and private sector investment, a solution has been secured that will leverage the funding available to achieve best value for the Welsh pound. We have leveraged over £6 for every £1 invested by the Welsh Government."

Liv Garfield, chief executive of Openreach, BT's local network business which will be deploying the infrastructure, added: "This project will position Wales as a broadband leader and we are delighted to have signed this contract with the Welsh Government to make it happen. Wales will become one of the best connected countries in the world and will be ahead of the chasing pack. The Welsh Government has shown great vision and we are certain that will pay off in terms of economic growth. The apprenticeships and work experience that we're offering will mean the roll-out of this next generation network will inspire the next generation of workers."

Andy Kerr, CWU deputy general secretary, said: "It's fantastic to see the huge investment both the

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Welsh Government and BT are making. It is also a major vote of confidence in the skills and experience of our members who will deliver faster broadband services right across Wales. This will help stimulate the Welsh economy, create jobs and is something I feel we can all be proud of.”

BT's network will be open to all communications providers on an equal wholesale basis so Welsh consumers and businesses will benefit from a highly competitive market. This was an important stipulation in the tender process.

Fibre to the Cabinet will be the main technology deployed. This delivers downstream speeds of up to 80Mbps and upstream speeds of up to 20Mbps. The average downstream speed in Wales is currently around 5 - 6Mbps. Fibre to the Premises technology – delivering ultra-fast speeds of up to 330Mbps - will also be deployed in certain areas and will be available on demand throughout the whole of the fibre footprint. For local businesses, the fibre network will underpin the introduction of many new services and applications. Big business applications driven by cloud services and data centres will be within the reach of enterprises of all sizes, computer back up, storage and processing will be faster, and the use of high quality videoconferencing within firms and between them and their customers will become a viable possibility. New fibre services are also set to transform the way consumers use the internet, from the simple sharing of pictures and video to enjoying the ever growing boom in entertainment services available on-line.

### Notes to editors

Please note that the fibre broadband speeds referred to in this release are wholesale speeds. ISPs may use different speeds in their advertising and individual line speeds will depend on network infrastructure and the wholesale service offered by the ISP.

Openreach plans to commercially launch FTTP (fibre to the premises) on demand during Spring 2013 and will levy an installation charge for this service. It will be up to service providers to then decide whether they pass that onto businesses or consumers wishing to take advantage of the product.

The completion date for the project is subject to the timing of State aid approval.

### About BT

BT is one of the world's leading providers of communications services and solutions, serving customers in more than 170 countries. Its principal activities include the provision of networked IT services globally; local, national and international telecommunications services to its customers for use at home, at work and on the move; broadband and internet products and services and converged fixed/mobile products and services. BT consists principally of four lines of business: BT Global Services, BT Retail, BT Wholesale and Openreach.

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BT is the official communications services partner of the London 2012 Olympic and Paralympic Games. BT is also a sustainability partner of the Games and a Premier Partner of the London 2012 Cultural Olympiad.

In the year ended 31 March 2012, BT Group's revenue was £18,897m with profit before taxation of £2,445m.

British Telecommunications plc (BT) is a wholly-owned subsidiary of BT Group plc and encompasses virtually all businesses and assets of the BT Group. BT Group plc is listed on stock exchanges in London and New York.

For more information, visit [www.btplc.com](http://www.btplc.com)

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**Or contact Leon Griffiths at the Welsh Government press office  
on 029 2082 1823**