



The Scottish Parliament  
Pàrlamaid na h-Alba

## Official Report

# INFRASTRUCTURE AND CAPITAL INVESTMENT COMMITTEE

Wednesday 30 September 2015



---

**Wednesday 30 September 2015**

**CONTENTS**

**Col.**

<b>THE DIGITAL SINGLE MARKET .....</b>	<b>1</b>
--	----------

---

**INFRASTRUCTURE AND CAPITAL INVESTMENT COMMITTEE**  
**19<sup>th</sup> 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:**

Willie Coffey (Kilmarnock and Irvine Valley) (SNP)

Gail Kent (European Commission)

**CLERK TO THE COMMITTEE**

Steve Farrell

**LOCATION**

The Adam Smith Room (CR5)



# Scottish Parliament

## Infrastructure and Capital Investment Committee

Wednesday 30 September 2015

*[The Convener opened the meeting at 10:00]*

### The Digital Single Market

**The Convener (Jim Eadie):** Good morning, everyone. I welcome you to the 19th meeting in 2015 of the Infrastructure and Capital Investment Committee. Everyone present is reminded to switch off mobile phones, because they affect the broadcasting system. The meeting papers are provided in digital formats, so attendees may see tablets being used.

Apologies have been received from David Stewart. I welcome Willie Coffey, who has joined us for our evidence session. I also welcome the Rev Dr George Whyte, clerk of the Edinburgh presbytery and acting clerk of the General Assembly of the Church of Scotland, who is observing our proceedings.

Agenda item 1 is oral evidence from Gail Kent, who is the director of resources in DG connect—the European Commission Directorate General for Communications Networks, Content & Technology—on the digital single market. I welcome Ms Kent to the meeting and invite her to make an opening statement.

**Gail Kent (European Commission):** Good morning. Thank you very much for inviting me. I am very honoured to be visiting the Scottish Parliament. It feels a little bit like I am appearing on television, because I have seen the Parliament so often on television. I am, indeed, a director of DG connect, which is the digital directorate-general of the European Commission. We have about 1,200 staff. I mainly deal with the budget for our huge research programme and internal staff and procedural matters. I am also part of DG connect's management board, so I am involved in policy decisions, too.

I am not a technical specialist, but I hope to give you a good overview and to answer your questions. I promise to come back to you if I am unable to answer any questions—I will send any answers through our Edinburgh office, if I need to. My objective here today is to confirm the Commission's commitment to achieving a fully functional European Union digital single market, and to tell you a little bit more about the Commission's plans for realising it.

Digital technologies and the internet are transforming entire business sectors, with major impacts on the labour market and society at large. Our European strategy for the creation of a digital single market provides the necessary strong and unitary Europe-level action to address the scale of the economic and social changes brought about by digital in general.

Our overall objective is clear: the digital single market must enable the free movement of goods, persons, services and capital. Citizens and businesses must be able to access and use online activities under the conditions of fair competition, irrespective of their nationality or their place of residence.

Today, regulatory fragmentation is holding back Europe. In particular, start-ups and small and medium-sized enterprises, which are the key to sustained recovery and job creation, suffer from regulatory fragmentation. They do not have the resources of larger competitors to deal with up to 28 different regulatory regimes. Furthermore, the lack of a digital single market is putting European players at a disadvantage at a critical time in the development of the digital economy. Now is the time—when the shares in the new data-driven economy, based on the internet of things, are being parcelled out. It is also a critical time for the roll-out of high-speed wireless networks and services, requiring more efficient co-ordination and enforcement at EU level.

We have seen that digital markets punish those who arrive too late. In certain segments—such as internet search, communications, social media and e-commerce platforms—European players are largely absent. We cannot allow the same thing to happen with the infrastructure and services to enable connected cars, smart homes, smart grids, self-manufacturing and so on. We need to realise that, for many issues, the European level offers the right framework. European solutions ensure that the EU is kept on equal footing with other major world economies.

The European Commission adopted its digital single market strategy on 6 May. It is among the top three priorities of the Commission and of President Juncker, and we recognise the urgency to act. We cannot allow it to sit around for the whole of President Juncker's mandate, because by then the whole regulatory framework and the technical framework will have changed. The strategy consists of three main pillars and 16 concrete policy actions that are mutually reinforcing.

The first part of the DSM is to improve access to online goods and services across Europe. The Commission wants to prevent unjustified geoblocking and to modernise our copyright

framework. We also need to adapt our consumer rules to the borderless nature of online trading.

The second part is digital networks and innovative services. We need to overhaul our telecoms regulations and address issues such as combating illegal online content and strengthening cybersecurity. We must also take a look at the increasingly central role that platforms have in the digital economy.

The third pillar is to maximise the growth potential of the digital economy. We would like a strong data-driven economy that takes advantage of emerging technologies and boosts innovation. We also want to ensure that European citizens have the necessary skills to work with and to benefit from the significant advantages that information communications technology solutions bring in their day-to-day life. Our aim is to act swiftly and coherently across institutions to deliver on the digital single market strategy. We want tangible change by 2017. However, we are conscious that we have to take into account the views of all the member states. All the legislative initiatives will undergo rigorous consultation and impact assessment before their adoption by the Commission.

We need the Scottish Government and Scottish citizens to get fully involved and to present their views during the consultation process. We have started to implement the digital single market actions and, as a first step, we will engage with the widest audience of stakeholders through public consultations. We have started to consult the public on the future of the audiovisual media services directive and a satellite and cable directive; we have launched a public consultation on the future of the regulatory framework on telecoms; and we have launched—or are about to launch—public consultations on prohibition of unjustified geoblocking and on online platforms. Topics will include the economic and social impacts of platforms, the liability of online intermediaries, and the sharing economy. The consultations will feed into a rigorous assessment that will allow the Commission to find the best solutions to address the problems that have been identified in the digital single market strategy.

Before the end of 2015, the Commission will produce a legislative proposal on modernisation of the EU's copyright regime. In 2015, the Commission will launch a comprehensive assessment of the role that is played by online platforms in the European economy and society and, in the first half of 2016, the Commission will produce a legislative proposal on prohibiting unjustified geoblocking. In the course of 2016, the Commission will also make proposals on the review of the telecoms framework and the audiovisual media services directive. All those

things will happen after we have read the results of the consultations that are currently open.

That is an overview of the situation. I have a small PowerPoint presentation, which I did not use today, that I will send to the Scotland Office after the meeting and which can be distributed.

**The Convener:** Thank you very much for that introduction. What will success look like? The digital single market strategy is in its infancy, having been launched only in May. You say that you expect to see “tangible change by 2017”. How do you intend to measure whether there has been progress in the short-to-medium term?

**Gail Kent:** What will be adopted by 2017 is more the framework. We are not so naive as to think that we are going to change the world in the next couple of years; it is more a case of laying out the groundwork for changing the world and changing the atmosphere in Europe towards the digital market.

What we really want is to improve the situation for businesses within Europe. The strategy will reduce costs and uncertainty for online traders. Many online traders, particularly the small ones, are afraid of the costs and uncertainties of dealing with the law of a different country, and 57 per cent of online traders confirmed that if the same rules were applied throughout Europe they would start or increase their sales to other countries.

We also want, by dealing with cybersecurity and data protection, to give consumers confidence. Notwithstanding the fact that many people put a lot of data out there without really thinking about it, many consumers say that their primary concern is that a lot of data is circulating about them and they are not very confident that it is kept confidential.

If we put forward the proposals next year, they will have to go through the European Council, so the situation will not change immediately, but our aim is to give European businesses the confidence to move forward in the digital area so that we do not have to rely principally on businesses from other countries—for example, North America.

**The Convener:** You have set out some of the benefits of the digital single market. How will you measure progress in achieving the pillars that you outlined? You talked about people having better online access to digital goods and services, the creation of an environment in which digital networks and services can prosper and the role of digital as a driver of economic growth. How do we measure success in each of those areas?

**Gail Kent:** We have a number of scoreboards that we use to measure success—for example, the amount of cross-border trade in the digital market. At the moment, only 4 per cent of that trade is

cross-border. We can also measure broadband speeds and whether people are happy with them. We have an index called the DESI—I am not sure what it stands for, to be honest. We look at the percentage of internet users who shop online, the percentage of people who access audiovisual content, including across borders, and the number of people who are interested in watching or listening to content abroad and whether they are able to do that. We collect information on whether businesses and/or consumers feel that delivery costs are too high. A lot of information is available on connectivity.

We also have information on things to do with confidence—for example, the extent to which people are concerned about using the internet for activities such as banking or shopping online. We have figures that compare the situation in Europe with that elsewhere in the world, as well as figures that compare the situations in different countries. We have information on the percentage of people who are involved in digital skills. A wealth of indices will be looked at, which we aim to improve over the period of the current Commission and onwards.

**The Convener:** One of the biggest barriers to achieving all the things that you want to achieve is the fact that the European Union single market consists of 500 million people and of 28 member states—all of which potentially have their own regulatory frameworks and rules. How do you intend to address that?

**Gail Kent:** The digital single market will be one of the hardest things to get through: when the telecoms single market went through the European Council, which happened only recently, there was a lot of resistance from the member states, because there were many individual interests in the member states. We have to get the member states to understand that it is in their interests to harmonise as much as possible, or at least to agree standards that will be acceptable in all countries in order to open up the market. It is in nobody's interests to keep the markets fragmented. Countries including the UK have very strong companies that are involved in competition in other member states, but they are also often the countries that argue against the harmonisation that will open up their markets. That is how we intend to convince people.

We also have to have the consumers on our side. It is not just a matter of protecting strong individual countries in national administrations; it is also about involving the citizen more fully in decisions.

10:15

**The Convener:** Thank you for that. We are going to move on to some specific issues.

**Alex Johnstone (North East Scotland) (Con):** I note that the European Commission considers that take-up of fast broadband is relatively low. How does Scotland compare with countries across Europe in take-up of fast broadband?

**Gail Kent:** We certainly see that there is a risk of a divide between member states that are developing ambitious broadband and have plans to develop a futureproof infrastructure, and those that might be tempted by a more modest upgrade of existing networks.

As you know, the Commission's ambition is for all member states to provide access to speeds in excess of 30 megabits per second by 2020, with 50 per cent of all European households subscribing to ultrafast speeds of more than 100Mbps. Some countries are more ambitious. Germany aims to provide speeds of 50Mbps to all households by 2018, while Sweden aims to provide access to speeds of 100Mbps to 40 per cent of premises by 2015 and 90 per cent by 2020. In comparison, the UK Government's rural broadband programme is more modest.

I know that the Government here has set out its aim to establish a network that will make superfast broadband available to 90 per cent of premises across Scotland by this year and which will make it universally available by 2020.

I also have some information on Ireland, which has done something more radical. Ireland is using a different system and it has started more from scratch. There is a joint venture between Vodafone and the Electricity Supply Board deploying fibre to buildings using the existing electricity networks. They will soon launch a tender for an ambitious national broadband plan with higher speeds.

There are a lot of differences. At the moment within Europe, the UK is relatively strong—it is sixth out of 28 countries—but other people have more ambitious plans.

**Alex Johnstone:** I am interested by what you said about Ireland. During the past year I have had a case that involved someone moving into a new house that had not even been wired for a traditional phone system. We are very disappointed that we are not seeing new housing in particular being cabled with fibre, because it is the easiest thing to do. Have you any idea what standards are being imposed on other European countries for provision of cable in new homes?

**Gail Kent:** No. I do not know about new homes, but I could find out for you.

**Mike MacKenzie (Highlands and Islands) (SNP):** Good morning. I represent the Highlands and Islands and, although it is a wonderful area to represent, one of the problems is that, as soon as someone steps over what we used to call the Highland line, they also step over the digital divide in as much as fixed-line and mobile broadband provision are very poor. It is equivalent to the medieval map saying "Here there be dragons".

**Alex Johnstone:** But there are, aren't there? *[Laughter.]*

**Mike MacKenzie:** Possibly—we do not know because we are unable to communicate properly.

Broadband provision is a big issue for my constituents. The Deputy First Minister and Cabinet Secretary for Finance, Constitution and Economy, John Swinney, recently gave evidence to the committee in which he spoke about the provision of broadband and the fibre optic backbone—on which the Scottish Government has spent £127 million—that will support high-speed broadband across the Highlands and Islands.

In that meeting Mr Swinney agreed with me that it would be better for broadband provision to be dealt with by regulation, but telecommunications are reserved to the Westminster Government. Can anything be done at EU level to encourage a universal service obligation or something similar that would allow my constituents to access high-speed—either fixed or mobile—connectivity?

On the mobile side, can anything be done to encourage improvements in access to 4G across the Highlands and Islands and other rural parts of Scotland?

I apologise for asking such a long question.

**Gail Kent:** The Commission is very conscious that there is an investment gap that needs to be filled. My DG—DG connect—produced an estimate of the gap that must be plugged if member states are to reach the last broadband targets on universal coverage and the subscription of 50 per cent of households to faster coverage. According to the estimate, Europe needs €34 billion to reach the target of 100 per cent coverage at 30Mbps and €92 billion if we want 100Mbps to reach 50 per cent of households.

There are a number of things that are available, but we feel that they need to be better leveraged in the next few years to help in those respects. There is the European structural investment fund for broadband, which is currently estimated at €5.5 billion. That can help to plug some gaps. We also hope to leverage €150 million into broadband under the connecting Europe facility, which is the new programme that focuses on better connections in transport, energy and connectivity across Europe.

The Juncker plan—the European fund for strategic investments—is in its very early days but it is seeking to work with the European Investment Bank to leverage funds from the private sector in order to encourage people to invest in broadband and mobile phone provision in outlying areas.

We would expect those to emerge as substantial measures as a result of the DSM strategy to focus the funds—some of which have existed for a while—on the areas in which they are most needed.

**Mike MacKenzie:** But there have been no regulatory attempts to create some kind of universal service obligation.

**Gail Kent:** As you know, the Commission loves to introduce regulatory provisions, but the member states are not usually so keen on them. We are currently reviewing the telecoms framework, and as part of that we will look at the minimum standards that we expect to be implemented. We would find it interesting if you could feed in such views to the current consultations and tell us whether such an initiative might be helpful.

**Mike MacKenzie:** Okay—thank you.

Are you aware of any innovative examples of 4G provision across the EU? It is sometimes said that Scotland's geography, particularly in the Highlands and Islands, militates against the roll-out of high-speed broadband. Other countries face similar challenges but seem to have achieved better provision than we have here. Are you aware of examples of good or innovative practice that might help us to understand what is possible?

**Gail Kent:** Investment is happening in Europe; private operators are investing, and the surge of long-term evolution—LTE—mobile phone coverage is very positive. We understand that we cannot expect private operators to go everywhere. We think that we should support operators to reach areas that would not otherwise be covered. I do not have particular examples, but I am sure that I can find some for you. Do you want examples of areas where there is better 4G coverage?

**Mike MacKenzie:** Yes. I am thinking about examples of how people have dealt innovatively with difficult terrain, topography and geography.

I am continually horrified by the double whammy that my constituents face, in that not only do they have difficulties with poor connectivity but when they manage to get a message through and post an order to a supplier they are faced with very high delivery charges. That seems to be very much part of the equation. I am sure that that horrifies you, too. Will the Commission address high delivery charges in the Highlands and Islands? Some suppliers even say, "We don't like your postcode



and we won't deliver to you." That is a frequent complaint from my constituents. Such matters are reserved to the UK Parliament, but can you do anything to address the issue?

**Gail Kent:** Recent studies confirm that the cost of delivery is still an obstacle to cross-border shopping—and even shopping within borders, to a certain extent. Shipping costs are the most common reason for consumers in Europe not completing an online purchase. Of the companies that are willing to sell online, 62 per cent say that too-high delivery costs are a problem for them. High costs are a problem for both sides: the consumers do not like them and the companies do not like them, because they are inefficient.

Postal operators' tariffs for cross-border small parcel delivery are often two to five times higher than domestic prices. For example, it costs €32.40 to send a 2kg parcel from Belgium to Austria, which is five times the price of sending it within Belgium. There are big differences in the opposite direction, too.

You asked whether we plan to regulate cross-border delivery prices. We think that competition appears to be the most appropriate and effective way of addressing concerns about affordability. However, for competition to work fairly and efficiently, all the market participants—retailers, delivery operators and consumers—need to enjoy a degree of price transparency. People often discover that the delivery cost is high only when they are halfway through a purchase.

Price regulation is a means of last resort, where competition does not bring satisfactory results, so it is not currently being considered, although it could be considered. We think that it is better to monitor the situation closely and to try to address market failures. The intention is to review the approach after a couple of years, if it does not work. The consultation contains a section on parcel deliveries, so we are interested in hearing people's views.

**Mike MacKenzie:** I want to move on to a slightly different aspect. The committee recently completed an inquiry into freight transport in Scotland. One aspect of that inquiry concerned how the industry might reduce carbon emissions. If we are looking at increased online digital business, with the increased shipping and freight that that implies, is the Commission considering how that can be managed in a way that ensures that we are making best use of low carbon transport?

10:30

**Gail Kent:** I would expect that the Commission is considering that, but it is not in my DG, so I do not have an answer to that. Is it that you think that

having more online deliveries will mean that there are more lorries?

**Mike MacKenzie:** That is the logic, which I think is inescapable. Obviously, given the low carbon agenda, we want to increase freight while decreasing the carbon output of the freight system. Perhaps you could think about that.

**Gail Kent:** I think that there are five DGs working together on the digital single market strategy. I am sure that, somewhere in there, there is a policy on how to deal with the fact that there will be an increase in carbon emissions as a result of an increase in parcel delivery. I will find out for you.

**Mike MacKenzie:** Thank you.

**Adam Ingram (Carrick, Cumnock and Doon Valley) (SNP):** Earlier, you highlighted the predicament of SMEs. Only 7 per cent of SMEs in the EU sell across borders. However, small online businesses that want to trade in another EU country face extra costs of around €9,000 for having to adapt to national laws, including up to €5,000 for differing VAT regimes. How are you going to tackle that? What are the immediate priorities with regard to giving SMEs a fair crack of the whip in terms of online business?

**Gail Kent:** The Commission intends to propose—subject to consultation; these are the things that are in mind at the moment—a solution that ensures that traders who sell across borders can apply a single set of terms and conditions domestically and in the internal market, while guaranteeing that consumers in the EU can enjoy the high level of European consumer protection that they expect.

We intend to bring forward a proposal that introduces harmonised consumer protection rules for digital content that will allow traders to rely fully on their national laws, with a set of key mandatory consumer protection rules for sales of physical goods. There is an associated question, which has been raised previously, about deliveries. We intend to deal with that.

The DSM strategy also provides for common cross-border thresholds for VAT to facilitate small start-up businesses. The level and the type of the thresholds will be considered as part of the impact assessment for the proposal. We have also started preparatory work on preparing a comprehensive future initiative on reducing the VAT compliance costs for SMEs in general.

For us, the most tangible part of the issue is the encouragement of the SMEs in Europe. We see that as absolutely imperative to the success of the DSM process. If companies do not want to operate in other countries because they feel that the administrative barriers are too high, any digital

strategy will be a failure. Therefore, it has to be the absolute first priority.

**Adam Ingram:** What are you doing with individual member states to promote the benefits that the move will bring to reduce barriers and to allow trade to develop?

**Gail Kent:** We are at the consultation stage at the moment. We have what we call going local teams in the DGs, which go out to individual member states. A group of director generals visited the capitals of various states and discussed the digital single market. The UK Government is very positive about the move. At the moment, we are more at the marketing stage and at the pre-consultation stage of suggesting what we want to do. The UK Government, for example, is very positive about the digital single market strategy.

The difficulty will come when it comes to individual regulations and when people realise what has to be adapted. The important aspect at the moment is to get people on board with the concept. Digital will obviously be the main cause of growth in the next five, 10 or 15 years, and we therefore need people on board, but we have not reached the stage of making specific proposals yet.

There is a lot of work going on to encourage investment in those areas. A lot of research projects are going on, with special schemes for SME projects.

**Siobhan McMahon (Central Scotland) (Lab):** The fact sheet that you provided to the committee before the meeting said that almost half the EU population—47 per cent—is not properly digitally skilled, yet 90 per cent of jobs for the future will require some level of digital skill. How is the Commission assisting member states in closing the digital skills gap, both among the general population and in the workplace, particularly in small businesses?

**Gail Kent:** You are absolutely right: there is a huge shortage of digital skills in the whole of the EU. In the UK, and in Scotland, there is a shortage of ICT professionals, which is expected to increase up to 2020. Demand is outstripping supply. Not enough young people are being trained for ICT careers. Education is a—I cannot remember the word that is used, but it is a member state prerogative, not a Commission prerogative, so we try to work with the member states to find solutions.

We have what is called the grand coalition for jobs. That involves getting the member states to work collaboratively with different stakeholders to increase the number of people working in those areas. Various member states, including the UK, are introducing coding into school education. The UK has been working on digital skills issues for a

while, and it had the first national collaboration. There is a new computing curriculum in schools. In Scotland, you also have the skills investment plan and PLAN C—I think that that is what it is called. We see those things as being very important for the future.

**Siobhan McMahon:** You have mentioned schools a few times. In Scotland, we have a problem recruiting and retaining computing teachers. Does the Commission see itself having a role in assisting with the development of programmes in order to keep people in those skill areas and to promote those skills? That is part of the issue with the STEM—science, technology, engineering and maths—subjects: females do not feel attracted to them. Does the Commission work with member states on that, or would such a role simply be for member states?

**Gail Kent:** That is a role for member states—legally, that is the case. However, the Commission cannot sit on the sidelines, because it is a very important matter. We try to give a lot of publicity to the need to increase the number of people in ICT. We meet stakeholders to discuss women in tech and the need to encourage more young people to go into the STEM subjects.

However, we are reliant on working with the member states in terms of taking examples of best practice from various member states and rolling them out into other countries, and getting people to work with stakeholders in member states. We do not have funding per se for that.

**Siobhan McMahon:** You just spoke about best practice. Are there examples of other member states that are trying to close the digital skills gap that Scotland could learn from?

**Gail Kent:** This is not much help, because everything is a matter of perspective. The big example that always gets highlighted in Europe is the idea of introducing coding skills in primary schools, which is a UK initiative in any case. Some countries have developed partnerships with local businesses to increase the number of apprenticeships, for example, but I am not aware of any particular examples of best practice. Again, I can ask about that and come back to you.

**Siobhan McMahon:** That would be helpful, thank you.

**The Convener:** Willie, do you want to come in on the digital skills gap?

**Willie Coffey (Kilmarnock and Irvine Valley) (SNP):** Not on the gap itself—on other issues.

**The Convener:** In that case, I will get you to hold your fire until other members have asked questions.

**Alex Johnstone:** I have a couple of questions already. I just want to make sure that we have all the information.

As Gail Kent said, a good deal of work is going on to future-proof digital networks, but is the Commission doing anything else to ensure that the roll-out of broadband in EU countries is future-proofed?

**Gail Kent:** Future-proofed in what sense?

**Alex Johnstone:** I mean so that the networks are able to perform functions and operate at rates that are significantly higher than the ones that we are currently talking about.

**Gail Kent:** The review of the telecoms regulatory framework is part of the digital single market. All digital services and applications depend on availability. We believe that we need to understand better what kind of networks will be needed by 2025. We know that new services, ranging from e-health to connected cars, have the potential to become available quickly if the required connectivity is available.

We have to make sure that the regulatory framework provides the right conditions for operators to invest in those networks and for consumers and businesses to benefit from high-quality connectivity. We have started an evaluation of the current rules by launching a public consultation on the framework, and that issue is one of the things that we are looking at in the consultation. Although we have not had the results of the consultation yet, we can see that there may be four areas to cover in the forthcoming review.

The first area is investment in networks. The EU telecoms rulebook is often criticised for not having sufficiently promoted the transition towards high-capacity next-generation access for future needs, so we want now to look at how to make investments in higher capacity networks rewarding. Adjustments to the current rules are probably necessary in order to increase the incentives.

In the regulation, we also need to take account of the state of network technological development and the number of networks that are available in different areas. Since the current market regulation does not provide effective tools to address those circumstances, we want to explore options for enlarging public authorities' toolbox to incentivise operators to deploy networks in challenging areas.

Since the last telecoms review in 2009, the sector has undergone significant structural changes characterised by the transition from copper to fibre, more complex competition with the convergence of fixed and mobile networks, and the rise of retail bundles. Voice is no longer the

main service in accessing connectivity. The emergence of those over-the-top systems brought new dynamics into the services side and consumers' habits have changed.

Everyone is more dependent on high-speed broadband so we believe that what we need to do in the review is look at those particular areas, try to estimate what will happen in the next few years and make sure that we are ahead of the game, rather than behind, which has always been the situation up to now.

10:45

**Alex Johnstone:** I can certainly vouch for the fact that land lines are no longer the most common source of voice calls. The only ones I get are unsolicited marketing calls. It's terrible, isn't it?

You touched on the common regulatory framework, and I would like to explore that a little more. You suggested that, in some countries—perhaps including this one—it is the providers that are resistant to competition, rather than the Government. In European governance as a whole, where is the common regulatory framework finding favour and where is it being opposed?

**Gail Kent:** I do not actually sit in on the discussions in the Council. I suspect that it is the bigger countries that are more resistant because they have the bigger companies with the most to lose, but I do not know. The countries that have been the most innovative are often the ones with the least background in these things. My vice-president, Andrus Ansip, is Estonian, so I am always hearing about Estonia. It has started from scratch but it has the most excellent system, and it is also extremely advanced in e-government.

**Alex Johnstone:** My experience of mobile telecoms in larger European countries is that the trend has been for companies to extend their networks across borders and then offer single services that cross borders. Are we in a situation where the companies are making more progress than the countries are?

**Gail Kent:** I cannot answer that from a statistical point of view, but you may well be right. Yes—I think that that is the case. Still, that is quite a good thing.

**Alex Johnstone:** Yes, it is a good thing.

**Gail Kent:** In the end, companies will push Governments that are resistant.

**Alex Johnstone:** Thank you.

**James Dornan (Glasgow Cathcart) (SNP):** Good morning, Ms Kent. I have a couple of questions on competition. Ofcom told the committee that it expects the Commission

“to look at ways to simplify or reduce regulation where there is infrastructure competition, and seek to further incentivise the development of high-capacity networks through ensuring returns on investment reflect risks, while protecting competition.”

Does Ofcom’s view match the Commission’s intended approach to the review of the regulatory framework? If not, where does it differ?

**Gail Kent:** As I said, we are in the draft stages. I cannot see anything in the Ofcom statement that the Commission would object to. We also see that it is important to keep things as simple as possible, to deregulate where that is possible and to have more uniformity between regulations.

At a meeting at the UK Government level earlier this year, there was strong support for the digital single market. The UK is traditionally in favour of making things simple, minimising regulation except where it is absolutely necessary and promoting competition, so we would be surprised if there was a lot of resistance.

**James Dornan:** I am sure that we will keep an eye on the matter to see if you have the same views later in the process.

**Gail Kent:** The devil is in the detail, as they say—

**James Dornan:** I think that that is also Ofcom’s view, to be fair.

**Gail Kent:** —and it is yet to come, of course.

**James Dornan:** Yes.

A recent report in the media highlighted a range of internet costs for consumers across Europe, and prices in the UK were as much as 50 per cent more than those in other EU countries. Will the digital single market help to bring parity to internet costs across Europe or does the Commission consider competition to be a matter for individual member states?

**Gail Kent:** The Commission is in favour of competition, and it certainly does not consider it to be a matter only for individual member states. If we all took individualist views of the market, we would have tiny little markets. The big thing about the successful internet companies is that they operate in a huge market. We have to accept that belief in the free market economy exists more in some states than in others and ensure that states are not protecting their own markets and are open to competition from companies from other countries.

**James Dornan:** Yes—that would seem to be counterintuitive, given what you are saying about the digital single market.

**Gail Kent:** Yes. In any case, there is no border for digital services. As you will know, it can be quite infuriating when you move between different

countries and find that you cannot access in one country an internet service that you had, or even bought, in another country.

**The Convener:** Willie Coffey has been waiting patiently.

**Willie Coffey:** Thank you, convener, and thanks for allowing me to attend the meeting today. As committee members might know, I am a member of the European and External Relations Committee, where a number of DMS issues have been raised over the past year or so. I also convene the cross-party group on digital participation and, for my sins, I was a software engineer in another life. Therefore, I am interested in a number of these issues. I say at the outset that I do not envy you the task that lies ahead of you, Ms Kent.

My first question is about the great roaming charges rip-off. We are aware that roaming charges were supposed to be abolished by December this year but that abolition has been pushed out further. I understand that it might be June 2017 before roaming charges are finally pushed out of the picture in Europe, but I cannot find out where that decision was taken. It was certainly part of the Commission’s plans to end roaming charges, but are you able to tell us who took the decision to push their abolition out to 2017, and where and when it was taken?

**Gail Kent:** The final decision on the package for the telecoms single market—the TSM as opposed to the DSM; there are all these acronyms—was taken just before the summer. There was final agreement on it in the European Council before the summer—I remember that we had a celebration on our DG’s internet pages on the death of roaming. I do not know, but I assume that the decision on timing came out of that final agreement. Perhaps part of the compromise to get the measure through—as you will know, it stalled for a long time—was to push the date out slightly. I am afraid that I do not have information on that, but I can definitely find out. You think that the date was pushed out until next summer.

**Willie Coffey:** Nobody seems to know.

**Gail Kent:** I am sure that somebody knows.

**Willie Coffey:** Somebody must know, but roaming charges were meant to end in December, as you know.

**Gail Kent:** Yes. I knew that they were due to end then. In fact, I was not aware that it had been pushed out to next year.

**Willie Coffey:** You will know that the first thing people do when they leave this jurisdiction is throw their mobile phone in a drawer because it is far too expensive to use it abroad. It seems to me and to others that the Commission, and perhaps the

member states, have buckled under pressure from mobile services companies in deciding to push the date for the end of roaming charges further out. In fact, the latest proposal will provide for exceptions, although those have not been defined yet. Consumers of mobile services who are lucky enough to travel around different jurisdictions do not forget that although the technology does not recognise borders, the mobile companies sure do and they exploit that to the hilt to make money at the consumer's expense.

I wanted to touch base with you on that issue. I want to know where the pressure might be coming from to finally get rid of roaming charges and the date that we can all look forward to when that will actually happen.

**Gail Kent:** There definitely has been an agreement, although perhaps the date has not been agreed yet. I will definitely find out that information for you. I absolutely agree with you—this is my personal view—that there has been buckling to pressure from the companies.

**Willie Coffey:** You will probably be aware that, in the previous multi-annual financial framework, we saw a €7 billion cut to the intended IT infrastructure provision. Although the strategy—quite correctly—focuses on access to goods and services and making that available throughout a single market, there needs to be, if you like, a transport infrastructure for data that is capable of delivering those goods and services. Therefore, the focus on goods and services without the data transport infrastructure seems to be a wee bit round the wrong way. Where are the pressures? Where is the technical expertise in the Commission and the European Union to make sure that decision and policy makers are aware of that? It is a bit like expecting goods and services to be transported around the motorway network without investing in the motorway transport system. That is the best analogy that I can think of. It concerns me that decisions that are crucial to the delivery of content and digital services are sometimes taken in reverse.

**Gail Kent:** When you say that the amount was cut from the multi-annual financial framework—

**Willie Coffey:** Yes, €7 billion was cut from the previous MAFF.

**Gail Kent:** The MAFF covers the period up to 2020. It goes without saying that our DG is in favour of maximising expenditure on such things and minimising it on other MAFF policy areas. I agree that there was definitely a cut in the amount to be given to ICT infrastructure in the final decision on the MAFF, which was taken by the member states and the European Parliament.

There will be a review of the MAFF in 2017, which we have started to work on. That work will

have to go through the European Parliament and the Council. There is no intention to increase the MAFF funding as a whole, but I imagine that there would be scope for movement between the various funding lines. I suspect that President Juncker will be in favour of increasing expenditure on policies that are necessary for the digital single market, because that is his number 1 priority.

I expect that there will be some changes and that some increases will be put forward, but the proposals will, of course, meet the same resistance that they met previously. In the meantime, life has moved on and perhaps people will see digital as a more important investment than when it was discussed in 2012 and 2013.

**Willie Coffey:** That probably goes a long way towards explaining why there is such a disparity in member states' ability to deliver digital services. You read out examples of targets from Germany and Sweden. Such disparity exists because how member states invest in digital infrastructure is largely up to them.

The huge cut in the digital infrastructure budget must have an impact. Unless the need to invest in infrastructure is addressed across the European Union, you will continue to see fragmented delivery and a different quality of service in the member states, which is completely outwith the scope of the digital single market.

Do I have time for one last question, convener?

**The Convener:** I hope so.

**Willie Coffey:** You mentioned the internet of things. To clarify that point for members, that is about devices communicating with one another in a much more sophisticated and intelligent way. At the European and External Relations Committee only a few weeks ago, we heard that ENISA—the European Union Agency for Network and Information Security—which is Europe's cybersecurity agency, is "unprepared" for the advent of the internet of things, and that it lacks the money and the expertise to meet the challenges. I was worried to hear that, especially when such rapid progress is being made towards intelligent communication between devices. Will you tell us a wee bit more about that and what is being done to address the situation?

11:00

**Gail Kent:** I return briefly to the multi-annual financial framework. The amount that has been spent on that has increased; what was cut was the amount that was proposed to be spent on it. People may have got confused about that when they were making their decision. It seemed like an increase but it was not a big enough increase, in

my opinion, given the increase in the digital market.

I agree with you. We see cybersecurity as a hugely important part of the digital single market framework. It is also to do with people's confidence in the system, which we need in order to boost the market. A directive on internet security would be part of the DSM framework in order to give people reassurance so that they would invest personally and as businesses and use the systems. I think that you are correct in saying that member states are unprepared. ENISA is quite a small agency. Within the Commission, responsibility for cybersecurity has been defused a bit between various DGs but there is now a big effort and it is extremely important to President Juncker that we bring together all our work on that. In our DG, it is the second-hottest topic after the digital single market team, so I expect a lot of thought to be given to it over the next few months.

**Willie Coffey:** I sincerely hope that that is the case. Convener, you will be interested in following that up. As the digital single market opens up and people engage with technology much more than they are even aware of, the cybersecurity aspect will be crucial. When I read that there is an unpreparedness for that within the European Union, I was a wee bit concerned. It will be interesting to me and, I am sure, other members to follow the progress that is made on that agenda as it develops.

Thank you, convener, for allowing me to attend the meeting and ask those questions. As I said at the outset, I do not envy the task that you have in front of you, Ms Kent. Some of the issues that I am raising on behalf of consumers and constituents, which are important to them, are about the costs of accessing and using technology within the European Union. The aims and objectives of the single digital market are wonderful, but the delivery can sometimes be a wee bit less than that.

**The Convener:** Thank you, Willie, for your attendance and your questions.

As we bring the evidence session to a close, I return to a point that Mr Coffey made about the variation in both the level of infrastructural investment and the development of broadband networks across the countries of the European Union. That was an interesting observation. A number of factors impinge on the development of broadband networks, such as geography—particularly remoteness and rurality, given the difficulty of achieving connectivity in remote and rural areas—population size and density, and legacy infrastructure.

What is the European Commission's attitude when it comes to determining what state aid might

be made available, and how does the Commission take those factors into account in arriving at those decisions?

**Gail Kent:** I guess that you are referring to the state aid that was made available to the UK in 2013 for two years for the roll-out of broadband. If I understand correctly, that has stalled lately because neither Ofcom in the UK nor the competition department of the EC is happy with the way in which the state aid situation has developed. I tried to speak to the people who are involved with that before I came here, and I understand that there is agreement between the UK and the EU that things need to change and they are confident that they will find a solution to the problems. They still have hopes that state aid will be regranted for a further period.

The situation regarding that state aid is the same as it is for anything else. It has to be clear that procurement of the services must be done competitively and that aid must not be used by individual companies to increase their turnover rather than to put things out properly to the market. We are not against state aid, but we feel that there are various ways of improving the infrastructure such as leveraging private funds using the European Investment Bank. What we are trying to do at the moment for the Juncker plan is put together a portfolio of possibilities that companies and countries can use to improve their connectivity.

**The Convener:** The Scottish Government has the ambition of achieving the roll-out of superfast broadband to 95 per cent of premises in Scotland by 2017-18, which would mean that we would still have the 5 per cent hard-to-reach premises. Does the Commission have a view on novel or innovative solutions and approaches that might be helpful in closing that 5 per cent gap?

**Gail Kent:** I am really not an expert on state aid, but I understand that there are particular schemes for areas—I think that they are called white areas—that have low connectivity. I would have to refer back to the committee. There are schemes that give money to help areas that are particularly badly connected but I am sure that digital Scotland has already looked at them.

**The Convener:** Perhaps we can encourage you to talk to each other so that we can get the benefit of your expertise as digital Scotland takes those issues forward.

Members seem to have no further questions. Are there any other points that you would like to put on the record?

**Gail Kent:** Not at all. It has been interesting for me to hear your concerns. One of the reasons why we in the Commission have a going-local team is to make sure that we are less cut off from the

member states, because we tend to sit alone in our policy ivory towers.

**The Convener:** We are pleased that you came out of your ivory tower to visit the Scottish Parliament.

**Gail Kent:** I am very happy in this different tower.

**The Convener:** Thank you for your attendance and your comprehensive evidence. I hope that this was the first of a number of sessions and that we can have a useful and constructive dialogue with the European Commission. We look forward to receiving the follow-up information that you have referred to and to hearing of further progress towards achievement of the digital single market. Once again, thank you.

**Gail Kent:** Thank you for having me.

**The Convener:** That concludes today's committee business.

*Meeting closed at 11:09.*





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.

---

Published in Edinburgh by the Scottish Parliamentary Corporate Body

All documents are available on  
the Scottish Parliament website at:

[www.scottish.parliament.uk](http://www.scottish.parliament.uk)

Information on non-endorsed print suppliers  
Is available here:

[www.scottish.parliament.uk/documents](http://www.scottish.parliament.uk/documents)

For information on the Scottish Parliament contact  
Public Information on:

Telephone: 0131 348 5000

Textphone: 0800 092 7100

Email: [sp.info@scottish.parliament.uk](mailto:sp.info@scottish.parliament.uk)

---