Scotland's Economic Performance

BT Scotland

Background

1. BT Scotland welcomes this opportunity to respond to the Economy, Jobs and Fair Work Committee’s inquiry into Scotland’s Economy. BT agrees on the importance of identifying the challenges and opportunities facing the Scottish economy over the next ten years, especially against the backdrop of increasing technological change. This response sets out how BT is currently supporting the Scottish economy, and makes several recommendations for improving growth, productivity and skills.

GDP growth and productivity

Digital Infrastructure

2. The roll-out of fibre broadband across Scotland has been a hugely successful civil engineering project on a considerable scale. It’s on time, on budget and, indeed, has delivered more coverage at higher speeds than originally planned to date, with work ongoing. Digital infrastructure is vital to current and future economic growth, as well as a necessary component for boosting Scotland’s productivity.

3. Independent analysis by ThinkBroadband shows that more than 91 per cent of Scottish households and business premises can now order broadband at speeds of 30Mbps and above.

4. Whilst ongoing investment is needed to maintain Scotland’s strong position, the Scottish economy would benefit most from greater exploitation of the internet capacities that are available right now. Currently, only around a third of premises have upgraded to the faster fibre-based speeds.

5. Thousands of small and medium sized businesses, with average bandwidth needs, currently have access to Openreach’s fibre-based network at speeds of up to 80Mbps. Any business or organisation with significant bandwidth demands can buy dedicated ultrafast services from BT and other providers with a range of gigabit speeds. BT works with businesses to deliver what they need, where they need it most – not just in city centres.

6. BT has around 900,000 SME customers in the UK. 63% of our suppliers in the UK are SMEs and SMEs are at the heart of our open innovation model (an approach that involves us working in close collaboration with our customers to explore the possibilities, potentials and practical applications of new technologies and how they can make these technologies work effectively for their business). We have a stake in ensuring that small businesses are given the support and mentoring they need to grow and to be successful.

---

1 BT, Innovate with Purpose. More info [here](#).
7. In fostering inclusive growth in Scotland, equality of access to markets for all regions is a basic but important consideration. BT has invested heavily in improving connectivity for homes and businesses across rural Scotland, allowing SMEs to access the digital market regardless of location.

8. EE is also putting significant investment into the Scottish mobile network to upgrade existing sites as well as develop new sites that will deliver 4G coverage to places that have never had mobile signal. By upgrading and expanding rural infrastructure, areas that were once more economically excluded are now more attractive to business investment, helping to distribute jobs and investment across Scotland as a whole – tackling regional inequality.

**Next Generation Infrastructure - ultrafast**

9. Openreach is now at the start of a new roll-out of next generation ultrafast broadband infrastructure, using both fibre-to-the-premises (FTTP) and its new G.fast technology. The latter uses existing fibre and copper, but can provide speeds of up to 330Mbps - and because it builds on the existing network, it can be rolled out very quickly and efficiently, without the need to dig up the roads. Openreach is currently deploying FTTP in the very rural communities of Skerray and Altnaharra in a trial looking at how such delivery can be made more efficient.

**Boosting productivity**

10. Productivity, and its rate of growth, is a key measure of economic success. Within the overall measure, multi-factor productivity (MFP) is a key element as it picks up the role of innovation and new practices in improving output. Scotland has suffered less than the UK but has still performed poorly versus its pre-2007 record. One of the key drivers of productivity in recent decades has been the ongoing rollout, impact and exploitation of new ICT developments and this is likely to continue.

11. A report on the impact of digitalisation by Deloitte suggests that if Scotland became a world leader in digital it would lead to an increase in GDP of £13bn by 2030, compared with £4bn if Scotland were to experience only incremental improvements, with 99% of the population online, 75% of business selling online and a range of social benefits, particularly on health and education/skills outcomes.

12. However, a report by NESTA and SAGE recently found that investment in digital infrastructure by itself will not improve economic productivity. Rather, it needs to be paired with digital skills and tools in order to generate clear benefits. Previous research from NESTA shows that greater use of online data is associated with an 8% higher level of productivity and that firms in the top quartile of online data use are, all else being equal, 13% more productive than those in the bottom quartile.
13. The Scottish Government’s Digital Maturity Index shows that only 18% of businesses are classified in the top three categories shown in infographic below and ‘Basic Browsers’ still account for the largest proportion of the businesses surveyed. This first survey was undertaken in 2015 and is being updated early next year.


**Business Transformation**

15. Digital should become integral to the overall strategy and delivery in government, business and public services to capture the productivity gains (such as deeper understanding and engagement with customers) which can only happen if business models change, services are redesigned and if there is an understanding of the technology and leadership at the most senior levels.

16. The role of the Digital Scotland Business Excellence Partnership (DSBEP) should be enhanced (or a new Digital Scotland group created) to identify and drive where smart utilisation of digital technology can increase productivity across all sectors and sizes of business (whether private or public sector).

17. Digital Champions should be appointed to all of Scottish Enterprise’s Industry Leadership Groups and more businesses should be encouraged to consider appointing Chief Digital Officers.

18. A Scottish Productivity Commission, modelled on the international best practice such as those in Australia and New Zealand, should provide independent research, advice and performance monitoring to government and all sectors, under the direction of the Council of Economic Advisers.
19. The Scottish Government’s Digital Maturity Index (2015) shows that a majority of Scottish businesses are ‘basic browsers’ and that overall, that most Scottish businesses are still not making full use of technology. Scotland should have clear targets (measured in 2017 and 2020) to develop businesses towards the upper end of the Digital Economy Maturity Index. The aiming point should be for all businesses in Scotland to be at ‘Enthusiastic Explorer’ level or above.

Data

20. Government, following widespread consultation, should develop a long-term framework which allays public concerns about data sharing and encourages an open, joined-up and industry-friendly approach by public bodies.

21. A lead partner should be appointed to make recommendations on access and utilisation across data streams to drive productivity and innovation.

22. More open innovation forums should be established where anonymised data on challenges can be analysed by industry and solutions developed.

Skills development

23. Work-based skills development should be strengthened to capture the potential productivity gains from digital technologies by ensuring that staff have the range of coinciding digital, analytical and ‘soft’ skills, for example through ‘super users’ in SMEs and the wider use of the Scottish Union Learning course on basic digital skills.

Inclusive growth, tackling inequality and labour market issues

24. As Scotland’s economy becomes increasingly digital, it is crucial that all members of society are given the opportunity to access the skills required in the modern labour market.

25. Helping young people from all backgrounds access the labour market is central to inclusive growth. In acknowledging that a lack of formal work experience can be a barrier to entering the labour market, BT offers a Work Ready work placement that allows young people to learn the generic work skills they will need for the job market. Over the last year around 40 young people from disadvantaged backgrounds have completed the 2 week programme in Glasgow, Edinburgh and Dundee.

26. As an organisation, BT is also committed to employing young people and fostering the next generation of talent. In the past year in Scotland, BT has announced 119 graduate and apprentice roles, and Openreach has announced 220 engineer and apprentice roles, and a further 195 trainee positions. In providing a range of different entry levels, there are options for
young people with different skill levels, providing greater inclusion of those with fewer formal qualifications.

27. BT supports several tech literacy programmes which aim to equip young people from all backgrounds with digital skills in their school years:

- The Barefoot Computing Programme, in which BT is a partner, was launched in Scotland to help primary teachers deliver computing science in more engaging and practical ways. Barefoot forms part of the Scottish Government’s Digital Learning and Teaching Strategy for Scotland, and in year one since its launch, 210 Barefoot workshops have been delivered to 3076 teachers, reaching 81,822 pupils across Scotland.
- BT also works in partnership with the Scottish Council for Development and Industry’s Young Engineers and Science Clubs to promote and encourage science, technology, engineering and maths subjects and careers across 1,200 primary and secondary schools in Scotland.
- BT was also the first company to sign up to the new Scottish Digital Xtra Fund to help develop the digital skills of young people in Scotland, particularly those from disadvantaged communities. In 2017/18, BT will be working on projects in and around Glasgow - a BT Tech Literacy hotspot.

Recommendations

28. Improving education is essential to equipping the future labour force with digital skills:

- The national shortage of Computer Science teachers should be addressed with action to recruit, train and continually develop specialist teachers. The attractiveness of teaching careers, resources and profile of computer science should be raised so that the curriculum can be fully delivered, more young people study the subject and the gap in performance with leading countries closed.
- Digital should be infused into teacher training and in-service CPD for every teacher to pass skills to the next generation as developing a digital literacy for all should be integral throughout the Curriculum for Excellence.

Reskilling

29. Former members of the armed forces can find difficulty in re-entering the civilian labour market, putting them at risk of social and economic exclusion. BT’s Transition Force programme is dedicated to supporting armed forces personnel and veterans, including those wounded, injured and sick, in their transition to civilian employment. BT’s programme supports hundreds of individuals of all services, ranks and genders, through career workshops and matching individuals to BT ‘Buddies’ who share their experience of transition and give advice and guidance.
30. From this close partnership with the MOD, BT has recruited more than 2,000 ex-military personnel in the last five years. Employees work at all levels across all parts of the business, although the vast majority work as engineers for BT’s network business, Openreach.