



Northern Ireland  
Assembly

Committee for Enterprise, Trade and  
Investment

# OFFICIAL REPORT (Hansard)

Mobile Phone Network Investment:  
Mobile Providers Briefing

18 April 2013

# NORTHERN IRELAND ASSEMBLY

## Committee for Enterprise, Trade and Investment

### Mobile Phone Network Investment: Mobile Providers Briefing

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**Members present for all or part of the proceedings:**

Mr Patsy McGlone (Chairperson)  
Mr Phil Flanagan (Deputy Chairperson)  
Mr Steven Agnew  
Mr Gordon Dunne  
Mr Paul Frew  
Mr Alban Maginness  
Ms Maeve McLaughlin  
Mr Stephen Moutray  
Mrs Sandra Overend  
Ms Sue Ramsey

**Witnesses:**

Mr Scott McGimpsey	EE
Mr John Cooke	Mobile Operators Association
Mr Simon Miller	Telefónica UK
Ms Julie Minns	Three UK
Mr Paul Morris	Vodafone

**The Chairperson:** Appearing before us today are John Cooke, executive director of the Mobile Operators Association (MOA); Scott McGimpsey from Everything Everywhere (EE); Paul Morris from Vodafone; Julie Minns, head of public policy and corporate responsibility at Three UK; and Simon Miller, deputy head of public affairs at Telefónica UK. You are very welcome to the meeting. We are glad that you are able to attend. There are many issues with mobile signals — not least in rural areas, such as my constituency — before we even move to 4G. Mr Cooke, I take it that you will present initially.

**Mr John Cooke (Mobile Operators Association):** Yes.

**The Chairperson:** The way that we operate is that you will have 10 minutes or so to make your presentation and opening comments. We have your documentation and your papers, which I read last night and found very helpful and useful. Indeed, they raised a number of questions. We will come to those in due course. After your presentation of 10 minutes or so, we will have a question-and-answer session for members, if that is OK with you. You are all very welcome. Thanks for attending. The matter is crucial to economic development and social interaction.

**Mr Cooke:** Thank you, Chair and members. We are delighted to be here today to talk to the Committee about connectivity issues in Northern Ireland. I am John Cooke from the MOA, which represents the four mobile operators here today. As we set out in the written brief, when we come to

look at the development and roll-out of networks, each operator will have its own plans. To an extent, those are commercially confidential, but within that constraint colleagues here from individual firms will be able to say a wee bit more about what they are going to do. All the operators are upgrading and improving the networks here in Northern Ireland. I know that the Committee has asked specifically about 4G, which is important and very much in the news. However, I would stress that it is not just about 4G, albeit that is important; operators are already upgrading their existing services.

I will say a little about the importance of connectivity, and I will reiterate some of the stuff that is in our written brief. Long gone are the days when the mobile was a rich man's toy, if I can put it like that. The mobile device is now ubiquitous, and people are increasingly choosing to access the internet using a mobile device of some sort, quite often even when they have a fixed line available. Chair, you mentioned that this is terribly important for the economy and for social interaction. Connectivity — mobile connectivity is included in that — is very important for business and social inclusion. It is very important for the delivery of public services and environmental sustainability. I will just say a wee bit about each of those.

We set out in the written brief the research from Deloitte that shows that if you double the amount of data by internet usage over a mobile network, it adds about half a percentage point per capita GDP, which in the Northern Ireland context equates to about £160 million. That is the macro level of individual firms; that is SMEs and traditional business, not just high-tech. Individual firms are using mobile networks to promote their businesses.

As for social inclusion, more people live in a mobile-only household than live in a household relying on a fixed line. That is increasingly the case for people on a lower income. If you are on a lower income, you are more likely to live in a mobile-only house and more likely to access the internet using a mobile device.

On the delivery of public services, clearly all Departments and local authorities increasingly want people to access their services using the internet. I think that there is no local authority these days that does not have its own Twitter account or Facebook page. I know that a number of Committee members have a Facebook page and tweet. Look at the NHS. Lots of studies show that using a mobile to call 999 is more likely to save a life than using a landline, essentially because the ambulance gets there sooner because you are making the call from where the incident has occurred. There is lots of stuff that can be done through telehealth and telemedicine; simple things like reminding people via text message to take their medicine, which is terribly important for people who are on a cocktail of medicines. There is a lot of public service stuff for which mobile connectivity is important.

Finally, I will mention sustainability. Mobile connectivity enables homeworking, which reduces travel costs and helps to mitigate climate change.

There are lots of benefits from having good mobile connectivity. However, that is not the whole story. It is not just a case of: "Build it and they will come." One thing we need to do, through public policy, is make sure not just that the connectivity is there but that Government policy is encouraging digital participation. That is particularly important for making sure that we do not have people who are digitally disadvantaged. In this day and age, that is almost like not being able to read.

The other thing, coming to the crux of some of the questions that the Committee wants to ask, is the fact that you need a network of base stations or masts in place to enable mobile connectivity to work. Each base station can cover only a finite amount of traffic at any one time and a finite geographical area, and we have to put the base stations where people want to use their mobiles. Sometimes people tell us that they really like the coverage but do not want the mast. It does not work like that. If you want a signal, you need a mast. If there is no mast, you will get no signal.

How easy is it to build our networks in Northern Ireland? Traditionally, there has been a wee bit more hostility in Northern Ireland to masts than in other parts of the UK. That is one of the reasons why connectivity is not so good in some places.

All the operators in Northern Ireland are commercial businesses, and in a lot of rural areas, population density is such that it is not commercially viable for operators to provide the service. That is a twofold issue. One is that the capital costs of providing infrastructure tend to be higher in rural areas, and where there is low population density, more often than not the operating costs of a particular base station will exceed the revenue that comes from traffic generated by that base station.

In that sense, Northern Ireland is no different from some other parts of the UK, whether bits of rural Scotland, Cornwall or Devon, or bits of even rural Norfolk. So, there are commercial constraints on providing the infrastructure. Having said that, Ofcom does acknowledge that the operators deploy more infrastructure per capita in rural areas. Although there are places where coverage is not brilliant, across Northern Ireland as a whole, there is quite a high level of coverage.

The Committee asked about inadvertent roaming. Each individual operator is addressing that issue in a slightly different way, so colleagues here will be able to say what each firm is doing. I can make some general comments about it. Inadvertent roaming happens because mobile phones connect to the nearest base station. Border areas are often rural areas, which means that there are fewer masts but sometimes the nearest mast is across the border. That is fundamentally why it happens.

Some generic things will improve. The UK Government's mobile infrastructure project, which is there to provide infrastructure and coverage in areas that the market will not provide for, will help to mitigate the problem because it will improve coverage in rural areas.

As I said, mobile phones connect to the base station that has the strongest signal. We sometimes get asked why we cannot just turn the power up, and we get asked that in border areas right across Europe. Unfortunately, it ain't that simple. The power at which a base station operates is regulated under various legal and other obligations, partly for environmental reasons, and because a base station cannot be operated in such a way that it interferes with other radio networks. Those could be other mobile signals, broadcast, other electrical equipment or stuff such as air traffic control systems. Just turning the power up does not solve the problem.

There are steps that individual consumers can take such as turning off the data roaming function on your mobile, which will mitigate the situation. Each individual firm has its own slightly different way of addressing this issue, so colleagues here will be able to say what they are doing.

That was a general, contextual introduction to some of the issues. I am very happy to take questions, as I am sure colleagues will be after they have introduced themselves.

**The Chairperson:** Thanks very much indeed for that overview. Where I come from geographically, aside from the overall economic interests of the community, there are probably only two operators among your friends here that can give me any semblance of coverage, and I will not mention which two. At that, it is down to very basic 2G, if that at all. It is a densely populated rural area. That is my pitch made.

Can you or your colleagues explain to me, as a humble person with no knowledge of technology other than that I want a phone to work — although I have read some stuff around the 800 MHz and the increased penetration that that is supposed to have — the benefits of 4G? I am starting with a very basic benefit — the capacity to make and take a phone call or even text at times in my house, which is a problem for me. It is not just me, as many of my constituents are in the same category. It is a big difficulty, and it is a big scattered rural area. Nonetheless, it is a densely populated area with sporadic villages. Many people in the room will not have that problem as they live in urban areas and, for them, it is taken as read that there is 3G and that they can do all the data things. However, for many in the North, in rural areas in particular, a basic signal is a major problem.

I have three points. The first point is that we have identified a problem. The second point is the solution and whether that solution is likely to be 4G, with increased penetration and increased strength of signal — for want of a term. I am sure that you technological people will be able to phrase that differently. The third point is the timescale for that. I am sure that there will be four different answers from the companies, so I am prepared to give a wee bit of berth on that.

As members make and take their questions, I remind them that we have other very pressing business after this session. I am not looking for four or five different answers, please. However, that question is important. Can you give us an overview of what you are doing on the inadvertent roaming? We can start with you, Mr McGimpsey.

**Mr Scott McGimpsey (EE):** We empathise with consumers or customers in rural areas who are affected by this. However, when the handsets are first issued, the default is not to have roaming on them. Obviously, you have to activate roaming on the handsets. When customers activate it and find themselves inadvertently roaming, they will receive a text message from the network that they have roamed onto welcoming them to that network. The text message also displays the call charges associated with the fact that they have entered a roaming area. We are aware of this and are doing

our best to overcome it. However, in those areas, as Mr Cooke said, there is obviously a finite number of installations that we, from a business plan, have across the Province. Therefore, we have to balance the need versus the commercial parameters that we work within as a commercial business.

**The Chairperson:** Where I live, there are only two operators that you would even consider. Unfortunately, your company is not one of them. I do not know whether that is due to lack of investment or whatever. It appears that the operators have different scales of investment in that area. Can you give me an indication, from EE's point of view, of the potential that you see for 4G? I know that your company rolled it out and that it is available in Belfast. What is the advantage of 4G and, basically as you would see it, the advantage for the rest of the North beyond Belfast?

**Mr S McGimpsey:** I will answer that in two ways. I will explain 3G first, because we are also increasing 3G across the entire Province, which will have a greater benefit for the rural areas. From an EE perspective, 3G was originally at about 62% of population coverage. We are now up to 84% or 85% of the population coverage across the Province. Obviously, that is not just urban; it will cross over into rural areas as well. By the time we have finished, we will be up to 94% 3G coverage across the entire Province.

With regard to 4G —

**The Chairperson:** Could you give me — this applies to all of you — timescales for the enhanced 3G and the completion of your 4G?

**Mr S McGimpsey:** For 3G, we expect to be finished later this year; hopefully, by the end of Q3. We are launching 4G in Belfast only. We already have 28% population coverage for Belfast, and we are due to finish that around the Q3 period.

**Mr Simon Miller (Telefónica UK):** I will say a word on 3G, 4G and inadvertent roaming, because you raised quite a few issues. Telefónica's consumer brand is O2. If I use that vernacular, it might be clearer. O2 has completed some upgrades of our 3G masts over the past 15 months or so, which have seen significant improvements in coverage and capacity to meet accelerating demand. Action has been taken, and that will continue. The outcome of the 4G auction was announced only in February. Under the licences that we secured in that auction, we have to provide 95% indoor coverage for 4G in Northern Ireland by 2017. With the measures that we are taking, such as the infrastructure collaboration with Vodafone, we are very confident that we can do that. That is the timescale that we are working to. We are optimistic that we will beat that 2017 target.

Inadvertent roaming is a challenge that one has to manage, but one cannot realistically eradicate it, given that signals do not stop at the border. We have the Ireland bolt-on service, which keeps charges down to avoid such roaming. We have also worked to deliver new coverage. John spoke about some of the challenges of doing that. We have had our successes, but we have had some issues with planning and the availability of sites. I would not overstate it, but we found the level of vandalism of some of the sites quite difficult, which clearly impacted on the service. As colleagues have said, phones can be set to manual selection for the network. That is not perfect, but it is a pragmatic step that people find helpful. If our customers roam, they are sent a text to alert them to the fact that they are roaming and could incur additional charges if they choose to go down that route. Information and advice on the subject is available to our customers online as well.

**The Chairperson:** So, the enhancement of your 3G is ongoing?

**Mr Miller:** We have just completed quite a major programme of improvement that covered 200 masts providing the 3G service.

**The Chairperson:** I must have missed that one, too, where I am. Do you anticipate that your company will complete the 4G in advance of 2017?

**Mr Miller:** Yes. The requirement is that we do it by 2017. It is early days following the outcome of the auction, but we are optimistic that we will exceed that target.

**The Chairperson:** I have been reading about the 800 MHz and the perceived advantage of that in the penetration of signal and the like. What is the advantage of 4G on 800 MHz?

**Mr Miller:** 4G is not just about additional speed and capacity; it will provide a good platform to launch new products and services. There is a lot of new opportunities for business and consumers.

**The Chairperson:** And the penetration of the bandwidth?

**Mr Miller:** It is 95%.

**The Chairperson:** What I have been reading is that, on that particular bandwidth, there is likely to be better penetration from where the existing base station and mast is. That is what I read, anyway. Maybe I picked it up wrong?

**Mr Miller:** Sorry, better penetration —

**Mr Flanagan:** It travels further because it is low frequency.

**The Chairperson:** Better penetration of the signal.

**Mr S McGimpsey:** Can I answer that one? Obviously, 800 MHz is a lower frequency. It has the ability to travel further and penetrate buildings. I think that that is what you are trying to get at.

**The Chairperson:** Yes: that is what I am trying to elicit.

**Mr S McGimpsey:** Yes. It is able to be more effective at travelling to rural areas because it can travel further.

**The Chairperson:** Thanks very much for that.

**Mr Paul Morris (Vodafone):** Thanks for inviting us today. We are looking for improvements. Simon mentioned it. It is quite an exciting period for all of our companies because, in our case, we have an infrastructure-sharing agreement with O2, which, basically, means that we are creating one physical network across the UK. That enables us to announce some quite exciting coverage improvements as well. That has an impact on Northern Ireland as well as the rest of the UK. It will mean that indoor coverage, for example, in Northern Ireland will become three times better than it is currently in population-coverage terms. In rural areas, it will be over 10 times better within the period when we deliver that investment, which will be by 2015 or 2016. So, that is good news.

I think that if we had come to talk to you two or so years ago, we would not have had that story. So, that is really good. You will see an improvement in your constituency as well, Chair. In fact, you will be pleased to hear that you will see a big improvement in your constituency over that time frame. Going forward, we have got quite a good-news story. That will map, basically, across 2G, 3G and, eventually, 4G. The figures that I am giving you are for 3G. Basically, we are not just talking about a phone signal, but about mobile internet coverage. So, it is good news. It will not happen tomorrow. However, it will happen. We have got a plan and we will deliver it for you. I hope that that gives you some reassurance. I am sure that you will have questions for us. It is better news than we have had previously.

The matter of inadvertent roaming, as other colleagues have mentioned, is a challenge for us. The way in which Vodafone has taken that on board is really on two fronts. One is to inform our customers appropriately. So, they are informed by text. Obviously, we also provide information in our shops and online. We have 12 shops in Northern Ireland. Equally, we have launched the Ireland Plus product. I do not know whether you have seen it. I am more than happy to send the Committee details of that product. Then, you can, perhaps, inform your constituents if they ask. It means that your Northern Ireland package covers you even if you end up using your network in Southern Ireland. Specifically, it is really for people who spend a lot of time travelling across the border. For those who do not do that, but want reassurance, the product is there. There is a small cost. It is certainly less than the cost for an equivalent product that we would offer if you were travelling to any other European country. We think that it is quite an exciting product. To be clear; it includes voice, text and data.

What we have done is to inform people, as I have said. Obviously, we can give them information and inform them if they roam. They will get a text. They can get information in store. They can, obviously, set their phones if they so wish. We provide information about that. We also have the Ireland Plus product. It has had a good start. We launched it in August for data. We are doing our best to try to

target appropriate customers whom we know might have an issue and encourage them to use that product.

**The Chairperson:** OK. Lest I forget, Mr Miller, I have been asked by constituents to report to you today poor coverage or lapse of coverage in the Coalisland area of County Tyrone. *[Laughter.]*

**Mr Miller:** I will take that away. Let us talk about that afterwards, please.

**The Chairperson:** It has dropped in the past day or two. People heard that I was coming here, so they were on the phones.

**Ms Julie Minns (Three UK):** Perhaps I could say a couple of things about Three's coverage in Northern Ireland. I anticipate that we are, probably, the other network to which your constituents do not have access currently, Chair.

**The Chairperson:** Yes. There would not be that many customers.

**Ms Minns:** There is a historical reason for that. Until the recent spectrum auction, only two UK networks had access to the lower-frequency spectrum. The auction that we have just been through has ensured that all the networks now have access to the low-frequency spectrum, which, in rural areas, affords approximately three times the coverage that the higher frequency spectrum does. So, in coming years, as we deploy that spectrum, you should see improvements to coverage. In the meantime — to go back to some of Scott's remarks — for the past four years, Three and EE have been integrating their 3G networks throughout the UK.

**The Chairperson:** Yes. I am aware of that.

**Ms Minns:** As Scott says, that process will be completed in Northern Ireland towards the end of 2013. What that will mean for Three is that our 3G coverage will go from 76% before we started that process to 95% by the end of the year. As part of that integration, we are upgrading it to the latest iteration of 3G, which, if you want to know the technical term, is called DC-HSDPA. That is the latest 3G standard, which offers speeds of around six to eight megabits per second. In the United States, some networks call that 4G, but we do not do that because we do not like to confuse consumers here. That is 95% coverage by the end of the year in Northern Ireland using that ultrafast technology.

Some of that improvement will address roaming, but, in the meantime, we do a couple of things to help our customers out. We charge considerably less than our EU-wide roaming rates to our Northern Ireland customers. Secondly, and quite crucially, one of the problems that consumers face is that, when you are roaming, you are charged for receiving calls and texts as well. We do not currently pass on that charge to our customers, so we do remove some of that risk of bill shock. I am very happy, as I am sure other members have questions, to delve into roaming in a bit more detail, because I think that there are some specific points around wholesale charges that it would be useful to share with the Committee.

**Mr Flanagan:** You are all very welcome. Thanks for taking this opportunity because it is a great chance for the Committee to find out more of what your future plans are. I used to work in the telecommunications industry, and I have been a consumer of each one of your organisations at some stage in the past, so I have good and bad stories to report. Although, as Patsy says, there is no Three coverage, there was a stage when Three was actually the best coverage provider here due to the agreement that it had with O2, but, unfortunately, that is not the case anymore.

Most of my questions will be directed to you, John, as the anchorman of all of this. In 2007, Ofcom published its communications market report, which indicated that £11 million was being taken out of the local economy here in the North due to inadvertent roaming. That did not look at the whole figure for roaming; it was only inadvertent roaming, with people roaming from Northern companies to Southern companies without knowing it. Do you have a figure for the total amount that each operator makes in roaming charges along the border here each year?

**Mr Cooke:** No. We could try to get back to you on that. A commercial issue like that would be an issue for each operator rather than for the association, so I do not have that figure, I am afraid.

**Mr Flanagan:** Do any of the operators have that figure today?

**Mr Miller:** No.

**Mr Flanagan:** Is it something that you could get? Is there any particular reason why we do not just have a single European agreement on roaming, aside from the fact that it is an easy way for operators to make money? Is there any reason why we have not had that agreement? Look at some of the larger companies that have operations in most European countries. Why is there not a single agreement, particularly between sister companies within a parent organisation, that consumers of that company cannot just roam on to a sister company for nothing?

**Ms Minns:** I am quite happy to start on that one, because it takes us into the wholesale issue that I was alluding to. We used to have a product called Three Like Home for our Northern Ireland customers so that when you roamed on to our sister network in the Republic of Ireland, you could use your inclusive bundle. Unfortunately, there was just a one-in-four chance of roaming onto our sister network, and when you roamed onto one of the other three networks, Three incurred wholesale charges, which were passed on to the consumers. Actually, with Three Like Home, we found that we had more complaints from customers who had been charged because they thought they were using their inclusive bundle, but, actually, they had roamed on to Meteor, O2 or Vodafone.

**Mr Flanagan:** When Three had that scheme, its coverage in the South was very poor. Three coverage in the South is now excellent because of the national broadband scheme. Would Three consider introducing that scheme now that there is good coverage in the South?

**Ms Minns:** We are always reviewing our tariffs, and it is certainly one of the things that we are looking at. Whether or not it is an identical replica of Three Like Home is debatable. However, the difficulty we face is that we still have that wholesale charge when our customer roams onto other networks. One of the things that Three pushed for quite aggressively with the EU last year was a further reduction in those wholesale roaming charges that are levied by networks right across Europe. The advantage of getting that down is that it gives you certainty about the retail price that you can offer. The difficulty we have with a potential all-island tariff is that we have to take into account very different wholesale rates from the four networks in ROI when building the tariff that we can offer. We cannot afford for us to charge a particular retail rate, and then for the retail rate to be exceeded by the wholesale charge that we are incurring from the terminating network. That is why this is one of those issues where we need Ofcom and the European Union to help the networks. This might be a unique Three position, but we need to reduce those wholesale rates further. You can get them to rates that are much, much closer to the domestic rates that we all charge each other for terminating calls on our networks in the UK.

**Mr Flanagan:** Three of the four organisations that you are talking about in the South have a presence in the North. They are a part of the same group of companies. We cannot sit here and pass the blame onto Ofcom or ComReg, which have no responsibility for roaming at all. You cannot pass it on to the European Commission because it is primarily a matter for individual organisations. They are sister companies that report to the same parent company. This could be addressed within your own companies, if you so wished, but there does not seem to be a will to do it. From a consumer point of view, the reason for that is that there are excessive profits to be made for very little expenditure, and that is why it is not being addressed.

**Ms Minns:** There are two points that I would like to make in response to that. Just on the excessive profits one, Three is probably in a slightly unique position, in that we know exactly how much we have spent since we launched in 2000. We have invested £12 billion in building up the network. Last year was the first year in which Three returned an operating profit. That is not recouping any of the £12 billion costs that we invested; that is just an operating profit on one year's trading. So, that puts into context the amount of money that we have invested, just to get to a point where we can be profitable. That is just one year's worth of profit. The rest of the time, we were a considerable drain on our shareholders.

On the point about coming to an agreement with Three ROI: yes, we could, but it would just be an agreement with Three ROI and, as I have said, there is a three-in-four chance that our customers are not roaming onto Three ROI.

**The Chairperson:** Vodafone and O2, I know about. I do not know about EE. When I am in the rest of the island, moving about, I roam between the different networks. Is EE down South?



**Mr S McGimpsey:** No. We are a UK business.

**The Chairperson:** Can the other two companies answer that same question? Is there any way of working out some kind of agreement among yourselves, so that this issue is resolved? It is a hindrance to consumers living in border areas.

**Mr Morris:** With our partners, we have just launched this Ireland Plus product. We want to give that a try. It pretty much does what you are asking.

**The Chairperson:** You mentioned it, and I remember being over last year and O2 had one. Is there a cost per day?

**Mr Morris:** No, there is a monthly cost.

**The Chairperson:** What is it?

**Mr Morris:** It is £10 per month.

**The Chairperson:** Ten quid a month.

**Mr Flanagan:** That lets you use minutes and texts that you are paying for anyway, on Vodafone Ireland?

**Mr Morris:** Yes. It will give you your package.

**Mr Flanagan:** So, to put this package on my phone, what does Vodafone need the £10 for? Does Vodafone actually incur any additional costs?

**Mr Morris:** It is the same as Julie says. We incur costs because the network that you go onto may not be our network.

**Mr Flanagan:** Could you not offer free roaming onto Vodafone Ireland because it is your network? If someone roams onto O2 Ireland, Meteor or Three, there may be an argument for Vodafone, O2 or Three to put forward that you can charge customers. However, where it is onto Vodafone Ireland — and there are settings on phones that allow you to select your preferred networks. It is not even manual roaming but, if there is that coverage, the handset will opt for it, even if it is not the strongest coverage. There is no reason why Vodafone, O2 or Three cannot offer free roaming for calls and text and data for consumers who are roaming onto a sister network.

**Mr Morris:** So people who are concerned about inadvertent roaming could be using manual selection for the networks anyway, and we suggest and advise that they do that on their device. That would avoid —

**Mr Flanagan:** The solution to eradicating roaming charges is not to stop roaming. People on this island travel freely about from North to South, to go to see relatives, for work, to go shopping, to go on weekend breaks and things like that. There is actually no wall along the border. People travel across it freely. It should not be the solution to turn off roaming on your phone. That is not a sustainable solution.

**Mr Morris:** That is why we are offering our Ireland Plus product.

**The Chairperson:** I am trying to tease this one out. The anomaly here is that you are asking people to pay an extra tenner a month — £120 per year. If there are circumstances whereby you can choose to select your sister network, which is roaming just a few miles down the road — Vodafone IRL, O2 IRL or Three — it would be good if that could be done manually without a cost. You are saying that costs are incurred if a person roams onto, for example, O2, Three Mobile, Meteor or whatever it is. However, if that could be done by just selecting Vodafone IRL, where is the cost likely to be incurred? That is the query that I think we are trying to get to here.

**Mr Morris:** We give consumers several options. I grant you, I knew when we came today you would push back on those options. The truth is that what you describe is not particularly easy to do, for the reasons that Julie gave. To be honest, the reality is that when you travel to other countries and borders in the European zone, you have the same issue. What we have done in Ireland is to ensure that that cost is a lot less when you cross the border here than it is on other EU borders.

We are listening. We have just launched that product and we want to see how it plays out. We will continue to listen to your arguments. We are not ignoring the argument, but we have moved from not having that product to having that product. So, we are sort of looking at how that works. Give us a chance to look at that and then we will see where we continue to listen to your arguments.

**The Chairperson:** And then O2?

**Mr Miller:** There is the Ireland bolt-on product to keep charges down. I take your point, but O2 Ireland and O2 UK are separate operating businesses with different costs and market conditions. Our instinct is always to be driven by consumer demand, and we are not detecting a stampede of consumer demand on this issue to have the sort of arrangement that you spoke of.

**Mr Flanagan:** Sorry, what?

**Mr Miller:** We are not detecting a huge demand from consumers for the solution that you were speaking of.

**Mr Flanagan:** Really?

**Mr Miller:** No, I do not think that we are. We have some measures in place —

**Mr Flanagan:** Have you made contact with anybody who works in any of your retail stores along the border? If you asked them you would get a completely different response.

**Mr Miller:** We have some measures in place. Is it perfect? No. I can say that we are looking at tariffs. As Julie said, these things are always under review and being looked at. I know that we are looking at the particular issue that you raised and what can be done to improve on what is in place.

**Mr Flanagan:** It seems to me to be largely an accounting exercise. I am a consumer of O2 and when I roam into the South, I generally go onto O2 Ireland because that is what I have selected as my preferred network in the South. However, it is an accountancy exercise whereby you take money from me, it goes into your organisation, is transferred to O2 Ireland and transferred to Telefónica centrally as a profit.

In what Ofcom has flagged up here, one of the most recent stipulations from Europe was that operators had to do much more about inadvertent roaming. One of the big things that the operators say that they do is that they text you when you are crossing the border and going to roam. I kept an eye on my phone in the past week and there were at least six occasions when I roamed, and I got one text message from O2 to tell me that I was roaming. That solution is still not perfect. Are you satisfied that enough is being done to address the issue of inadvertent roaming, or what additional measures do operators plan to take to combat that?

**Mr Miller:** There are some measures in place. It is not perfect. We are not complacent and, as I mentioned, we are looking at further tariff options to improve the situation, as well as other possibilities around coverage, and so on.

**Mr Flanagan:** In inadvertent roaming, is there anything else that O2 is planning to do to improve that situation?

**Mr Miller:** At the moment, things are as I outlined, but we are always looking at how we can improve the situation.

**Mr Flanagan:** Right. Rural coverage is another big issue, and I thought that Patsy was going to get to the end without mentioning a specific town or townland, but he did not. I will not go down that road.

The places where there are 2G and 3G gaps tend to be the same places where there is no broadband coverage, so people are completely cut off from the world. Both O2, which recently launched TU Go, and Vodafone, which uses femtocells, have made some efforts to use the investment that is made by organisations such as BT, which has significant funding from the Department of Enterprise, Trade and Investment to improve broadband coverage, to use that broadband coverage to allow people to make calls and send texts from their phone in the house when they do not have coverage. Do EE or Three plan to use such systems? I know that Vodafone has opted for the femtocells and that O2 uses TU Go. Do Three or EE plan to use any of those technologies?

**The Chairperson:** Can I just ask for very brief answers. I am conscious that there are other members looking in.

**Ms Minns:** Yes, it is a very brief answer. We do have femtocells available for our customers who are experiencing coverage issues.

**Mr Flanagan:** Do they buy them directly from you?

**Ms Minns:** Yes.

**The Chairperson:** OK. EE, then.

**Mr S McGimpsey:** Obviously, we have to use some femtocells now. However, to resolve the issue, I would be more looking to what we are doing with our 800 MHz frequency that we now have, and whether that could be of use. We are also looking to the mobile infrastructure project to see what can be done. That is a joint investment looking specifically at rural areas to try to increase coverage. They have a specific mandate to decide where sites go, and we try to make our representation to them about issues around inadvertent roaming in border areas.

**Mr Flanagan:** Finally, Patsy —

**Mr Morris:** Sorry, can I just make a quick comment on that, so that you know?

**The Chairperson:** Well, you have already said that you have a package.

**Mr Morris:** Well, I just want to say —

**Mr Flanagan:** He is going to plug it now.

**Mr Morris:** We are developing an open femto product, which is basically for outdoor rural communities. We are just going through to the development of that.

**The Chairperson:** You are all trying to plug your companies here as well, but, in the interest of fairness, do you want to elaborate and avail yourself of the opportunity?

**Mr Miller:** You mentioned the TU Go product where people can use broadband to make phone calls, etc, and we have recently introduced that.

**The Chairperson:** OK. Thank you for that.

**Mr Flanagan:** I have a final thing that I need to ask, and I could not go home without asking it. There has been an awful lot of talk about the legacy of the G8 summit coming to Fermanagh, and it is amazingly ironic that it is being held in a place where there is no mobile phone coverage. I know that there have been some discussions between the four operators on putting in a temporary solution, and I have seen planning applications from the police to put in improved communication structures. However, will there be a permanent legacy of improved telecommunications in Fermanagh specifically as a result of the G8, or will it be as a result of the good progress that has been made in 3G in recent times?

**The Chairperson:** That will be a yes or no answer.

**Mr S McGimpsey:** That is a yes. We are not just coming here for the G8 summit. We are rolling out a legacy network for Fermanagh.

**The Chairperson:** Right, OK. O2 then, or Telefónica?

**Mr Miller:** It is the same for us. That is the immediate focus, clearly, but —

**Mr Flanagan:** Will there be stuff done before the G8 summit?

**Mr Miller:** Yes. As operators, we have been planning this since last year.

**Mr Morris:** We are working with the Government here and the Government in the UK. There will be good coverage in the area during the conference and there will also be the legacy that we have talked about today, which is to improve coverage across Northern Ireland, in rural and urban areas.

**Mr Flanagan:** The improvements that you are making now will not be just temporary?

**Mr Morris:** Correct.

**Ms Minns:** The improvements that we are making are the improvements that I set out, which will take us to 95% coverage by the end of the year.

**Ms S Ramsey:** Thank you. You are all very welcome. Maybe we should ask the G8 to move right along the border for a couple of days, and then we will get everything sorted. That was a question I was going to ask, but on that specifically, have you been given any incentives to get in and sort out Fermanagh before the G8 comes, or is it just through goodwill?

**Mr Miller:** We have a special events team that looks at everything from a Champions League final, Wimbledon, the London Marathon, to G8 summits, and I am sure that our colleagues are the same.

**Ms S Ramsey:** So you have not been given any packages?

**Mr Miller:** There are clear events in the calendar across the UK where there will be a big spike in demand and additional capacity required, and we plan to make sure that we meet that.

**Ms S Ramsey:** So that is a no: you have not been given any —

**Mr S McGimpsey:** To answer your question from my perspective, it is a no. As my colleague said, we have our own special projects team, and we roll it out on our own basis as individual operators to make sure that we cover the event. This is an important event, and we wish to cover it.

**Ms S Ramsey:** Will there be roaming charges for those attending the G8?

**The Chairperson:** I do not know whether they will be that concerned about it.

**Mr Flanagan:** It depends which operator they are with.

**Ms S Ramsey:** Some of the protesters might be charged for roaming. Will there be roaming charges?

**Ms Minns:** If you are not a UK customer, yes.

**Ms S Ramsey:** How much money has the Department given for the 4G target for 2017 to be met? Have you got any money from the Department here?

**Ms Minns:** No.

**Ms S Ramsey:** None? OK. I have a just wee question, before my colleagues across the table panic. What if there was no border? *[Laughter.]*

**Mr Dunne:** Easy.

**Mr Frew:** You can only dream, Sue.

**Ms S Ramsey:** No; I never dream. If there were no border today, what would happen?

**Ms Minns:** I will take that because it comes back to wholesale. I will put it in the context of the wholesale cost: in the UK, each of us charges the other network a termination charge when we receive a call onto our network from another network. That regulated rate in the UK is less than a penny, and it is governed entirely by Ofcom. The roaming regulated rate — apologies; I only have euro cents — is 29 cents, which, I think, is about 23p. So you have quite a big disparity; you have a regulated terminating rate in the UK of less than a penny and you have a regulated terminating rate across Europe of around 23p. If there were not a border — I am treading cautiously, here — you would have a UK-wide regulated rate or you would have —

**Mr Dunne:** Sounds good.

**Ms Minns:** — whatever the Irish regulated rate was. At the moment, the regulated roaming rate is about 23p. Going back to the point about where the role for the regulator sits, it is in the regulation of that wholesale regulated rate. If you can drive that down, you can drive down retail prices.

**Mr Frew:** It is about trying to accommodate the Republic of Ireland coming back into the UK.

**Ms S Ramsey:** No, no. My next question —

**Mr Flanagan:** On the anniversary of when it left.

**Ms S Ramsey:** What if Scotland votes for independence? Where does that sit? Does it still stay as the UK if Scotland votes for independence?

**Ms Minns:** This is very interesting. I visited my family over Easter in Carlisle, and it dawned on me that if Scotland votes for independence, I might have to keep a little bit of a close eye on my roaming charges. You would have two separate countries, and there would be roaming charges. There would be two separate regulators and two separate Governments.

**Mr Flanagan:** You could be roaming into Europe, the way things are going.

**Ms S Ramsey:** So, there is the possibility that if Scotland votes for independence, its people would be charged roaming charges —

**Ms Minns:** Yes. It would be a separate country.

**The Chairperson:** Alex Salmond would love to hear that one.

**Mr Frew:** That could change the whole referendum.

**Mr Flanagan:** They would get their own new phone numbers.

**Ms S Ramsey:** Somehow I cannot see it happening. With Scottish independence, somehow, I cannot see countries doing that.

**Mr Agnew:** Thank you for the information so far. I am probably going to ask some similar questions. I am just trying to clarify certain things. This is a kind of simple yes or no one. The Chair wants things to be brief, so I hope that you can give me a simple yes or no answer to clarify a few of the issues. When there is roaming between sister companies, is there any extra cost to the parent company of using your phone the other side of the border or whatever it might be? Will each of you answer yes or no?

**Ms Minns:** Yes.

**Mr Morris:** Yes.

**Mr Miller:** Yes.

**Mr Morris:** They are totally separate companies. In many ways, mobile companies are very separate companies, as opposed to some software companies that sell a global product. We are obviously networks in individual countries, and those countries have their individual regulations as well. They sell their own spectrum. Basically, our different networks are separate businesses. Obviously, there are similarities, but that is basically it.

**Mr Agnew:** There is a single parent company?

**Mr Morris:** Exactly, but the fundamentals of the businesses and the networks are separate.

**Mr Agnew:** I am sorry; I am terrible with names. Ms Minns, you talked about wholesale prices and roaming between networks. You made the interesting point about how, when you tried not to have the roaming charges within your network, or within the sister companies, people still roamed onto other companies and there were charges then. Other members have alluded to this: if there is an agreement across this table and the Mobile Operators Association brings companies together, why can there not be agreement between companies not to make these charges? Why can you not thrash out a deal whereby you are not charging each other, ultimately at the detriment of the consumer?

**Ms Minns:** I will go on that one. Sometimes Three comes at it from a slightly different perspective than the other networks because we are smaller. We have nine million customers across the UK. Our position, therefore, is somewhat different. We are all competing against one other. It is absolutely not in Vodafone or Telefónica's interest to help out Three, because as we grow, which we are doing, we are largely taking customers away from our competitors.

**Mr Agnew:** It helps none of you if I switch off my data roaming when I cross the border, as I have done. In fact, I did so when I was in Dublin at a conference last weekend. So I stopped using data, and nobody made any money.

**Ms Minns:** Completely, Mr Agnew. Our position last year, when data roaming charges were being looked at by the EU, was that there is absolutely no reason why, for data in particular, your domestic rate should be any different from your roaming rate. That was very much our position last year, and we would have liked to see the EU be a lot more ambitious than it was. Where it ended up was better for consumers than where it started, but it is still nowhere near the true cost of carrying data.

On your point about why we cannot just make it all disappear overnight, if Three were to go to Vodafone globally and say, "What is the best deal that you can give us in the following countries?", it would, in all likelihood, give us a slightly different deal from what it would give EE, because EE has a bigger customer base, so it can say, "I am guaranteeing you x million, which is three times the number of customers that Three can guarantee you." Therefore, the deal that we can drive is probably not as good as the one that EE can drive. That is why it is a little bit challenging.

**Mr Agnew:** When each company is marketing their product, they say that they are doing everything they can to make costs as low as possible for consumers. What you are telling me is that no deals will be thrashed out to protect the profits of the companies.

**Ms Minns:** Not without some attention to the wholesale rate.

**Mr Agnew:** I will move onto another issue. Mr Cooke, when one of the operators is reported to have paid no corporation tax, does that damage the whole industry or just that operator?

**Mr Cooke:** As an association, we would say that that is a matter for the individual firm to answer.

**Mr Agnew:** OK. Coming to the individual firm, Mr Morris, I read the report, and I am genuinely confused about some of the tax issues between Vodafone and the UK Government. There was a — I want to make sure that I get my figures right — £1.25 billion legal settlement with HMRC over tax issues. Why did that have to go through the courts? Why did that issue arise?

**Mr Morris:** There was a difference in legal opinion between EU law and UK law, and it took a while to settle, basically. It got to the stage where both sides, I think, could have carried on, but it was decided to settle. If you look at the Park review, which was commissioned by the UK Public Accounts Committee to look at this and some other high-level cases, it pretty much found that that was a reasonably good deal for the taxpayer, and I think that the UK Government said something similar.

To be honest, we do pay our taxes across the world, including in the UK. A clear point about us is that we are a global business with big operations across the world, and we pay taxes in all those areas. So, I think that it is wrong to say that we do not pay our taxes, because we do. We pay a lot of them, including a huge amount in spectrum. We were the largest spender in the auction, and we spent a huge amount at the last auction. So, I do not really think that the taxpayer does badly out of the mobile industry and us in particular, given that we are one of the few or probably the only UK plc in the internet value chain to shout about. We are still a British company, and there are not many of us. Frankly, if you look at all the other ones, you see that they are generally from other countries.

**Mr Agnew:** I would dispute, to some extent, categorising the spectrum charge as a tax. You are paying for, I suppose, licensing rights, so it is not the same as a tax as I understand it. The legal settlement was in 2010 — if that is right — and then you agreed this deal with HMRC. In 2011-12, you paid zero corporation tax, is that right?

**Mr Morris:** That is all to do with the amount that we spent in the 3G spectrum auction. We were allowed to claim against that because we still owed money after that auction, at which we spent £6 billion. That is the point. It is just an accounting thing. You also have to remember that this is to do with UK profits for UK business.

**Mr Agnew:** Yes, so you paid zero pounds on UK profits but made profits in the UK?

**Mr Morris:** I can write you a note about that.

**The Chairperson:** We do not want to get into a debate on an interpretation of a tax decision. You have given your response, and we have heard some of it. If we wanted to labour the discussion further —

**Mr Agnew:** That was my final question, Chair. I did not catch the response, so I would just like that final answer. You made profits in the financial year 2011-12 but paid zero corporation tax. Is that right?

**Mr Morris:** There are various measures by which you organise your accounts, and, as I said, we pay our tax across all regions and follow the law in all those regions. If you like, I can send you full details of what is going on there, but when you look at all those decisions, you will see that we have been exonerated of the vast majority of that criticism.

**The Chairperson:** It would be grand if you could send those details to us.

**Mr Dunne:** Thanks very much for coming in today. I apologise for being late. I have a couple of quick points to make. I understand that you are encouraged to share masts. Does that really happen? How do you go about managing it?

**Mr Cooke:** I will answer that across the industry as a whole, and colleagues can chip in. Basically, I think that the vast majority of sites are now shared. Colleagues have described how two joint venture organisations are now managing the network infrastructure. There is the agreement between Three and EE, and there is a separate agreement between Vodafone and Telefónica. So, all that infrastructure is now managed jointly rather than each individual firm building its own infrastructure. To a large extent, I can tell you off the top of my head that two thirds of all sites across the UK are now shared. There will be some places where that is not possible for whatever technical reason, but, to a large degree, sites are now shared.

**Mr Dunne:** You are working with competitors. Do you not want to share?

**Mr S McGimpsey:** Under planning policy guidance, there is a strict rule of trying to stop the proliferation of masts across the whole UK. As part of a planning application, you have to justify what sites you have looked at. That minimises the risk of four or five operators running out and getting their

own individual sites. We are encouraged to, and through planning applications have to, justify that we have looked at existing structures wherever possible.

**Mr Dunne:** With 4G being rolled out, are we likely to see a reduction in the number of sites with masts?

**Mr S McGimpsey:** Each operator will do its own thing.

**Mr Dunne:** Sorry, you said that you all work together. Are you going to do your own thing?

**Mr S McGimpsey:** We do, but we work more closely with Three at the moment on our network infrastructure in Northern Ireland. So, we are looking at using the best sites so that we can offer the optimum network coverage at a minimal number of sites across the entire Province.

**Mr Morris:** Network sharing is going on. EE and Three are sharing, and we are doing similar with O2. So, two physical networks are being created, and there are two sets of masts.

**Mr Miller:** You asked whether there will be fewer masts as a result. The answer is yes. One of the reasons why we are excited about the partnership with Vodafone is because it will give both companies access to more infrastructure. Overall, however, there will be fewer masts.

**Mr Dunne:** You will be glad to know that this is my final point, Chair. Where mobile "not spots" are concerned, this morning I travelled here from a meeting in Bangor, which is about eight miles away. I have mentioned before that, over Craigtlet, which is about a mile from here, my mobile phone goes down. Stormont is the centre of communications, but mobile phone reception is not available one mile from here. Surely that issue needs to be addressed. Are we likely to see a better coverage and the elimination of "not spots" when we roll out 4G? Are we going to see a much improved service and fewer "not spots", as you call them, in areas that are in close proximity to the greater Belfast area, and, indeed, throughout Northern Ireland?

**Ms Minns:** Improvements will come as we all confirm our plans for the deployment of the spectrum that we won. As we all said, we are not waiting for that; we are already improving our existing networks. As I said, the integration that we are engaging in will take Three UK to 95% coverage by the end of this year.

**Mr Dunne:** Are we getting any assurances that the service will be improved for Craigtlet?

**Mr Morris:** As we described, all networks are going to improve their coverage in Northern Ireland. You asked about Craigtlet. We would have to go back to check about that, but if you look at the statistics, you will see that the reality is that if there is a signal there, it will improve. In that and all those areas where there is no signal, the challenge that that presents will make it more difficult. That is where, as we mentioned, there is the mobile infrastructure project. That is where you have to look at more of a partnership role between the industry and government, because there are economics here. Ours is privately funded infrastructure. Unlike most UK infrastructure, which takes a subsidy or inherited infrastructure from the state, we do not. We have built this infrastructure on private investment, and we have given the state a reasonable amount of money through the spectrum and other things. So, there is a quid pro quo there. I think that the coverage in Northern Ireland will improve substantially. There will still be challenges, and that is why we have got to talk to you guys in the Government here and to the UK Government about how those challenges can be overcome.

**The Chairperson:** Gordon, I do not know what network you are with, but it might be an idea to give those details to whatever company that is.

**Mr Morris:** We are always happy to take those queries, and we usually can come back with a reasonable answer.

**Mrs Overend:** Thank you very much for coming today. It has been very interesting. I think that it has been useful in clarifying that even though there is an ease in movement between the borders, North and South, the companies operating in Northern Ireland and the Republic of Ireland are separate. You have made that very clear. Therefore, there are different accountancy practices and different



regulated charges. It has been very useful to hear that detail from you, so thank you for outlining those details.

Rather than ask an additional question, I would like to contact you after the meeting to talk about those spots in Mid Ulster where we have poor coverage. I would appreciate it if you would be happy to talk to me later.

**The Chairperson:** On that point, it would be very useful if you could give your contact details to the Committee staff on the way out, even though I am sure that we already have them. That would be helpful for us, and those details could be shared with Committee members.

Thank you for attending. It has been very helpful to and useful for all of us. I learned a bit more, too, and, hopefully, you did also. I know that the Committee staff have some details to give to you about Coalisland. Some constituents gave them to us when they were up. So, we dare not forget about that.

Thank you for being with us. Keep in touch with us, because it is crucial to the North's economic development that we have good, effective communications. As I said, there are a lot of businesses and self-employed people working in the area that I come from — an awful lot for a rural area. It is one of the highest-rated areas throughout the North for small, self-employed businesses. It is crucial that we get such developments, and I am sure that Sandra would back me up on that.

Thank you for your time.