We welcome the opportunity to respond to the Committee’s invitation for views on the availability and rollout of broadband in Scotland, having previously engaged with the Scottish Government team on “Scotland’s Digital Future – a strategy for Scotland.”

As the UK’s leading communications company, with 1000 people employed in Scotland, across 62 shops and at our Greenock contact centre, and over 27 million customers we fully support initiatives to increase and improve connectivity. Under our Orange and T-Mobile brands we offer mobile broadband through handsets and dongles, and following our recent wholesale deal with BT Open Reach we offer some of the most competitively home broadband and fixed line telephony under our Orange Home brand to in excess of 50 thousand domestic customers in Scotland.

Coverage

Much progress has been made on the rollout of broadband over the last decade and consumers have benefited from a competitive market that has delivered choice and value. However, whilst the Infrastructure Report published by Ofcom on 1 November acknowledged that “broadband is now available on nearly every copper telephone line in the UK” and that 65% of Scottish households have taken up the internet, the regulator also noted that currently 13% of Scottish connections have to make do with a connection below the 2Mbit/s. This 13% of homes will likely include some of the more remote parts of the Scottish Highlands, that to date have been considered uneconomic for the deployment of further broadband investment. We have ambitious plans to invest £2.5 billion in our mobile network across the UK over the next five years, and to work with our outsource partner BT Open Reach on expanding the areas in which we can offer Orange Home.

Ofcom’s infrastructure report further reported that 94% of Scottish premises received 2G coverage and 63% of Scottish premises received 3G coverage from all mobile network operators. Our own 2G signal is available to 98% of the UK population and our 3G signal covers over 95% of the UK’s population, far exceeding our original licence obligations on coverage. Both Orange and T-Mobile customers are now able to roam across our 2G and 3G networks in Scotland. However, Ofcom and the industry recognise that in some areas, mobile signal coverage can be poor. Coverage in some areas is limited because of geographic and terrain issues, the availability, access and cost of utility and fibre connections into our network (i.e. ‘backhaul’ capacity from our individual sites and network hubs into our network and competitor networks) or economic factors such as low population density. There are ‘not spots’ or partial ‘not spot’ areas in which customers are unable to connect to the mobile network and Ofcom has classified these areas into five distinct types; no coverage at all; coverage by one network only; partial/variable coverage; 2G but not 3G; and areas with outdoor but not indoor coverage. The political ambition in Scotland, as well as across the UK for further and wider coverage of both current and future mobile services is welcome, and we await details on how the various initiatives will be organised and the funding allocated.

Looking at initiatives to ‘pump prime’ public funding into wider access to the availability of broadband in Scotland, we are aware of two geographical areas that are receiving funding for improving the provision of broadband; the South of Scotland and the Highlands and Islands area. We have held top level discussions with Highlands and Islands Enterprise following their successful inclusion in the first wave of areas to be funded by Broadband Delivery UK in 2010, and understand that they have signed off a procurement process based on the Broadband Delivery UK model. However, we are concerned that the way in which Broadband Delivery UK has approached the issue favours fixed network operators in the pre-qualification stage. Having outsourced our fixed line network we could not bid for the funding available to fixed operators to upgrade their networks, and due to the delay to the UK auction of radio spectrum designated for 4G/LTE mobile broadband networks (auction schedules for late 2012 at the earliest), we are unable to make definitive commitments to the procurement process (and therefore deployment of high speed mobile broadband) until our total spectrum holdings and likely UK wide/Scotland specific coverage plan will be known post the auction.

Availability

Our experience elsewhere in the UK has shown that the availability of mobile broadband has an important contribution to make in the deployment of high speed internet access either as a standalone solution or as the component that provides coverage for the more remote areas. Currently in Cornwall, working in partnership with BT Wholesale, we are conducting the first UK live ‘trial’ of next
generation 4G/LTE broadband. The ‘trial’ involves 100 mobile and 100 fixed-wireless broadband trialists living in a 25 square kilometre area in St. Newlyn East and the surrounding area of South Newquay, locations which have low or no broadband service available. This ‘trial’ will help Everything Everywhere and BT Wholesale test and better understand the application of 4G/LTE as a shared fixed and mobile platform and test realistic 4G/LTE speeds. The trial is using 10MHz of 800MHz spectrum provided under ‘test’ arrangements from Ofcom. The ‘trial’ reinforces the relationship between investment in wide access ‘next generation’ fibre, and mobile broadband requirements for fibre ‘backhaul’ connectivity to support 4G/LTE deployment.

**Uptake**

Turning to what the Scottish Government’s strategic role in the development of broadband infrastructure should be we believe that it has a role to play in promoting more government services online such as Direct Scotland, promoting new technologies such as telemedicine, and in reviewing the local planning and environmental laws so that communication companies are able to deploy their networks in a timely manner and deliver to Scottish consumers the services they are requesting.

The £69 million settlement recently received by the Scottish Government with the intention that it will be match funded, is welcome in targeting future investment in connectivity to ‘un economic areas’ and should be carefully targeted given the high cost of deploying modern future proof communication networks. We believe that the money should be ‘technology neutral’ in its application, and rather be focused on delivering connectivity and digital engagement. Similarly, we welcome the recent announcement by the UK Chancellor of the Exchequer of £150m of public money for improving mobile coverage in ‘not spots’, but await further details from the UK Government and Ofcom.

Of two objectives – broadband uptake by people in Scotland and availability of next generation broadband – we believe that uptake of broadband is the more important of the two targets and that this will be the driver for companies to offer next generation services. It is worth noting that according to Ofcom’s most recent analysis, Scotland benefited from the second highest proportion of homes passed by Virgin Media’s high speed network in the UK at 37% of all Scottish homes. Where broadband services are not currently available high speed broadband may well be offered, but issues of digital inclusion and the availability of a basic minimum stable connection speed of 2 Mbps is more important for economic growth and development.

The most recent figures for internet usage amongst the adult population published by the Office of National Statistics showed that in Q3 2011 just over 18% of adults living in Scotland had never been online. Whilst this marked a 1% reduction of offline adults in Scotland over Q1 2011, strong encouragement from the Scottish Government on digital inclusion and a continued commitment to deliver services online would be welcome, as whilst 8 in 10 Scottish homes have a fixed line, 86% of Scottish adults own a mobile device of which 21% own a ‘smart-phone device.\(^1\)

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