INFRASTRUCTURE AND CAPITAL INVESTMENT COMMITTEE

Wednesday 9 September 2015

Session 4

Wednesday 9 September 2015

CONTENTS

INFRASTRUCTURE AND CAPITAL INVESTMENT COMMITTEE
17th Meeting 2015, Session 4

CONVENER

*Jim Eadie (Edinburgh Southern) (SNP)

DEPUTY CONVENER

*Adam Ingram (Carrick, Cumnock and Doon Valley) (SNP)

COMMITTEE MEMBERS

*James Dornan (Glasgow Cathcart) (SNP)
*Alex Johnstone (North East Scotland) (Con)
*Mike MacKenzie (Highlands and Islands) (SNP)
Siobhan McMahon (Central Scotland) (Lab)
David Stewart (Highlands and Islands) (Lab)

*attended

THE FOLLOWING ALSO PARTICIPATED:

John Swinney (Deputy First Minister and Cabinet Secretary for Finance, Constitution and the Economy)

CLERK TO THE COMMITTEE

Steve Farrell

LOCATION

The Mary Fairfax Somerville Room (CR2)

Scottish Parliament

Infrastructure and Capital Investment Committee

Wednesday 9 September 2015

[The Convener opened the meeting at 10:31]

Decision on Taking Business in Private

The Convener (Jim Eadie): Good morning and welcome to the Infrastructure and Capital Investment Committee's 17th meeting in 2015. I remind everyone to switch off mobile phones as they affect the broadcasting system. As papers are provided in digital format, those present may see tablets being used during the meeting.

No apologies have been received for this meeting, but Siobhan McMahon has been delayed and, with the agreement of colleagues, we will defer agenda item 1 until later in the meeting.

Members *indicated agreement.*

I have just been reminded that David Stewart has in fact submitted his apologies.

The Convener: Agenda item 2 is a decision on taking business in private. Does the committee agree to take item 4, which is consideration of the committee's work programme, in private?

Members *indicated agreement.*

Digital Infrastructure and Participation

10:32

The Convener: Item 3 is oral evidence on digital infrastructure and participation. I welcome John Swinney, Deputy First Minister and Cabinet Secretary for Finance, Constitution and the Economy, and, from the Scottish Government, Trudy Nicolson, head of broadband policy, and Duncan Nisbet, senior stakeholder manager.

I invite the Deputy First Minister to make an opening statement.

The Deputy First Minister and Cabinet Secretary for Finance, Constitution and the Economy (John Swinney): Thank you, convener. I welcome this opportunity to update the committee on our preparations to deliver high-quality digital connectivity, which is a major priority for the Scottish Government. It underpins our economic strategy—helping our businesses reach new markets, and ensuring that people can work flexibly. Among the many benefits we are seeing, helping to reverse depopulation is one of the most important for rural Scotland.

The impact of our £410 million digital Scotland superfast broadband investment programme is being felt right across Scotland. More than 390,000 homes and businesses now have fibre services available to them as a result of our investment. On average, the programme is connecting 7,000 new homes and businesses every week.

Early take-up has been strong and, as a result, the contracts have generated a gain-share return of around £18 million of new funding that can be used to further extend the reach of the project. That investment is having a transformational impact as it connects premises across Scotland, but I recognise and share the frustration of communities that do not yet know when, or if, the programme will reach them. We are taking steps to address that.

BT is about to start modelling the use of the gain-share funds, which will push the DSSB programme even further; it will also make clearer where it will not go. That will allow community broadband Scotland to work proactively with those communities to develop alternative solutions. I am determined that communities that are ultimately not included in the DSSB programme are not left as an afterthought.

Community broadband Scotland has a critical role to play. It is already working with 89 communities, consisting of more than 16,000 premises, to help them to develop plans for faster

broadband. Earlier this year, CBS provided almost £1 million to a group of island communities in Argyll for a project in which AB Internet was contracted to deliver superfast broadband to more than 1,400 homes and businesses. This is a fantastic project—an innovative technology solution, an alternative supplier, a community-owned asset, and superfast broadband for some of the most challengingly remote rural premises in the country. It is a great example of what CBS can do. Similar projects in Fife and Skye will start procurement in the coming weeks.

We recently announced funding of £9 million under the 2014 to 2020 Scotland rural development programme to support that type of project. That more than doubles our investment in community broadband and should help communities throughout Scotland to follow the lead of GigaPlus Argyll.

We are also considering options for a second phase of superfast broadband investment. The United Kingdom Government has made available £21 million, which the Scottish Government has agreed to match fund. One option is to extend the current digital Scotland contracts, and the modelling that BT is about to start will help to demonstrate the potential impacts. However, BT will have to not only demonstrate value for money but fully complete its commercial roll-out as planned and demonstrate a continued willingness to invest alongside the public sector.

There are other aspects to connectivity, such as issues with mobile connectivity. In partnership with Vodafone, we delivered an innovative project on Coll in which we brought 4G services to the island using a community-owned mast. That has demonstrated the impact that mobile coverage can have on remote communities. We are also focused on improving digital participation and ensuring that the digital economy is well served by the investments that we make in skills and development support to ensure that we reap the full economic benefits of the investment in superfast broadband.

We should not underestimate the progress that has been made over the past year. The benefits of our substantial investment across the digital agenda are being felt. However, there is more to do and the Government is focused on ensuring that it equips Scotland with the digital connectivity to ensure that we meet the needs and aspirations of people in Scotland.

The Convener: Thank you very much, Deputy First Minister. You mentioned the progress that is being made in rolling out the digital Scotland superfast broadband programme. I understand that, alongside the commercial roll-out of fibre broadband, the programme is intended to extend access to fibre broadband to 85 per cent of premises by 2015-16 and at least 95 per cent of premises throughout Scotland—which equates to 750,000 homes and businesses—by 2017-18. Are those targets still on course to be met?

John Swinney: Yes, they are. The progress that is being made in the roll-out of superfast broadband gives us confidence that we are on track to achieve those targets. As the committee will be aware, there is an important interrelationship at the heart of the contracts. It is about putting in place the necessary confidence in support for the investment programme that has been agreed and trying to secure an even greater digital connectivity as a consequence, beyond the 85 and 95 per cent targets. One of my objectives in managing the contract is to ensure that we have the right monitoring framework in place to stretch those 85 to 95 per cent targets, with the ambition of exceeding them if possible.

The Convener: Clearly, by definition, if we achieve the target of 85 to 95 per cent, we therefore do not achieve the ambition to extend access to every home in Scotland. There will be homes and businesses that are subject to what is referred to as digital exclusion. What more can the Government do to address that?

John Swinney: That is the moveable feast that is at the heart of the process. I will be clear with the committee that I do not support, and the Government is not prepared to countenance, digital exclusion. We have a commitment to work to ensure that every individual and every business in Scotland is able to secure digital connectivity of the quality that is envisaged in the programme. The challenge for us is how to deliver that within a commercial contract.

If the Government had not intervened in the matter, commercial coverage would have reached about 66 per cent, so we would have had a yawning gulf of connectivity in Scotland. Therefore, the Government's intervention will have improved the position from 66 to 95 per cent by the end of 2017. However, we cannot leave it there. I make it crystal clear that the Government is focused on ensuring that the remaining 5 per cent of premises can be connected and have access to this technology.

I hope that some of that 5 per cent will be eroded by measures such as the gain-share arrangement that I mentioned earlier, whereby the contract has been managed in the roll-out of the programme in such a way that there will be greater access to superfast broadband than had been envisaged.

The second point to make is that we have a range of interventions in place, working through community broadband Scotland, to further erode the 5 per cent. One of the objectives of community

broadband Scotland is to find solutions for some of the hard-to-reach areas. GigaPlus Argyll is just one of the projects that CBS is working on.

All that work is made slightly more complicated by the fact that it is not absolutely clear where the 5 per cent will be. We will work with communities and with BT to clarify that, because we will be prevented from putting in place what I might call a CBS solution if BT, either commercially or through the digital Scotland superfast broadband programme, is going to make that provision.

I appreciate that that does not provide definitive clarity for individual communities, and I quite understand the frustration that exists in various communities about the fact that they cannot get a definitive answer about whether the commercial programme will get to them. We are working closely with BT to try to establish the parameters of the challenge and to determine how we can meet it as effectively as we can.

The Convener: In your opening statement, you mentioned the substantial investment that the Government has already made and will continue to make in pursuing its ambitions to roll out digital connectivity across the country. Is it envisaged that further financial investment will be necessary to achieve further progress?

John Swinney: I think that that will be the case. The investment that has been made is aimed at delivering 95 per cent access by the end of 2017. As I have said, I am optimistic that that investment will raise the level of access beyond 95 per cent, simply by virtue of good working practices, the removal of obstacles, and improvements in the level of digital participation. As a consequence of all those measures and interventions, the access figure will rise, but the amount of money that we invest will not need to rise to deliver that. However, a proportion will still require further investment, and I think that more money will be required than we have committed to CBS and to the SRDP.

The Convener: When will you be in a position to update the committee on the detail of that?

John Swinney: That feels to me to be some time off. I am satisfied that, between the CBS resources that are available, the SRDP resources that are available and the competitive pressure that I am applying on the contract to secure an increase in the 95 per cent connection level, there are enough stretching factors within the contractual arrangement to keep the pressure on to maximise the value that we achieve for the investment that we are making. Only after I have seen the performance of all those interventions will I make a further judgment about additional resources. It does not feel to me as if that will be done within the next 12 months.

The Convener: So it might not be you who takes that decision.

John Swinney: Who knows how long I will be here for?

Alex Johnstone (North East Scotland) (Con): Ah, you will go on and on.

The Convener: I am sure that your longevity as a politician can be assured.

10:45

Adam Ingram (Carrick, Cumnock and Doon Valley) (SNP): Good morning, Deputy First Minister. I have a couple of questions.

On the gain-share issue that you discussed, clearly BT is the major organisation putting in the infrastructure for broadband connection and possibly the major one to benefit, through its services. Can we do more to squeeze value out of the contracts, given that BT seems to be in a position to gain quite a lot over time from the connecting up of Scotland?

John Swinney: Yes, I think that we can. I assure the committee that that is uppermost in the contract management approach that the Government takes. I do not see the £18 million gain-share as the last gain-share that we will get. I think that there will be further—

Adam Ingram: Could you explain what this gain-share is about?

John Swinney: Essentially, it is driven by a higher than modelled take-up rate. There is a modelled take-up rate of superfast broadband, which underpins the justification of the investment of public funds in the project. When that rate is exceeded, we obtain a gain-share—essentially, we get a payback. If, for example, we thought that 10 per cent of the population was going to connect to superfast broadband, but it turns out that 15 per cent does, that would be a pretty substantial difference. That difference is what drives the gain-share.

There will also be efficiencies to be secured, the more we roll out the contract. Lessons will be learned about the way in which the services and the fibre can be deployed most effectively. That flows into the management of the contract into the bargain. We exercise very regular and robust management of the contractual arrangements. We do so to ensure that the investment that we are making from the public purse is maximised to give us the greatest coverage and the greatest impact possible.

That is why, in my answer to the convener earlier on, I made the point that it is not immediately clear to me how much more money I would have to put in to close the final gap. If I can

use the £410 million that we have committed to get that 95 per cent up to 96, 97 or 98 per cent, clearly I will have stretched the value of the investment and minimised the call for the additional resource that may well be required to ensure that everybody has access to digital connectivity.

There is a complex interrelationship at the heart of the contract, but I assure the committee of the focus that the Government has on realising the maximum value for the investment that we have made.

Adam Ingram: On the face of it, BT seems to dominate the market, so, arguably, competition is at a premium. Does it not fall to the Government to ensure that value for money for the taxpayer is maximised?

John Swinney: I entirely agree. That is exactly the approach that we are taking to the management of the contract.

There are wider regulatory issues involved that are outwith the legislative competence of the Scottish Government. I think that the regulatory framework around the roll-out and provision of broadband is not fit for purpose. There is a universal service obligation on BT to provide telephony services to every household in the country. I do not know when that obligation was put in place, but let us say that it was in the 1960s. We are in a completely different world now; in terms of digital connectivity, we are in a completely different world today from the one that we were in 15 years ago. The regulatory framework has not caught up with that and does not place the necessary obligation on BT to provide the type of connectivity that members of the public should expect in the 21st century, just as they were able to expect a certain level of telephony services in the 1960s or 1970s— whenever the USO came in for those services— and that needs to be addressed.

There are ways to get round that issue in the short term. I have a regular and productive dialogue with the board of Ofcom. I have met the chief executive of Ofcom, Sharon White, on two occasions to stress that, in the absence of a regulatory framework that puts a USO on BT, I am looking to Ofcom to exercise regulatory pressure on BT to make sure that the type of ambitions that Mr Ingram has quite understandably set out are fulfilled. I am seeing the Ofcom board next week in Edinburgh. I welcome the interest that it is taking in the discussion about provision in Scotland and I look forward to that discussion with the board.

The Convener: Has the Scottish Government submitted its final intervention area proposals to broadband delivery UK?

John Swinney: No, we have not. Modelling work is being done that will follow on from the modelling work on what to do with the gain-share resources. Once that work is completed, it will be submitted to BDUK. I envisage that that will be done before the end of the year.

Alex Johnstone: Before we leave the issue of connectivity, I have mentioned previously to ministers that I live in a town where we got fibre broadband in a blaze of publicity a few years ago but I cannot get it because I am connected directly to the exchange. Notwithstanding the fact that the now First Minister suggested last year that I was being singled out for that treatment, which I do not believe, can you tell me how widespread a problem that is in our town centres?

John Swinney: I do not have a definitive figure on the extent of that issue, but I know from my own constituency experience that it is a not uncommon problem, so if it helps to address Mr Johnstone's paranoia—

Alex Johnstone: The question is: where does the solution to that problem figure within the grand scheme?

John Swinney: Essentially, it is an issue that has to be remedied as far as possible within the parameters of the 95 per cent connectivity that I talked about before.

I have a certain amount of technical understanding of all these processes, but the committee will forgive me if I do not get too much into the technical details. I can think of one particular village in my own constituency where there is a three-part roll-out of superfast broadband. Two thirds of the roll-out involves the placing of two cabinets in the village; one third of it involves people who are on exchange-only lines, and that is a more time-consuming issue to solve. Some of the problems may be solved by the provision of infrastructure that intervenes to address the issue, but that is what occupies the time and that is the challenge in the roll-out of superfast broadband to a lot of localities.

More than 70,000 exchange-only lines have been activated or enabled for superfast broadband already as part of the programme, so it is not a peripheral problem and it has had a pretty substantial response, but I would expect that number to grow as the contract rolls out yet further.

Alex Johnstone: I will move on to the subject of connection speeds. What average broadband speed does the Scottish Government want premises in Scotland to be able to have access to?

John Swinney: The target speed is 24 megabits per second, although the vast majority of

the connections that have been made so far are receiving speeds of between 50 and 100Mbps.

Alex Johnstone: Are we in danger of getting into that old situation in which the way to achieve the average is to push speeds higher and higher in the areas where that is easy to achieve and ignore the areas on the periphery where it is difficult to achieve?

John Swinney: Yes, but the objective of our programme is to deliver the maximum speed we can. There will by necessity be more challenges in the delivery of speed the further properties are away from exchanges. There will be natural technological challenges at that level.

Alex Johnstone: What is actually being done at the moment to increase the speeds that are below the average?

John Swinney: We are trying to maximise the effectiveness of the programme. We essentially have 91 per cent of premises receiving at least 24Mbps. Of those, 69 per cent are getting speeds above 50Mbps.

The challenge will be what technical measures can be taken to deliver higher speeds for those below 24Mbps. The priority for the programme is to get people into some sphere of superfast broadband, which is defined only as 24Mbps. We are working with our partners to deliver that level of connectivity and, of course, there will be significant improvements on existing speeds as a consequence of the roll-out of that programme. Although people might not get 24Mbps, they will be getting significantly better speeds than they are getting today.

Alex Johnstone: The last question that I have written down here is probably not a fair question: when will the target be reached? Will we ever reach it or will it keep moving?

John Swinney: Which particular target?

Alex Johnstone: The target on speed of connectivity.

John Swinney: We do not actually have a target on connectivity. There is a definition of superfast broadband, which is 24Mbps. The target that I am trying to achieve is to get 100 per cent access to superfast broadband for people in Scotland. That is the one that we are aiming for, and obviously we can be judged on whether we are able to secure such a level of connectivity.

Alex Johnstone: Thank you.

James Dornan (Glasgow Cathcart) (SNP): Good morning, Deputy First Minister. I have a couple of questions on the broadband connection voucher scheme. I note that on 3 September the UK Government announced that over 40,000 vouchers had been issued in the UK, yet only 2,087 were in Scotland. Given that the vouchers are issued on a first-come, first-served basis, do you have any idea why the uptake is so low in Scotland? What is the Government doing to encourage Scottish businesses to take advantage of the scheme?

John Swinney: We have a number of awareness-raising measures in place, which are delivered through our work with BDUK, the work of the digital Scotland programme and the work of CBS to encourage more and more companies to take up superfast broadband. We obviously have to persistently take forward those steps to ensure that we raise full awareness of the opportunities and possibilities, given the significant contribution that it can make to business.

One of the steps that we are taking involves the wider work that we do on digital participation. We try to encourage greater understanding and awareness of the opportunities that digital connectivity presents. We work closely in that area with our enterprise agencies and business gateway and with some of the new-start business organisations such as Entrepreneurial Spark and ScotEDGE—the Scottish edge fund—to encourage companies to consider immediately the importance of digital connectivity and how it can help them to undertake well-connected business activities in the marketplace.

11:00
James Dornan: Do you have a feel for why the uptake has been lower in Scotland than in the rest of the UK?

John Swinney: I do not have a specific rationale for that. I can speak only anecdotally about the mood that I detect in the new-start business community, for example, in which companies literally cannot get digital connectivity quick enough because it is seen as a major element in how they take forward their business activities and their business programme.

The advantages of the scheme are clear, and the opportunities have been taken up by a range of organisations. We concentrate on ensuring that there is as wide a degree of awareness as possible about the availability of the voucher scheme, and we look to public authorities, enterprise bodies and other agencies to ensure that awareness is raised among members of the public.

James Dornan: Can you clarify something, Deputy First Minister? The provisions that you have just outlined are not only about trying to ensure that people are aware of the Government's scheme but about incentivising people. Is there any other way in which you incentivise people to take part in the scheme?

John Swinney: The key element is awareness raising. One of the issues with digital participation is that we have to encourage the business community more to think about how it takes forward its business operations through the medium of digital connectivity. There is a tendency at times for organisations not to think about how they can adapt their business proposition so that they are operating through a digital medium rather than through the traditional routes that they have previously used. Raising awareness is the key thing that we can do to try to encourage and motivate more organisations to participate.

Mike MacKenzie (Highlands and Islands) (SNP): I hope that the cabinet secretary will forgive me if I go over some territory that he has already covered.

The Convener: The convener might not forgive you.

Mike MacKenzie: I will learn to live with your disapprobation, convener. These issues are really important and there is no harm in underlining them, so to speak.

First, I should say that I warmly welcome the Government's expenditure on the fibre optic roll-out. As an islander all my adult life, I stress that nothing transformed my life more than the initial coming of the internet. Nothing that I can think of in 36 years levelled the playing field between remote rural life and urban life more than the coming of the internet, so I warmly welcome the Government's expenditure.

One point in particular is very important. Now that the Scottish Government has taken ownership of the situation to a degree in providing a solution, I have had numerous complaints from constituents, and I feel that those constituents do not fully understand that the area of broadband connectivity is wholly reserved to Westminster.

You touched on the preferred solution, Deputy First Minister. I can see the wisdom of the preferred solution being a universal service obligation that is fit for purpose in the 21st century. Do you agree that that would ultimately be the best way to tackle the situation?

John Swinney: I do, because it would put the onus on BT to provide the foundations of appropriate and relevant connectivity in the 21st century.

I completely agree with Mr MacKenzie's analysis of the impact on rural Scotland. One point that I have made in countless speeches—I apologise to members of the committee if any of you have had the misfortune to have heard this line of argument before, but I will make it again because I think that it is important—is that, for the first time in history, the Highlands and Islands has outperformed the rest of Scotland in an economic downturn. I believe that that is because of digital connectivity.

In every economic downturn in the past, what the people of the Highlands and Islands have had to do to overcome economic difficulty is leave. Then years have had to be spent trying to recover from the fact that people had to leave the Highlands and Islands and find economic opportunity elsewhere. They have had to try to recover it and restore it. That has been going on all my life, since the visionary intervention of the establishment of the Highlands and Islands Development Board.

What digital connectivity does is largely eliminate that disadvantage. People have been able to stay in the Highlands and Islands, remain digitally connected, make their living in the Highlands and Islands and continue to contribute to their communities.

I am not sure whether Mr MacKenzie was in the chamber yesterday for my speech in the debate on the economy. I was in the Western Isles at the weekend at the opening of Lochboisdale harbour, a project that was taken forward by Stòras Uibhist, the community interest company in South Uist. I had a discussion with stakeholders about what key interventions would make all the difference to the community. Two of the interventions leapt out at me: one was digital connectivity and the other was ferry connections, which are issues that the Government is currently addressing.

Digital connectivity was so significant to everybody I talked to in that stakeholder gathering. They spoke of how they could continue to live in a magnificent part of the world, pursue educational opportunities in that magnificent part of the world, and trade from that magnificent part of the world—all because of digital connectivity.

That point is absolutely central to how we tackle rural depopulation. The area in which Mr MacKenzie lives is a part of the Highlands and Islands that is still suffering rural depopulation, but we have an opportunity, if we get digital connectivity right, to start to stem the tide. I readily concede that stemming rural depopulation is about more than digital connectivity, but it is one major contributor to doing so.

The task would be easier if we had the foundation of a universal service obligation. In the absence of that, the type of constructive dialogue I am having with Ofcom is designed to make sure that we make as much progress as we can to ensure that there is sufficient regulatory pressure applied to deliver as much as possible along the way to a universal service obligation.

Mike MacKenzie: Thank you very much. I could not agree more with what you are saying, cabinet secretary.

I would pay a tribute to BT and Highlands and Islands Enterprise for the work that they are doing across the Highlands and Islands. From my previous career, I know just how challenging some of that work can be. However, I have not been able to understand why BT is unable to tell some community areas whether it will be able to provide them with the fibre optic connectivity that people want and is therefore unable to say which communities exactly will be left in the remaining 5 per cent that will have to be covered by community schemes.

In passing, I would pay a huge tribute to the Mull and Iona Community Trust, which I believe has led the way for the Argyll community broadband project.

It is fathomless to me why BT is unable to tell us which areas it will be unable to reach, which would allow some of those communities that have fears that they will be left behind to start to get to grips with community broadband schemes. Are you able to shed any light on that?

John Swinney: First, I reiterate a point that Mr MacKenzie made, by paying tribute to what BT has managed to achieve. It is easy to criticise BT in a number of respects, but there has been very effective roll-out of the service. By the end of August, 86,940 premises in the Highlands and Islands were connected and BT is on track to pass its quarter 3 2015 target of 93,946 premises by the end of September. These are very significant achievements, given the terrain and the challenges.

Nearly 300 cabinets were established by June 2015, and over 800km of access cable and 400km of subsea cabling laid. I was able to discuss with the group in South Uist on Saturday the fact that the mainstay cables have been laid across the Minch to connect the Western Isles and that a spine connection has now been laid down the whole of the Western Isles, from which feeds can be taken to roll out the services.

There has been a great deal achieved, and I also want to put on record my appreciation of the work of HIE, which has driven this project very aggressively, as one of its key interventions to support economic development in the Highlands and Islands. The project has been very well led by the team at HIE.

Mr MacKenzie's question is the $64 million question, because it is the one to which everyone is waiting for an answer. As I rehearsed to the convener earlier, if BT is going to go somewhere with the provision of fibre broadband, we cannot justify a non-BT programme solution. We cannot

do it: it is against state aid rules. It would help if we had greater clarity about the areas to which BT is unlikely to go, but that is difficult to define because BT also has me on its back, saying that I want that 95 per cent connectivity up to 96 or 97 per cent.

The issue cannot all be attributed to BT, because Parliament would not be surprised to know that I am trying to maximise the effectiveness of the £410 million that we have invested. If we do that, it minimises what else I have to put into the pot to deliver connectivity across the board.

There are likely to be some obvious areas to which BT is unlikely to go. There are probably more examples that could be shared with us about the limitations of the reach of the BT programme, and we could then respond accordingly by putting in place some of the early preparation of community-based solutions to meet the needs of individuals and communities.

Mike MacKenzie: I turn now to smartphones, which I appreciate is a fully reserved area of telecommunications. The services are generally designed to operate by integrating with each other. The Scottish Parliament information centre has helpfully provided us with a comprehensive briefing, which derives a lot of data from the latest Ofcom information. However, as a frequent traveller across the Highlands and Islands, and as someone who lives there, I do not recognise that data.

11:15

My smartphone works superbly and seamlessly here in Edinburgh; it integrates with the fixed line provision and so on. I now have an effective and efficient method of working here in Edinburgh, but it is by no means a level playing field, even in terms of the data. I do not recognise the Ofcom maps or its figures for connectivity.

For instance, 3G is not what it was a year ago. There is greater usage, so that what used to be perfectly acceptable 3G coverage in certain areas now no longer functions well. In fact, it functions less well than 2G did two or three years ago. The fibre-optic intervention—community broadband—is superb and a terrific intervention. Can the Scottish Government do anything to influence the mobile connectivity situation?

John Swinney: That is a significant issue. I have two devices—an iPad and a smartphone— on different networks. I have a pretty good understanding of where connectivity can be secured around the country. Mr Mackenzie will appreciate that I am on the road a fair amount.

I can sympathise with his point about the relevance of the maps. I am utterly conversant

with every moment that I can get a 3G signal between the Parliament and my house in Perthshire—every single moment. I choose my moments to access the system, given my knowledge of that connectivity. It used to be pretty intermittent, to be honest, but I have to say that I am seeing an improvement on the journey; connectivity is improving.

I was sitting in a cafe in Alyth in my constituency when I happened to look at my smartphone, and much to my surprise and delight, I realised that I had a 4G signal. That may have explained why I had numerous complaints from constituents about the intermittence of the mobile network for a few days beforehand; it was obviously the upgrade being undertaken. Clearly, improvements are being made in mobile connections, but I do not think that the maps of the levels of connectivity that Mr Mackenzie referred to reflect the real world of people's experience.

I invited the four mobile network operators to meet me and we met some weeks ago—I believe it was in July. Accepting that the regulatory issues are not mine to resolve, because they are not, the meeting opened up a discussion about how we could try to improve mobile connectivity within Scotland through collaborative work. Three things are relevant to that.

The first is that the mobile operators are increasingly seeing the mobile infrastructure as having a relevance to the fibre infrastructure and there is now much greater connection and proximity between the two. Of course, company acquisitions and transactions that are under way will bring them closer as a consequence.

Secondly, I was keen to identify practical ways in which the Scottish Government and the other authorities that we work with could help to improve mobile connectivity. One of the issues is the height of the masts. As members of Parliament, we are all familiar with the sensitivities around the deployment of masts. If members of the public complain about poor connectivity, we have a duty to help the mobile companies to find solutions by addressing some of the mast issues. We need to say to constituents and communities that if they want better connectivity, putting in fewer objections to masts might help.

I concede that that is not an easy sell—I will perhaps leave it to Mr Johnstone to convey that message on my behalf—but that is the debate that we have to have. We are going through a process of considering the practical steps that we can take in that respect.

Thirdly, we need to encourage the mobile operators to maximise co-operation among themselves. They were anxious to assure me that they co-operate on the sharing of masts and

infrastructure, but I have encouraged them to go away and reflect further on that. The agenda that we have set out is about the Government and public authorities looking at how we can take steps within our existing competence—whether that is to do with planning, the regulatory regime that we control or business rates issues—to improve the roll-out, and the companies going away to decide how they can work together better. We will reconvene in about three months to take stock of the progress that we have made. I will chair the discussions and drive them to ensure that we make more progress.

On Saturday morning, I travelled from Oban to Lochboisdale, and if there had been an issue with the ferry service—there was not; it was a magnificent ferry service and crossing—I might have wanted to access the CalMac app on my phone, but I could not have done it on the street in Oban, because I did not have the appropriate connectivity. When people come to visit our country from cities round the world where 4G is yesterday's technology and they suddenly decide to share the beauty and majesty of the CalMac ferry trip from Oban to Lochboisdale, they will have a challenge with connectivity on the main street in Oban.

Mike MacKenzie: I absolutely agree.

My final question is important in relation to other public policy areas and difficulties in the Highlands and Islands, such as advancing telemedicine in the most rural areas. At least part of the problem in attracting general practitioners and teachers to rural areas is the perception that rural parts of Scotland are backwaters. One way of addressing that is to end the inequality of connectivity. There are public policy difficulties that perhaps do not spring to mind but that can be eased by good connectivity.

John Swinney: The issue is central, not only to rural connectivity but to the management of the public finance challenge that we all face, whether in urban or rural Scotland. For example, in health and social care, some excellent work is under way on efficient integrated assessments of individuals that are undertaken by members of staff out in the field who then use their smartphones to feed back the information and data that they gather. Some tremendous work is going on.

Again, that is fabulous if there is connectivity, and I accept that that can also be a challenge in urban Scotland. There will be occasions when we can meet some of the challenges of rural service provision by having access to high-quality digital connectivity that enables staff out in the field to do their job and fulfil their requirements, to feed information back into the system and to interact in a way that supports the needs of vulnerable

individuals in our communities. That is one crucial application.

Another is about educational access. I recently delivered a speech in a lecture theatre at Moray College in Elgin. The college principal told me that, prior to my contribution, a lecture was delivered there that went to 40 locations digitally. People can get access to quality interaction and education in 40 locations around the Highlands and Islands from one place in Elgin and nobody has to go very far. Some people may have had to travel to get to that digital point but they have not had to leave an island community or travel long distances. Crucially that enables people to remain within their localities and to make a significant economic contribution as a consequence.

Mike MacKenzie: Thank you, cabinet secretary. That is very helpful.

Alex Johnstone: To refer back to the minister's previous comment, 15 years ago, the most common thing in my mailbag was people complaining that they believed that they were going to suffer physical damage as a result of mobile phone masts; today, most of the mail that I get in my mailbag is from people complaining about poor mobile phone signals. We have gone through a change there and we can perhaps drive that on.

I have another observation. I heard the other day—it was on Radio 4 so it must be true—that you can get a 4G mobile signal on the summit of Mount Everest and now you tell me that you can get one in Alyth as well. Are we at a point at which we have to reconsider our priorities and perhaps look at using the developing mobile infrastructure rather than carrying on with a relentless quest to get a physical connection to every property?

John Swinney: In some ways, that fits into the issue about finding the right solution for all properties. As a society, we are a product of our history and our connectivity has been built around the roll-out of cables to all properties. That is fundamentally what underpins our infrastructure.

However, one of the interesting points that came out of my discussions with the mobile network operators—it is one of the points that I made in my response to Mr MacKenzie—is that they clearly view the delivery of a mobile solution or the delivery of a fixed line solution as part of the same consideration. We might well get to the point at which, for some users in the country, a mobile solution is infinitely more practical, affordable, and sustainable—and probably infinitely more futureproofed—than a fixed line solution.

That will have to be considered as part of the iterative process that we have to go through to meet my objective of making sure that every individual has access to and is properly supported by digital connectivity. Some individuals in remote areas might find that the solution lies in affordable broadband.

Adam Ingram: Earlier, you touched on the importance of digital inclusion. The UK Government recently came up with a digital inclusion outcomes framework. Will the Scottish Government use that framework or do you intend to benchmark progress yourselves?

John Swinney: We are looking at that framework to see whether it would be the most appropriate and suitable one for us. That issue is currently being examined by the Scottish Government and once we get further down the road with that analysis, I will be happy to share the conclusions with the committee.

Adam Ingram: Apart from the physical infrastructure investment that is going on, what other areas are important for promoting digital inclusion?

11:30

John Swinney: Over the years there has, I suppose, been a general sense that Scotland has lagged behind on digital participation. I have always been pretty sceptical about those numbers and never really believed them. Recent data showed that about 82 per cent of the population use the internet for personal use, which I think rather more closely relates to what I would have thought would have been the position.

Interestingly, when I was in Ullapool a few weeks ago for a Cabinet meeting, I observed a marvellous project in the library there. Older members of the community can go in to meet teenagers, who sit with them with their iPads and smartphones and explain what to do. In every respect, that was a marvellous thing to observe. As well as the atmosphere of mutual respect between older people and younger people, the older people genuinely appreciated that the young folk were helping them to access the modern world. We should not understate the significance of the contribution that such measures can make to enabling everybody to participate.

If we go down the route that I talked about with Mr MacKenzie of having many of our public services delivered in a digital context, everybody will need to be able to access the technology. We need to do it in a fashion that meets the needs of all citizens. Therefore, our participation efforts are designed to ensure that, as well as the physical connections that are in place, more and more people from different backgrounds in our society can contribute to the process.

Adam Ingram: So that goes hand in hand with our efforts to tackle social exclusion.

John Swinney: Yes. There is also a relationship to the wider agenda on ensuring that public services meet the needs of individuals. People can have smartphone apps that enable them to monitor their health condition, their taking of prescribed medicines or even their exercise regime. Those are powerful elements of what can be delivered to meet the needs of individuals. I am committed to ensuring that we improve and increase awareness and encourage the maximisation of participation in this area of activity by all elements of society.

Adam Ingram: On a slightly different but related tack, what can the Scottish Government do to help employees of small and medium-sized enterprises to attain the necessary digital skills to push forward the businesses? As you point out, technology is developing all the time and skills are required.

John Swinney: We have just launched a new digital skills academy called CodeClan in partnership with the private sector. That is one of the measures that we are putting in place to ensure that we can generate the skills pipeline that we require. Obviously, our further and higher education institutions are under a significant obligation to contribute to the process, as is the schools sector. We have to ensure that the available support meets the needs of the emerging marketplace. We will continue to review that because, as I said in the chamber yesterday in response to an intervention from Mary Scanlon, I rarely go through a discussion with the business community—and have not done so for a considerable time—without digital skills being raised as a significant issue.

The Convener: I have a question about the international dimension. What lessons can Scotland learn from the roll-out of broadband infrastructure in other European countries, particularly those with similar geography and issues of remoteness?

John Swinney: The key thing is that we have to have a very focused delivery programme for the infrastructure. I am satisfied that we have got that, but I can see how it could be easier for us if we had the type of regulatory environment that I talked about earlier. That would make it a great deal easier to pursue the objective and would make things a great deal more focused. There is good focus in the programme now; there is impetus behind it and the necessary drive to deliver it. Comparatively speaking, I think that, in world terms, our programme is very ambitious. I always get very worried when civil servants tell me that a programme is very ambitious—it is always a moment to be nervous about what we are doing. However, in comparative terms, we have a very ambitious programme.

As for your question about the lessons that we can learn, the lessons that I would take are about ensuring that we have real drive behind and a focus on how we deploy the interventions.

The Convener: Have you or your officials looked at the approach of other smaller European countries to the roll-out of broadband?

John Swinney: Yes. That is part of the work that is under way to support the development of the world-class programme that we are looking at, to ensure that everything that we do is about equipping Scotland with real strategic advantages and benefits for the years to come.

The Convener: The European Commission has identified the completion of the digital single market as one of its 10 political priorities. Earlier this year, it launched a digital single market strategy, which includes a series of initiatives to be delivered by the end of 2016. What are the implications of the digital single market for Scotland and what is the Scottish Government doing to ensure that its benefits are available, particularly in terms of better access for consumers and businesses to digital goods and services across it?

John Swinney: It represents a fundamental opportunity right across the board in Scotland. Our aim is to ensure that we seize the opportunity that emerges for businesses and consumers alike. To return to an illustration that I used earlier, I recall that 25 years ago, when I worked in the business development sector in Scotland, one of the first things that we would suggest to a company that was trying to embark on market development was to print a brochure. Twenty-five years on, that sort of thing is nice to have, but it will not get the type of presence in the marketplace that digital connectivity can deliver for companies. I am struck by the extent to which people in the new-start business community think that, once they have their smartphone, they are off; just because they have that connectivity, they are now international traders, and the world is their oyster. We have to ensure that we have the infrastructure that can fit in to what is an increasingly digitised marketplace, and the digital single market is an illustration of that.

Our infrastructure commitment will be important in supporting access in that respect, as will our inclusion support, to ensure that people can participate in the single market. Crucially, our dialogue with Ofcom is important in ensuring that our interests in and concerns about the digital single market are properly and fully advanced by the United Kingdom Government, as the member state that will be involved in the discussions on our behalf.

The Convener: Do Scottish Government ministers and officials have any direct dialogue and discussion with the European Commission on that, or is all of that directed through the member state in London?

John Swinney: Obviously, we maintain dialogue with the European Commission on all questions, but the primary dialogue in this area is undertaken through the United Kingdom Government.

The Convener: You mentioned world-class connectivity. Can you provide us with a status update on where that work is at?

John Swinney: The work that we are undertaking in the area is being taken forward by the Scottish Futures Trust, which is involved in a great deal of dialogue with industry and the public sector. I suppose that that is at the heart of what the SFT does for us; it draws together different players and identifies how we can maximise investment as a consequence of collaboration. That work is under way, and I await further feedback from the SFT on those questions.

We have made some progress in relation to projects such as the isle of Coll project that I mentioned, and there are trials in partnership with the University of Strathclyde. There is also some support to the small and medium-sized enterprise community around the University of Edinburgh. We hope to identify further work to be taken forward beyond March of next year. That will be informed by our contribution to the infrastructure investment plan, which will be published alongside the budget.

The Convener: As members have no more questions, I thank the Deputy First Minister and his officials for appearing before the committee. I also thank him for his leadership in the area of digital connectivity, participation and the roll-out of superfast broadband across Scotland more generally. Thank you very much indeed, and we look forward to further updates in the future.

11:41

Meeting continued in private until 12:00.

This is the final edition of the *Official Report* of this meeting. It is part of the Scottish Parliament *Official Report* archive and has been sent for legal deposit.