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Official Report

INFRASTRUCTURE AND CAPITAL INVESTMENT COMMITTEE

Wednesday 14 December 2011

Session 4

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INFRASTRUCTURE AND CAPITAL INVESTMENT COMMITTEE
12th Meeting 2011, Session 4

CONVENER

*Maureen Watt (Aberdeen South and North Kincardine) (SNP)

DEPUTY CONVENER

*Jamie Hepburn (Cumbernauld and Kilsyth) (SNP)

COMMITTEE MEMBERS

*Malcolm Chisholm (Edinburgh Northern and Leith) (Lab)
*Neil Findlay (Lothian) (Lab)
*Adam Ingram (Carrick, Cumnock and Doon Valley) (SNP)
*Alex Johnstone (North East Scotland) (Con)
*Gordon MacDonald (Edinburgh Pentlands) (SNP)

*attended

THE FOLLOWING ALSO PARTICIPATED:

Robert Aldridge (Scottish Council for Single Homeless)
Brendan Dick (BT Scotland)
Gordon MacRae (Shelter Scotland)
Julie Minns (Three)
David Ogilvie (Scottish Federation of Housing Associations)
Matt Rogerson (Virgin Media)
Richard Rumbelow (Everything Everywhere)

CLERK TO THE COMMITTEE

Steve Farrell

LOCATION

Committee Room 6

Scottish Parliament

Infrastructure and Capital Investment Committee

Wednesday 14 December 2011

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

Broadband Infrastructure Inquiry

The Convener (Maureen Watt): Good morning, everyone, and welcome to the 12th and final meeting in 2011 of the Infrastructure and Capital Investment Committee. I remind members and the public to switch off their mobile phones—I have not switched mine off yet—because they affect the broadcasting system.

Everyone is present and correct today. Item 1 is evidence on the broadband infrastructure in Scotland. We will hear from telecom and broadband providers today, and I welcome our witnesses: Richard Rumbelow, head of corporate affairs at Everything Everywhere; Brendan Dick, director of BT Scotland; Matt Rogerson, head of public affairs and policy at Virgin Media; and Julie Minns, head of regulatory and public policy at Three.

The committee has heard evidence of a link between broadband connectivity and economic growth. For example, the Royal Society of Edinburgh said in its submission:

"An internationally competitive digital infrastructure is critical to sustainability, economic success, and social and cultural well-being".

Will you comment on the economic advantages that will be gained if Scotland establishes a superfast broadband network and, conversely, on the disadvantages of not doing so?

Brendan Dick (BT Scotland): Apart from the excellent work that the RSE, and Michael Fourman in particular, has done, a couple of other bits of recent evidence support the view that you expressed. You might be aware of work that came out relatively recently, which Ericsson did in conjunction with the Chalmers University of Technology in Sweden. The researchers looked at 33 Organisation for Economic Co-operation and Development countries and suggested that there is a 0.3 per cent uplift in gross domestic product for every doubling of broadband speed. A 0.3 per cent uplift might not have been a lot a couple of years ago, but in the current economic climate it is potentially quite significant.

More recently, SQW, which you might be aware is an economic consultancy with a presence in Scotland, did some work for the Scottish Government—I think that it was in spring this year. Although SQW was not looking at GDP, it came to the conclusion that one would typically see employee productivity increase in the manufacturing sector by about 5 per cent and in the services sector by 10 per cent, potentially.

There is growing evidence, but the challenge is that the deployment of high-speed broadband services, as compared with broadband itself, which was deployed in Scotland around 2004 and 2005, is relatively embryonic. That is true not just for Scotland and the United Kingdom but more broadly. Therefore, the evidence base is still growing. There is a combination of, first, evidence such as I mentioned and, secondly, a belief that high-speed broadband is the right direction of travel in the digital economy in which we live.

We live in a world in which there is a blurring between the place of work and home—members of the Scottish Parliament must live with that reality. That also applies in the context of learning and other areas, including e-health, which is a big agenda item. When we consider the deployment and use of technology, we can see that we are rapidly moving into a world in which the home is more a place of economic activity and interface with public services than was the case even three or four years ago. That is a factor that we need to take into account.

Malcolm Chisholm (Edinburgh Northern and Leith) (Lab): The figures that you gave were interesting. You mentioned a study that showed increases in productivity of 5 per cent and 10 per cent—but from what?

Brendan Dick: From where they are, so—

Malcolm Chisholm: I meant from doing what? From doubling broadband speed?

Brendan Dick: No. That study referred to the adoption of higher speeds; it was the Ericsson report that considered the effect of doubling broadband speed.

Malcolm Chisholm: It was a general observation, then.

Brendan Dick: It was a general observation, but I think that it indicates a trend and a direction of travel.

Julie Minns (Three): I will make a couple of points to follow up on Brendan Dick's remarks. First, on the point about the blurring between the workplace and the home, we see among our customer base increasing take-up from small businesses, for which mobility is crucial. If you have a small workforce, the ability to stay in touch with your customers when you are travelling between appointments is critical, so small businesses increasingly use mobile broadband. The Federation of Small Businesses surveyed the

use of mobile broadband as well as fixed broadband in its infrastructure report earlier this year.

The second point relates to 4G. In the press today, Ofcom says that the UK is at significant risk of falling behind in the deployment of 4G mobile technology. There is a report by Deloitte—I am happy to supply the details to the committee—that measures the economic impact of deployment of 4G services on the US economy. The figure that sticks out is the estimate of associated job creation from the deployment of 4G in the US at upwards of 770,000 new jobs.

The UK has not yet announced the rules for the auction of the spectrum that will allow us to deploy 4G services, so I think that the concerns that Ofcom has voiced today are very real.

Matt Rogerson (Virgin Media): On Brendan Dick's point about the embryonic nature of our understanding of how broadband can support industry and growth, I think that we have reached a tipping point. It is an incredibly exciting time—in Scotland, Virgin Media supplies about a million homes that by March next year will have access to 100 megabit broadband, which is genuinely fast. We deliver at 90 per cent of our headline speed.

Going into 2012, we have a big job ahead of talking to businesses and consumers about how they use those services. To date, we have been very good at building the network and investing billions of pounds in it, but we have not been quite as good at helping people to understand the benefits of broadband. For example, an FSB survey—it may have been the same one that Julie Minns mentioned—showed that 20 per cent of small businesses did not think that the internet mattered to them, which is a surprisingly high number, given how impactful broadband can be on economic growth.

The other thing that we have learned in 2011 is that having the infrastructure in place is not the end of the story. We are running a trial in Tower Hamlets in London with an incubator called the cube. We are supplying a very high-capacity broadband connection so that the start-ups that use that space can access that very fast broadband without having to sign up to a 24-month contract. They can pay for it for an hour, a day or a week, and it helps to support their business, especially as they do not know whether they will be there in two or three months.

We have invested billions of pounds in infrastructure and BT is doing likewise, but it is very important that we get people to use it and drive take-up.

Richard Rumbelow (Everything Everywhere): To follow on from Julie Minns's comments, 4G is particularly important for delivering wider-access mobile broadband services to consumers, whether they are individuals, small businesses or large businesses.

We are currently trialling a 4G pilot in Cornwall with assistance from BT that is already demonstrating clear benefits to those trialists—both consumers and small businesses—who are using it. We will learn a lot from that experience, which will help us to understand more succinctly how 4G can be applied to rural environments in particular, in terms of allowing much broader and wider coverage. It shows that mobile will be a more cost-effective solution for many people who want to get broadband access in the future.

The Convener: That leads nicely on to my second question, which is about the infrastructure that your services use, the coverage, and the split between landline fibre and mobile services. We have heard conflicting evidence, with some people saying that we need to roll out fibre as far as possible, with mobile, wireless and transmitters taking up the rest. Can you give us your views on that?

Matt Rogerson: Virgin Media is a huge advocate of fixed-line, fibre-based broadband. We have invested £13.5 billion in a network that covers around 12.5 million homes in the UK. In Scotland, it covers about 1 million homes, mainly in the urban areas, as you would expect. As a result of that investment, we are able to provide a 100 megabit connection today, and we have trialled a 1.5 gigabit connection, which was, for two weeks, the fastest cable connection in the world, before someone beat it. That is always the way. We also provide managed internet access for businesses large and small, ranging from 1 gigabit through to 10 gigabits.

We would argue that the market is working pretty well in urban areas. BT is competing aggressively with us, and I think that 2012 will be a pretty competitive year. In rural areas, we strongly support the idea that, when the Government intervenes with public funding, that funding should be spent on a network that is future-proofed and that is entirely open so that any provider can access it. Any company that benefits from state aid clearly has certain obligations from a Commission standpoint. That can involve a range of elements from wholesale active products such as BT's Infinity product through to wavelengths and dark fibre, which are also elements of the broadband recipe. If public money is to be spent on those networks, it is critical that we have a competitive procurement process. If there is no competition in the process, we will be in danger of sleepwalking back into the 1970s, with a single provider having dominance over the infrastructure in rural areas. That would not be good for Scotland, or for the UK generally.

Richard Rumbelow: There are a number of answers to your question. In regard to the mobile network and our architecture, Everything Everywhere and Three UK have made a considerable commitment to putting more investment into our networks in the UK. We have co-operated over the past four years on improving and advancing our 3G network across the UK, and that has delivered significant benefits through extending coverage to parts of the country that an individual operator would not have been able to cover. That has shown a commitment to investment. Last week, we separately announced an investment of a further £1.5 billion in the network to improve 3G coverage across the UK and to make us ready to roll 4G out.

There is a question about the interdependency between us and fibre providers. A critical part of our connectivity involves having a backhaul network—in other words, a facility to have services connected through our network, with comparable and supporting core networks from BT, Virgin Media and others that we can use to help our deployment. It is therefore critical that we have support from them in their investment plans, too.

Lastly, on public funding, there is increasing recognition of the necessity for the Government to provide financial instruments for further investment in areas where it remains uneconomic for us to provide coverage. Those developments are welcome, and I would certainly echo the view expressed a moment ago that such funding needs to be technologically neutral. In other words, it should not favour one particular technology over another, and it should do what it says it will do in terms of improving coverage to areas that it would otherwise be uneconomic to deliver services to.

Julie Minns: I should like to add a bit of detail about our infrastructure and the coverage that we deliver through it. As Richard Rumbelow has said, Everything Everywhere and Three share infrastructure. We entered into that agreement four years ago, and Three has invested £38 million since then to consolidate and update the networks. We now have more than 1,300 sites in Scotland, which gives us more than 95 per cent population coverage. However, that is with our existing higher-frequency spectrum. From a mobile networks perspective, there are two components that we need in order to deliver coverage. We need to be able to invest in infrastructure—the base stations—and we need the right spectrum to deploy over that infrastructure. The higher-frequency spectrum is good for capacity, so it is fantastic for urban areas, but it does not necessarily give us the coverage that we would desire in rural areas.

10:15

One of the bands of spectrum that the UK Government and Ofcom propose to auction next year is the 800MHz frequency, which is a lower frequency that will cover three times the geographic area in rural areas. Running that spectrum over our existing infrastructure would take our coverage in Scotland significantly higher, not just outdoors but, critically, indoors, because the higher the frequency of a signal, the more difficult it is for it to penetrate buildings. The low-frequency spectrum is therefore critical. With the size of the infrastructure that T-Mobile, Orange and Three share, we would be able to boost coverage in rural areas.

The timing of the UK Government's subsidy of £150 million to improve mobile coverage is not quite in sync with the spectrum auction. We believe that there will be a significant uplift in coverage as a result of the release of the new spectrum and, ideally, from Three's perspective, our being able to use it on our existing network. However, that will come after the UK Government has spent the £150 million, so there is a risk that some of that subsidy will go into areas that could get a significant increase in coverage just from the spectrum auction. There are some questions to be asked about how the UK Government is plotting its coverage. Is it based on current not-spots or projected ones, post-auction? For Scotland in particular, which has a higher proportion of not-spots, that is a critical question.

Brendan Dick: The big thing in my mind about the technological mix that other speakers have touched on is that we live in a world where technology changes pretty quickly and it is sometimes difficult to keep up with it. In the future, we will definitely be in a world in which no single technology is the answer, particularly in rural areas, and we will have a mixture. If we consider Cornwall, where we are doing the pilot, although the contract between Cornwall Council and BT was signed some time ago, it is clear that there will be a mixture of technologies as we move towards 100 per cent coverage. Fibre will be at the heart—I think that that is right, because it will be at the heart of what we have in the UK in the future—but there will be other technologies as well.

In such areas, frankly, we will get to a point where it is uneconomic for the private sector and indeed the Government to invest in fibre to everybody. I appreciate that some people say that we need a gigabit to every home. That would be lovely if we could afford it, but life is as life is, and it is not going to happen, certainly in the short to medium term. A mixture of technologies is the way ahead.

Evidence from what has been happening in Cornwall, where flexibility is required, shows that,

in the year or year and a half for which we have been going, the coverage of fibre-based technology that we plan to build with Cornwall has been creeping up. As processes, thinking and technology improve, we are eating more into the last 15 or 20 per cent. We need to bear that in mind.

On coverage, I announced on Monday a significant investment in about 34 more exchanges in Scotland, so, by the end of next year, Virgin Media will be covering 1 million homes and we will be covering 685,500 homes with high-speed broadband services at a wholesale level. Critically, coverage is starting to tease out into areas that are not totally urban. The new exchanges include places such as Arbroath and Dumfries, and the upgrade at Nairn has already been announced.

An important point was made about the business sector. Apart from the technology that is aimed at consumers and small businesses, the industry is also investing heavily in ethernet-type services that are appropriate for bigger businesses and the public sector. Also, pricing is becoming highly competitive for growth small and medium-sized enterprises, which might be quite small but which may use high-tech capability. In Glasgow, Edinburgh and Dundee, with its gaming sector, there are a number of companies that employ few people but are dependent on those high-speed services, which are becoming much more affordable. Certainly by the end of next year, we will cover around 72 per cent of the population with different services, with ethernet being deployed harder. We need to take account of that mix of capability when we are looking at things from an economic development perspective in the SME sector.

Finally, I agree with the others that it is important that, where the Government intervenes in the market anywhere in the UK, partly because it is legislatively required in European terms that state aid must ensure wholesale capability, the tender process has to be technologically neutral. Out of that, I think that the best mix of technologies will be derived to provide the best affordable service for the geography. It depends on where people are in Scotland and the UK.

Gordon MacDonald (Edinburgh Pentlands) (SNP): I want to ask about the establishment of a broadband network. In previous evidence sessions, the committee has heard that Scotland's digital infrastructure is lagging behind that of other countries in Europe, and Ofcom has suggested that the development of a fibre optic cable network in Scotland is flatlining. Do you agree with Ofcom's assessment that Scotland and the UK are falling behind other countries in broadband infrastructure?

Matt Rogerson: There are two worlds in Scotland. There are the urban areas, which Virgin Media and BT cover. Basically, there is not a problem where we are because our network is capable of going up through the gears to 1.5 gigabit speed in the home. However, there is a problem in rural areas that we do not cover, as there is very little competition in them and very little incentive for the incumbent to invest in the network. It is pretty tricky out there for anybody to invest. The commercials do not really stack up. It is therefore right that the Government should consider how it can underpin commercial investment in those areas.

The key thing for us is that the incumbent is clearly at an advantage in rural areas of the country compared with any third party that wanted to come in and build a brand new network. It owns the poles and ducts in the rural areas. Ofcom is liberalising those so that third parties will be able to pay to access the network but, even when there is access to poles and ducts in rural areas, it is incredibly risky for a third party to come in and invest large amounts of money—we are talking about billions of pounds. That is an incredibly difficult job, but it is vital for the future of Scotland and especially for rural communities in Scotland.

Brendan Dick: We can debate whether the UK is falling behind Europe, but with the programme that has been initiated at the Scottish level and the broadband delivery UK level, I think that we will see massive progress in 2012. Every county in England is looking at doing something and Scotland clearly is. As I am sure members know, Wales already is doing something, and Northern Ireland and Cornwall have done something. Therefore, we will see a massive change.

Investment in Scotland, even compared with that in places such as rural parts of Wales, is massively challenging, so some sort of partnership approach is needed to finance investment in the network. We will see the industry moving towards covering the more urban and suburban parts of the country quite well. As members know, BT's commitment is that we will cover around two thirds of the UK population by the end of 2014. The coverage in Scotland is unlikely to be two thirds, given its rurality. My estimate—it is no more than an estimate—is that around 50 per cent of the population of Scotland will be covered. However, work is taking place with the Scottish Government to try to find a way that will make it as easy as possible to get out to the rural parts of the country.

On the infrastructure, we serve the whole of Scotland through Openreach, which is the arm's-length network part of the business, and we work with Ofcom. Other internet service providers are coming in to use stuff. There is access to ducts and poles. In fact, the costs of that in rural parts

are well below the European average. It will be interesting to see how the market takes that up. It is clear that, with Openreach offering that network capability to the market, including parts of BT, in a regulated situation, it is hard for anybody, including the retail ends of BT, to save while that investment is made. Matt Rogerson alluded to that.

In summary, although Scotland and Britain may have lagged a bit behind, the strategy that the Scottish Government has laid out—led by Alex Neil, the Cabinet Secretary for Infrastructure and Capital Investment—means that we could catch up if there is a will to do it.

A final point is that the demand for broadband services is lower in Scotland than it is on average in the rest of the UK, which was not the case three years ago. If that requires a separate conversation, we can have it, but that is a factor.

Richard Rumbelow: Historically, the mobile sector in the UK has invested considerable amounts of money in network deployments. Combining Orange and T-Mobile 3G networks will certainly improve the customer experience by giving access to a much wider network than we would have had as separate businesses. As we have said, the work that we are doing with Three on our joint 3G deployment demonstrates that the industry wants to work together to make that investment happen.

There is now a higher level of ambition in what Government policy makers and consumers want, so we will have to step up to that challenge and meet that ambition. Historically, we have a good track record in how we have deployed our networks and worked co-operatively to improve coverage and our network capability wherever possible. However, the 4G auction and the delivery of 4G are now critical to extending that ambition further.

The UK will be one of the last countries of the Europe 27 to auction and deploy 4G capability when it comes through from 2013-14 onwards. Some countries in Europe have already completed that process. In some countries, such as Germany and Scandinavian countries, 4G is already in operation. We are at a critical point. Getting that spectrum to market and getting the services to the consumer across 4G is crucial. I think that the industry can demonstrate historically that we have met the ambitions of consumers and policy makers and that we have worked together co-operatively in delivering the investment so far.

Julie Minns: To amplify that point, I add that when we had the previous spectrum auction 10 years ago, the UK was the first region in Europe to have an auction. As Richard Rumbelow said, we will now be, perhaps with the exception of Greece—given the current economic climate, I am not sure that that is a basket of countries that we want to be in—the last in Europe to have a 4G auction.

The Convener: Is there any reason why the auction is being held when it is? Is there any reason why it cannot be brought forward?

Julie Minns: There are a number of reasons. Under the initial proposals, the auction would have taken place in autumn 2010, but Ofcom announced a couple of months ago that the auction would take place in the last quarter of next year, so we have gone back two years.

There are a number of reasons for the delay. There are issues to do with interference with the spectrum, which need to be got right. We appreciate that and we are working closely with Ofcom to help it to understand that. There is also a threat of legal action, which I am sure some members have read about in the press. It might not involve the two mobile networks that are represented at the committee today, but there have been rumours of legal action, which obviously makes the regulator quite cautious, because it must get the proposals correct or risk having them overturned in the courts.

There are a number of good and valid reasons for the delay. Nevertheless, as Richard Rumbelow says, we are at a critical point. The auction cannot slip any further than quarter 4 in 2012. Otherwise, Greece might overtake us.

Gordon MacDonald: We have heard about the speeds that people can get in urban areas. I only wish that that were true—my constituency office here in Edinburgh is going to get ADSL. What would be an acceptable speed throughout Scotland? We have heard that, in 83 exchanges, people get only a 0.5 megabit broadband service.

10:30

Brendan Dick: The 83 exchanges with the 0.5 megabit service have been there since 2005, so it is not a question of "going to get"; people get that now.

The situation is uniquely Scottish and goes back to the first broadband deployment in 2004-5, when economics was an issue. The amount of intervention that was available from the Scottish Government then was £60.5 million. We invested about the same. I will give you a bit of context to the challenge that we have in rural Scotland. At the time, there were 399 exchanges in Scotland—out of 565 in the UK—that BT under its own steam could not bring up to the conventional ADSL that you are talking about. Scotland had the big share of the problem in those days, and we can correlate that to the position today. Those exchanges

covered only 2 per cent of the Scottish population, so there was a massive imbalance because of the rurality of the country and how that works.

To cut a long story short, when that joint investment was made the only economically viable way of doing anything was to deliver a 0.5 megabit service to 147 exchanges. The number of exchanges went down to the current 83 because, under the law, the contract, which is now concluded, stated—as many such contracts do— that if the take-up was higher than the business case had projected, the customer, in this case the Government, would be due to get some money back or reinvestment. Jointly with the Government, we reinvested money to get rid of the gap between 83 and 147, which is 64 if my mental arithmetic is right. As members know, a tender is under way in the Highlands for high-speed broadband. Clearly, the intent in Scotland is that the 0.5 megabit speed will disappear as high-speed broadband kicks in.

In the mass market, demand for speed tends to be higher in the consumer base—for home entertainment, the iPlayer and so on. I am sure that we are all familiar with that. From an economic development perspective, the issue is how we exploit higher speeds becoming available to the SME sector, which is a slightly different question.

You asked what speed is needed. A basic starting point is now often thought to be a bare minimum of 2 megabits—people can get services such as iPlayer on that—going upwards.

Matt Rogerson: Coming up with a precise figure for the bandwidth that people need is always difficult. In terms of current generation broadband, you will see adverts in your paper for up to 24 megabits for X pounds per month, but the reality is that the actual speed that is delivered in the home by copper-based DSL providers—not Virgin Media, I should add—is much lower than that. The UK average is 6 megabits per second.

As a high-speed provider, we see the killer app, as it is called, as being teenage children generally and multiplicity in the home—families are living digital lives, using laptops and smartphones, and watching internet protocol television at the same time. In the future, we will see more security systems and health solutions using broadband. We are doing some exciting stuff with the national health service in the north-west of England in that regard.

As Brendan Dick said, the compression rates for services such as iPlayer always get better so they will take up less bandwidth, but there will always be new applications and new devices coming on stream that will eat away at bandwidth. A good 20 megabits connection at the moment would be really good for a household. We are selling 50

megabits and 100 megabits—so I think that you definitely need 100. [*Laughter.*]

Brendan Dick: I want to add to Matt Rogerson's point about where demand comes from. I have a daughter who is still a teenager and one son in his 20s. To an extent, the challenge for us in Scotland—if one is talking about Government investment and putting it into the rural areas, largely—goes back to the conversation that we had about economic uplift and so on. Working out how to get that balance right is quite challenging. As a taxpayer, I might argue that investing in my kids watching TV, whether from Virgin or BT, is not a particularly good use of money. There are other things that the money could be spent on.

The way I see it, it comes down to a blurring of what the home is about. For example, 60 per cent of small to medium-sized enterprises in the United Kingdom—the Scottish figure is no different—start up at home. That has been true for a couple of years now, give or take. We should link all that into public sector applications such as e-health that are on the cusp of growing significantly, not just because the technology is getting easier and cheaper but because, at a time of financial constraints, the public sector is having to innovate in the way that it reaches out to its customers. Four years ago, Scotland had, in glow, arguably the best school e-learning platform in the world, although its evolution has stalled slightly. However, whatever happens, that will evolve. We are in a world where the home is about more than high-speed entertainment.

Matt Rogerson: Let me throw in a couple more points while we are tossing issues back and forth. We have talked mainly about physical bottlenecks, such as issues to do with poles and ducts in rural areas, but there are a couple of other points to bear in mind. One is about access to digital rights. For example, at present in the UK, there is no version of Netflix or some other subscription streaming movie service, as there is in the US. That is because there is a competition issue with access to those rights, although Ofcom and the Competition Commission are considering that issue. For the digital economy in Scotland or the wider UK to gather momentum and for consumers to buy into it, we need the infrastructure, but we also need access to such rights to create those services. The issues are entirely interlinked. That issue must be sorted along with the infrastructure issues.

A second point is about what kids do with broadband access. Recently, the chief executive officer of Google asked why in the UK, where computer science was founded, we no longer take computer science seriously in schools. That is a huge gap. We can put in place all the infrastructure in the world, but if kids do not know

how to use it and be creative with it to drive economic growth, we are missing a huge trick.

Julie Minns: The issue of speed is a little different in the mobile market. As an industry and a group of mobile operators, we do not predominantly market our services on speed. The reason why the majority of consumers who take up mobile broadband do so is, as I alluded to earlier, the additional benefit from mobility—it is portable. There are some interesting statistics in Ofcom's report about the take-up of mobile among people in short-term rented accommodation. It is not possible for some consumers to enter into a 12 or 24-month fixed contract, so they take out a mobile dongle on a pay-as-you-go contract, which can be taken from property to property. Our market is not so much about speed. Nevertheless, the average speed that our customers receive using our mobile broadband is just under 3 megabits, which is above what is deemed to be a reasonable universal service.

In policy making, we must be careful not to emphasise too much the move to high speed, because significant parts of the UK do not even get 2 megabits. There is a risk that the more focus we put on speed, the greater the divide will become in the next few years. I absolutely support the view that we need both, but in policy making as much focus needs to be put on ensuring that everyone throughout the UK has access to at least 2 megabits as is put on the cities that are aiming to get 100 megabits.

Richard Rumbelow: I echo what Julie Minns said. There has been a focus in public policy on speed, the aim of which has been to encourage and incentivise the private sector to invest in structures, infrastructure and network. However, we should be careful that although speed is the headline and is driving the process, in some cases speed is irrelevant to the type of services that people commonly wish to use.

Our 4G trial in Cornwall is demonstrating that. For example, the speed that we have been able to get through 4G mobile is significantly higher than the current 3G experience. That is opening up huge opportunities for the trialists to see that the level of service from mobile broadband is comparable to, if not better than, the service level that they are experiencing currently from their fibre or fixed provision. They are able to download films and movies, access Government services, do voiceover IP and access a variety of services through mobile broadband that they would otherwise not have experienced and which they certainly cannot experience through their existing fibre connections.

The speeds that we are getting are nowhere near the targets that public policy wants to achieve by 2015 or 2020. However, the ambition around speed needs to be tempered with the fact that people are benefiting from more services at a lower speed than they would be able to receive through their fibre provision or, potentially, through 3G currently. That is one clear example of how the 4G trial has helped us to understand how people will use it in the future.

Gordon MacDonald: We have touched on the fact that we will need a mix of technology to provide a broadband network in rural and remote communities. What would the optimum mix be, and is there anywhere in the world where that mix already exists?

Brendan Dick: I can give you a quick view based on what is happening in Cornwall. As we have said, the mix will vary. When we started the build, the assumption was that it would be 85 per cent fibre deployment using the copper network. The key—I said it earlier and I will say it again—is to maintain flexibility in the relationship between, in this case, Cornwall and BT in working with others to ensure that we can take advantage of changes as we move, learning and all sorts of stuff. The build is now up to nearer 90 per cent fibre, and I think that that would be the case in Scotland. In the Highlands, it might start at a different level but, hopefully, over time, it would evolve. The same would happen in the south of Scotland.

The Convener: I ask members to keep their questions brief, as time is moving on and we have not got very far through our questioning. If the witnesses agree, they should just say, "I agree."

Adam Ingram (Carrick, Cumnock and Doon Valley) (SNP): I want to focus on priorities. The Royal Society of Edinburgh has suggested that the priority in the development of Scotland's digital infrastructure is an open-access fibre backbone. Should that be the main priority for public support in rolling out next-generation broadband?

Brendan Dick: I know Michael Fourman quite well and understand where he is coming from, but his suggestion is flawed in one major respect. The cost of taking high-speed broadband out to consumers and businesses is not primarily in the backbone, but in the bit that goes from the exchanges and cabinets out to the houses. That is where the bulk of the cost is. Scotland's backbone—even out into some rural parts where current DSL technology is already deployed—is pretty good. Some of it needs uplift, especially in the very rural parts, but the bulk of the cost, as we go on that journey, will not be for the backbone.

Matt Rogerson: I worked for a company that spent billions of pounds and went bankrupt building an access network, which is where the majority of the cost is. The real cost lies in digging up residential streets. The core network market in the UK is very competitive and the cost is in the

streets where you live. One way in which that cost could be reduced would be in the deployment of more cables above ground. The UK Government recently put out a consultation on a proposed relaxing of the constraints on deploying cables above ground. We think that the cost of the access network could be massively reduced in local areas if that were possible.

Adam Ingram: The cables would be similar to telephone lines.

Matt Rogerson: Indeed. We have trialled that in Crumlin, in Wales, where we took a 14km fibre along electricity infrastructure and then down medium and low-voltage poles into a home, where it was converted and they use 50 megabit broadband and the V+ service. We think that that could contribute to a reduction in cost.

Adam Ingram: What support are you looking for for that? How would you advise the Government to roll out next-generation broadband more quickly, particularly in areas that are not, it might be argued, commercially viable?

10:45

Brendan Dick: Matt Rogerson makes an interesting point. We all constantly consider any and every new way of doing things better, faster and cheaper. That is clearly a benefit for us and for the country. Matt Rogerson's suggestion is one means of doing it. At any point in time, we can say that we could do X, Y and Z but, to return to my earlier point, we must maintain flexibility. As deployment of fibre over telegraph poles or other utility poles becomes doable, that can become part of the mix. There will be a genuinely evolving picture. New technologies will come in as we explore the issues here and with the global partners whom we work with to find technological solutions, whether that be for fibre, satellite or mobile.

Adam Ingram: You are saying that the backbone is not the biggest issue.

Brendan Dick: Correct.

Adam Ingram: We heard evidence last week that existing networks, such as JANET for the universities, could be linked into to help the development of the broader network across the country. Could that play a significant role?

Matt Rogerson: Throughout the broadband development UK process that the UK Government ran and the rural broadband programme, we thought really hard about whether the most cost is in the backbone or the metro network—the network that goes from the core close to villages and towns across the UK. That programme lessened the cost, but the local access network is where the bulk of the cost is.

To return to the point about overhead cables, one way in which the Government could incentivise that approach to roll-out is by working with the electricity companies to ensure that they benefit from that relationship with internet service providers. At present, there is discussion with the Office of Gas and Electricity Markets about whether those companies can earn revenues from providing that service, but that needs to be considered further.

The difficulty is that lots of processes are going on to streamline the environment and make it easier to roll out broadband, while at the same time there is a huge political and economic imperative to get a broadband network out there as quickly as possible. The problem is that not all the processes are in sync. We could get into the situation that Julie Minns mentioned in which public money is available but some of it is wasted because the processes are not streamlined enough. The money could just go into black holes—rather than private entities wasting money, public money would be wasted instead, which would not be a good outcome for taxpayers.

Richard Rumbelow: We welcome the commitment by the UK and Scottish Governments to provide public funding to give incentives for roll-out in areas where that is considered uneconomic for the industry. A failure to allow the mobile industry to benefit from some of that public funding would miss a significant opportunity, given that we would be delivering, through improved 3G as well as 4G services, much wider and more cost-effective broadband access to people who have not benefited from it in the past.

I keep talking about the Cornwall trial, but it is demonstrating that people who have had limited access to broadband, whether through mobile or fixed connections, are enjoying an experience that they have not had before. To eliminate or remove the opportunity for the mobile industry to benefit from that public funding would mean that a significant swathe of people would not have access to broadband. Those are the very people whom we want to support, such as small businesses and individuals, and who would benefit from it. If we do not do that, they could suffer from e-poverty and a lack of access. That is a highly important issue.

Brendan Dick: The key point about JANET and, bringing it closer to home, the pathfinder north and south projects is that they are services. Although there is an underlying network, they are services that the public sector has bought—with pathfinder it is local authorities, and with JANET it is the academic sector. At a network level, it is not unknown in the UK and abroad for network providers to buy connectivity from one another. That is a separate conversation that they have in

bringing the best solution to bear. However, we should differentiate the service from the network.

As you probably know, if you were to look at using, say, pathfinder or JANET—projects that are for a specific use for the public sector—as part of that service, there would be quite messy state aid implications, because we are talking about a service that is for mass use.

Julie Minns: I would like to make a brief point on the £150 million that has been made available for mobile infrastructure to plug the not-spots that exist across the UK. That £150 million is welcome. Our understanding is that it is for capital expenditure only—in other words, it is for build costs only. Mobile networks that deploy across that infrastructure will still have operating costs. The procurement has to be done on an open-access basis, which means that the infrastructure cannot be built for just one network. The question that does not appear to have been answered yet is how Ofcom will ensure that any mobile network deploys its services across that shared infrastructure. We are talking about masts that will be put up in areas that are not-spots largely because it is not economic for us to build there. If the funding is for cap ex only, it will still be uneconomic for us to run services and to keep our services across those masts in year 2.

There are a couple of questions that need to be answered. Is any non-cap ex subsidy available in that £150 million? How will the regulator ensure that all four mobile networks run their services across that open-access infrastructure? Will it put conditions in the licences that are auctioned next year, or will it revise the existing licences to force the networks to run their services across that shared infrastructure? Those questions have not been answered.

Adam Ingram: I think that my other questions have been covered.

The Convener: When we took evidence from local groups, Aberdeen city and shire economic future talked about the use that could be made of the public sector's property portfolio and suggested that wireless operators putting base stations in public buildings could reduce costs. I hear what you say about the infrastructure not really being the problem, but do you agree with ACSEF's comments? Could more be done to hasten the roll-out of broadband, to increase its availability and to provide the speeds that are required through making more use of public infrastructure?

Brendan Dick mentioned glow. There are facilities that are being used during the day that might not be being used at night, which is when, for example, the kids at home might want to watch iPlayer in their separate bedrooms. Could we make more economic use of existing infrastructure?

Matt Rogerson: Virgin Media is undertaking a specific initiative to build out metro wireless networks, which sit between fixed connectivity and wireless connectivity in that they use the power of our fixed-line fibre broadband network in urban areas to connect to small cells that sit out on the street and provide ubiquitous connectivity. For example, in the middle of Edinburgh, that would provide pretty high-speed mobile connectivity that people could log on to seamlessly with their smartphones.

To make that happen, we need access to lamp posts. It is not particularly sexy, but that is all that we need. If the process of procuring access to those lamp posts could be as streamlined as possible, that would help to get such networks into our large cities around Scotland and elsewhere.

Brendan Dick: I back that up. Scotland is not different from the UK in this regard: once the decision has been made to build something, whether it be fixed or wireless, the general issue of working with local authorities and planning is critical. Where that is successful, generally speaking, the local authority planning department will see such development as an economically important thing to enable—I am talking about facilitation, not breaking the rules. We have had one or two slight glitches in Scotland, which, fortunately, have been overcome. That whole process is critical, because we are talking about big engineering stuff.

On the use of public buildings, the comment has been made about people working in a mobile world, and that is true. Even though fixed-line technology will be the predominant component, the vast majority of us have some mobile technology. We have routers lying around at home and we use hand-held devices—even people of my age do.

We will therefore live in a world of mobility, but in Scotland it is critical to avoid a series of disparate bits of network that are owned by different people, become unmaintainable and are certainly not economic. There are two reasons for that. First, if we want to provide the country, citizens and businesses with industrial-strength capability, the harsh reality is that we need the industrial-strength build and people who know what they are doing. That is just a fact, and it is true in any industry.

Secondly, at the consumer level in the UK and in Scotland, we have a degree of choice from a variety of providers in both pricing and services that is among the best—and possibly is the best—in the world. That competition gives people relatively cheap prices and choice in what they

procure. It is important that we maintain that position, whether or not we use public buildings—that is an option, but there is already a lot of mobile and wireless technology. For example, I do not want to be restricted to having no choice even if I have high-speed broadband. I live in Edinburgh so that should not happen, but it would be the wrong answer.

Richard Rumbelow: There are two or three points from our side.

First, our critical infrastructure is radio spectrum. Radio spectrum for mobile services is co-ordinated certainly at a European level and often at a global level. The release of radio spectrum—in other words, getting spectrum bands that are clean, cleared and for us to use—is done at that level. Therefore, we have to rely on regulators to determine and put forward changes to spectrum ownership and band, which allows us to bid for it in the future. Spectrum is not within our gift to control. We rely on regulators to make it available for us to use at certain periods in the future.

The second key part of delivering the infrastructure—and one regulatory barrier—is the planning system. Whether it is to deploy 4G in the future or to be involved in the £150 million not-spot programme, there will be a requirement for new build. The planning system therefore needs to reflect the economic investment that we will make and, to a certain extent, to be responsive to that. In the past, we have sometimes seen the planning system in Scotland being resistant to new build—new masts and new infrastructure. That issue needs to be reflected in how quickly the infrastructure and service can be deployed, whether that is across Scotland or the rest of the United Kingdom. The planning system is a critical instrument in allowing us to deliver the services as quickly as possible.

Neil Findlay (Lothian) (Lab): I will not ask you to comment on this; I just cannot help myself. I find it a bit ironic that companies that champion competition are the same ones that are hungry for subsidy. That is just a comment.

You spoke about using infrastructure—poles and various other things. Should it be a requirement on authorities and other utilities to allow you access to their infrastructure in order to develop services?

Matt Rogerson: That is a potential revenue stream for local authorities in cash-constrained times. Ideally, we want to reach a situation in which there is a market for publicly available infrastructure in our towns and cities across the UK. It is right that if there is a public asset, such as a tramway in Edinburgh, where lines could have been laid down at the same time—

Neil Findlay: Bad choice!

Matt Rogerson: Lines could have been laid down at the same time—

Neil Findlay: And then dug up again?

Matt Rogerson: And then dug up again, and then laid again. [*Laughter.*]

That could save costs and enable the faster and cheaper roll-out of networks. The UK Government announced the urban broadband fund. Money will be available to Edinburgh, and it will be interesting to see how the City of Edinburgh Council approaches that. Will it try to build the network itself, or will it use the money to subsidise a company such as BT to build the network in Edinburgh? If the council has a superfast urban ambition, we want it to look at the infrastructure that it has available, put a fair market price on it and see which market players are able to access it.

11:00

Brendan Dick: A number of us in the industry have been involved in things such as wireless cities projects. Planning access to infrastructure at a fair price is vital, otherwise it just does not happen. That involves not only lamp posts but, for example, the ability to put wee wireless things on the side of a tenement block in Edinburgh or Glasgow. That is part of the on-going learning and activity that we need to take part in. Whether the approach needs to be so draconian as to involve legislation and so on, you are more of an expert than I am—

Neil Findlay: I would not bet on it.

Brendan Dick: It would be a pity if it got to that point. It strikes me as an issue of common sense, frankly.

Neil Findlay: Should we introduce new access requirements to the building regulations?

Brendan Dick: Sometime around 2007, when the Parliament was dealing with legislation on that matter, I spoke to the minister who had responsibility for housing. I took the strong view that the regulations to make the deployment of what we are talking about today as easy as possible should be the same as those around the requirement for infrastructure going into houses for water, electricity and so on. I say that because, in the modern world, it is generally felt that the infrastructure that we are talking about is critically important to our society, socially and economically—that is why you have invited us to speak to you. I would support work being done to introduce new access requirements to the building regulations.

Neil Findlay: Earlier, you made a comment about waste and public money. The evidence that

we have heard so far suggests that loads of wee bits of work are being done by loads of people and that an entire industry has emerged of people attempting to do something, but their efforts are all over the place and there is a huge danger of duplication and of wasted public money. Is that reflected in your experience?

Brendan Dick: I think that there is more of a danger of that at a United Kingdom level than in Scotland. I do not want to be parochial but, down south, there is the BDUK process, which is clearly where there are big chunks of money for what we are talking about; there is the funding from the Department for Environment, Food and Rural Affairs, which does not apply up here but which comes to around £20 million; and there is the £100 million for the cities, from which Edinburgh will benefit and for which Glasgow could bid. If I am being honest, the situation at a British level is a bit disparate.

In Scotland, the Government has a Cabinet Secretary for Infrastructure and Capital Investment. That is unique in Britain—no other Administration in Britain has an equivalent post. Together with this committee, that represents quite a lot of brains focused on the issue, which means that there is less danger of things becoming as disparate as they are in the rest of the United Kingdom.

However, to get the best bang for our buck, it is important that the direction of travel in Scotland acknowledges the scale that is involved. The tender process is running in the Highlands, and I would guess that the process will kick in in the south of Scotland pretty soon. My personal view is that, of the rest—however you define that—there is one more that is still to kick in.

Those are the inputs. In terms of the outputs, when one is looking at state intervention—we have experience of that from first generation broadband and from what has happened elsewhere—the commercial relationship between whoever wins the tender and Government can be constructed so that excess returns are not made by the private sector winners. European law helps in that regard. Earlier, we spoke about reinvesting in the networks in relation to first generation broadband. If that is thought through carefully, and the inputs are pulled together—I think that we are making a stab at doing that in Scotland—it will work.

The Convener: Local groups and organisations are conducting audits of infrastructure. Aberdeen city and shire economic future found a cable that runs along the A90 and the A98 that does not belong to BT and is being used to make a significant contribution to connectivity in the region. Some local organisations are pretty

professional and can access private money that might not otherwise be accessible.

Matt Rogerson: Speaking from the point of view of a retail ISP, I point out that when we are thinking about connecting to networks and integrating new networks into our business, we usually look for scale. Scale is absolutely critical. For us, connecting to a network of fewer than, say, 1 million is highly cost-prohibitive. Lots of processes are involved in connecting with new networks, so the build-up of a patchwork of networks of less than 1 million is bad for us—

The Convener: Do you mean 1 million customers?

Matt Rogerson: I mean 1 million homes.

To go back to the earlier question of whether public money was being wasted, there is a concern that splitting the BDUK process into small lots has made it difficult for most third parties in the private sector to bid for them. To run all the procurement processes at the same time is heavily resource-intensive, and only a couple of companies—one of which is represented here at the table—have the resources to cope with that process. There is a train of thought that the inherent tension between localism and building the network should be resolved by clubbing together some of the smaller procurement processes so that they are offered in bundles of 1 million households. That would make the process commercially viable for a third party to bid for, and for a retail ISP such as Virgin Media to provide its services across the network.

Julie Minns: I will add a quick point from the mobile sector's perspective and will pick up on the point about co-ordination. As I said, there is a timing issue in respect of the spectrum auction and the procurement process. The BDUK projects will procure over the next two to three years, and it will be difficult for Three, as a mobile network with only one spectrum band, to participate in that procurement exercise. We cannot say with any confidence what spectrum we will have on which to deliver our services in the next two to three years, because the auction will take place slap-bang in the middle of that period. The critical issue for us is the low-frequency spectrum. We would like to be able to engage with a number of the pilots, particularly those in rural areas, but without that low-frequency spectrum, we cannot compete with the networks that currently have legacy low-frequency spectrum.

Alex Johnstone (North East Scotland) (Con): I will move on to a slightly more general point, which has already been touched on. The Scottish Government recently published its infrastructure plan, in which it made a commitment to improve substantially Scotland's digital infrastructure. Is it

essential to achieving that that we have genuine leadership from the Scottish Government?

Brendan Dick: That is absolutely essential. The Government strategy deals with infrastructure and with demand stimulation. There is also an ambition, as you know, to get take-up in Scotland back to the same level as that of the UK by 2015. It is not the same at the moment. Such leadership will be critical, because only the Government here can bring together the industry, the Government itself, public bodies such as local authorities and other interested parties.

Alex Johnstone: Is there any other specific action that you or others would like to see the Scottish Government taking that would broadly define that leadership?

Brendan Dick: To be fair, I should say that we have seen significant ramping up of activity over the past few months. It is a bit frenetic for the civil servants just now and I think that that leadership is beginning to come through. To come back to Matt Rogerson's point, there is obviously a desire and a necessity to move fast. At the same time, however, it is important not to come up with initiatives just for the sake of being seen to do something. It is critical for Scotland that we go for solutions with industrial-strength economies of scale that have sustainable evolution behind them. If we can achieve that clear direction of travel by the spring of next year, that will be a major step forward.

Richard Rumbelow: I support what Brendan Dick has said, and, as Julie Minns pointed out, co-ordination and ambition are also important.

The policy needs to reflect the timing of how the mobile sector can participate in any future direction because of the strategic investment decisions that we will make in the next 12 to 15 months, particularly in relation to the 4G auction, and how Ofcom and the Department for Culture, Media and Sport will allocate the £150 million for the mobile coverage not-spot programme. Those two issues are in the front of our minds at the moment: we certainly want to participate in Scotland, but timing of how to do that rests on those two issues.

Alex Johnstone: In its written evidence, BT suggests that the Scottish Government's

"target of 'significantly' improving access to faster broadband speeds across Scotland by 2015 needs to be more specific and defined in order to judge progress."

Will you comment further on that?

Brendan Dick: There is a difference between access and usage. The Government has set a target of getting us to the end of the process by 2020. My view is that it will be possible—with a fair wind and the kind of speed at which we are beginning to move—to achieve it before 2020, but a staged approach will be critical.

Realistically—Matt Rogerson alluded to this—apart from the technological aspects, this is just about engineering stuff that requires a lot of guys out in the streets doing the work.

It is critical that the process gets started but, a bit like in the climate change debate, staged targets for what we want to achieve, and by when, must be built in because not everybody will benefit instantly. It is just not realistic to expect that they would. The ambition is to get to the end of the process as fast as we can, so we need a process—which is what I think Alex Johnstone alluded to—of measuring progress against targets at three, six, nine and 12 months. That is doable and should be done.

Matt Rogerson: The key thing for me and for Virgin Media is to ensure that any network that is built with public money is genuinely future-proofed, so that in five or 10 years we are not here having the same conversation because we have run out of bandwidth on a network that has been built with public money. It is crucial that the solution last for 10, 15 or 20 years.

Alex Johnstone: The Scottish Government has indicated that it is currently developing, in consultation with key stakeholders, a next-generation action plan. Do you, as key stakeholders, feel that you have been consulted?

Brendan Dick: Yes—we have been consulted on two fronts. First, there has been consultation at infrastructure level. Secondly, there has been a lot of consultation on how we will raise the level of demand. The Government is looking to the industry—but not just to the industry—to become more collaborative in driving take-up and use of information and communication technology. The industry has not been very collaborative in that. Although we run a lot of initiatives, there is no point in talking about them, because we do not necessarily bring them together. However, the committee may be aware of the digital participation charter, which was launched at the GovCamp conference. It basically brings the industry, the third sector, local authorities and the Government together to increase collaboration. It is a good step in that direction.

One aspect is still missing, however. I do not have an answer to this; if I did, I am sure that I could sell it somewhere. At this stage, encouragement in digital participation is aimed more at consumers who do not participate. We know about the challenge in Glasgow, so I will not labour that point. However, the key thing from an economic perspective is how we re-engage with the 25 per cent of SMEs in Scotland that do not see value in using ICT. That figure has been static

for at least two or three years. Some years ago, the remits of Scottish Enterprise and Highlands and Islands Enterprise were changed and their role in interacting with the mass market of SMEs changed, which means that our getting to the SME base is now quite challenging—it is not something that the industry can do on its own. That part of digital participation needs to be thought through more; programmes need to be put in place.

Alex Johnstone: You have talked about co-operation and participation with the Government. Is the structured approach that is coming from the top adequate to ensure that we are avoiding duplication of effort and avoiding spending money—as Matt Rogerson suggested—on things that we do not need to spend money on? Is that co-ordination working to achieve the best efficiency in terms of resources?

11:15

Brendan Dick: I can give my view, others can give theirs. Such co-ordination is certainly what I am asking for. People are thinking this through carefully, but the proof of the pudding will be in the eating. By the first quarter of next year into March, when more of the detail behind the thinking will come through, we will have the proof of the pudding. I am certainly pressing home the message, as I am sure others are, that it is fundamentally important that we provide industrial-strength infrastructure, that we maximise impact and that we use the money as efficiently as possible because—let us face it—we have a big challenge ahead.

Matt Rogerson: I would not be wrong in saying that BT is likely to get quite a lot of the available public subsidy in Scotland. As for the proof of the pudding being in the eating, it is important to have a completely open book on how money is spent and on what infrastructure, in order that every pound of public money—which is so scarce at the moment—is put to best use. We are certainly playing messages back to the UK Government and the Scottish Government about the need for a co-ordinated approach. If we receive any feedback, we will let you know.

Alex Johnstone: I get the clear indication that you have not had the degree of co-ordination that you hoped you would have at this stage.

Richard Rumbelow: We deliver the same message across all the four-nation Governments. You are no different from Northern Ireland, Wales and, to a certain extent, Westminster and Whitehall. Greater co-ordination is needed in how pilot projects are delivered. I reiterate that we have two crucial investment decisions to make in the next 12 to 15 months. Those decisions are at UK level and it is imperative that the devolved nations be involved in that conversation. However, the conversation is taking place not here in Edinburgh but in Whitehall and Westminster. That is where decisions are being made about how the spectrum and the £150 million will be allocated. We are being guided by where the conversation is taking place, but it is imperative that the Scottish Government has a seat at the table in order to understand what is being decided, over what time period, and what its involvement in the process is going to be.

Julie Minns: One point of optimism for me is that two years ago, when we had our first meeting with officials in the Scottish Government, I do not think that there was even a reference to mobile technology in the digital strategy in terms of delivering broadband in Scotland. That has shifted; we have been listened to and mobile technology now has equal prominence with fixed technology. That is critical, but it also reflects how Scottish consumers are accessing broadband, particularly in rural areas.

I got some statistics before coming here today about what we see on our network in Scotland, and I was quite surprised to find that total mobile broadband traffic—that is, using a dongle with a PC or a laptop—is equivalent to eight UK cities, including Manchester, Birmingham, Liverpool, Sheffield, Bristol, Leeds and Cardiff. It is quite a sizable population. We also see that 70 per cent of broadband traffic on the network is outside Glasgow and Edinburgh, so there is significant use of mobile broadband in rural areas. It is therefore absolutely right that the digital strategy now puts at its heart mobile technology, alongside fixed technology. That has been a very welcome shift over the past two years.

Alex Johnstone: On the terms of reference of the 4G auction, should there be a single UK target for coverage, or should there be a separate Scottish target, and what should that target be?

Julie Minns: Three has said publicly that the target that Ofcom initially consulted on—for 95 per cent UK-wide coverage—could increase beyond that. If the low-frequency spectrum, to which I have alluded, were to be deployed across the existing infrastructure without adding a single additional mast, we would exceed that 95 per cent target—we would hit 97 per cent.

However, 95 per cent UK-wide coverage does not necessarily mean 95 per cent coverage in Scotland, Wales and Northern Ireland. We have not taken a position on whether there should be national targets for each country. I guess that we would say that by increasing the overall UK target, Scotland would get an additional uplift that it would not currently get from the 95 per cent coverage.

The other critical issue in the design of the auction is the amount of low-frequency spectrum that the networks need. Ofcom originally consulted on the basis that it would be possible to achieve that national coverage target on two times 5 megahertz of low-frequency spectrum. Our analysis shows that we could get the coverage from that but not the speed, which would be well below 2 megabits per second. To get a universal 2 megabits per second service in Scotland, we need access to two times 10 megahertz, so we have been pushing Ofcom on that.

We hope that before the end of the year we will have from Ofcom another consultation on design of the auction. I urge the Scottish Government and committee members to look carefully at how Ofcom's thinking has evolved on the coverage target and on the amount of low-frequency spectrum that is needed to deliver coverage across the whole UK—specifically in rural areas.

Richard Rumbelow: I have nothing to add to those comments.

Jamie Hepburn (Cumbernauld and Kilsyth) (SNP): A lot of what I had hoped to pick up on has been covered, but I still have a few questions. In response to Alex Johnstone, Mr Rogerson referred to the scarcity of public funding. I am sure that he and all our witnesses will appreciate that the Scottish Government wants the £143 million that it has set aside for development of broadband to go as far as possible , and that it will try to leverage in other funds, which would mean seeking private sector funding. How do our witnesses respond to that? What would the appropriate balance be between public and private investment?

Brendan Dick: The appropriate balance will depend on how the development is done. The Government could say that it will spend taxpayers' money on building the network, but that is not the right answer.

The model for BDUK is what we did with the first-generation contract in Scotland and the way in which the process works means that private sector investment will be needed. No one around this table is suggesting that any Government intervention should be a cost solely to the taxpayer. That is not the way it works. First-generation broadband in Scotland was half and half for the 2 per cent of the population that we were talking about earlier. The cost will, however, vary according to the difficulty of the geography. If I take Cornwall as an example, first-generation broadband got roughly £80 million from BT and £50 million from Cornwall. Northern Ireland got roughly £30 million from BT and £18 million from the Department of Enterprise, Trade and Investment and the Northern Ireland Assembly. The Highlands is more difficult than either of those areas; I will not know the figure for the Highlands

until we have been through the tendering process. No one has won it yet and that will—

Jamie Hepburn: It has been suggested that it will cost £300 million.

Brendan Dick: HIE suggested that figure, which would be the total within which there would be a mix of private and public sector funding. The mix in the Highlands will be different from that in Fife or Perthshire, for example, and it will come about through the process that has to be gone through. The gap-funding mechanism is partly backed up by European law, and the way it works means that it is not possible to overcook the investment from the public sector such that the private sector benefits. That is how it works.

Matt Rogerson: Virgin Media has never taken and does not take state aid for the building of our network. We would therefore not be involved in taking public money to build the network. We would play what we think will be a vital role as an anchor tenant on that network, but we would not build or own the network ourselves.

Jamie Hepburn: I do not mean this in an aggressive or negative manner, but we could be talking about areas in which Virgin Media has not stepped up to the plate because it has felt that its doing so would not be worth while for market reasons. Is that not slightly different? Is there not even an opportunity there for Virgin Media or other providers?

Matt Rogerson: The key to making networks commercially viable in rural areas is getting as much traffic and as many providers on them as possible. An open wholesale network, which we are not set up to provide, is needed. A BT or a Fujitsu—which has discussed entering the market—getting the most possible retail ISPs marketing products in rural areas would be the best way to make the network commercially viable. The tripartite approach—based on the investment of public money, private money and European money—straps the private sector in to make the network work as efficiently as possible.

I think that I am right in saying that the digital region in South Yorkshire was, essentially, created by giving public money to a private contractor to build a network. The network that now exists in South Yorkshire is pretty poor—the speed that is available is about 15 megabits maximum. That is not a great example of public investment in broadband. We need to give the private sector an incentive to build the network as efficiently as possible.

Brendan Dick: I back up Matt Rogerson's comments about the slight differences between Virgin and BT at Openreach level. He is right that we are deploying under our own steam a £2.5 billion investment—the whole industry is

spending shed loads of money in tough times—and that getting into the tough areas to which Jamie Hepburn refers will require partnership. In our network, that brings to a certain level the number of retail communication providers. In the mainstream network in the UK, across the whole industry there are about 400 CPs, some of which are local Scottish ones. In the earlyish days of our deployment of high-speed broadband, 50 CPs have already come in on the back of that to offer different prices or services to consumers.

That brings me back to my previous point. Even if you accept that some intervention will be required in rural areas, the model that has traditionally been used in the UK, which is backed up by European Union law, means that if the industry does better than the business case planned for, the money goes back to Government or is reinvested, so there is a method for managing the process.

Richard Rumbelow: The mobile sector is slightly different. From Orange and T-Mobile's point of view, all the investment in our networks to date has been self-funded. There has been no public intervention in how we have funded and built our networks. That heavy lifting of investment will certainly continue for the next phase of our work. As I said in my opening remarks, we have already announced that over the next three years £1.5 billion will be put into the network in the UK for 3G services and to get it ready for 4G.

We still await detail on how the £150 million spend that the UK Government announced a couple of months ago will be implemented across the UK and what our participation will be. Historically, our sector has self-funded investment. One reason why is that the licence conditions on coverage have been the instrument by which we have determined and allocated what funding we need to support provision across the UK. Acceptance of the intervention of public funding is a relatively new concept for us and we are waiting to see the detail of what it means for us in the future.

Alex Johnstone: Can you confirm my understanding that, although Virgin is a player in the mobile marketplace, it has no mobile telecommunications infrastructure, as Three and Orange provide that as subcontractors?

Matt Rogerson: That is correct, but I add that we provide backhaul to Three and Everything Everywhere. We provide elements of our network to—

Alex Johnstone: The mobile structure is provided by Richard Rumbelow's company.

Richard Rumbelow: That is right. Virgin was the first mobile virtual network operator in the UK

and T-Mobile provides that service, as a service partner, to Virgin.

Jamie Hepburn: We have touched on the final issue that I will raise. Brendan Dick referred to the quarter of small and medium-sized enterprises that, for whatever reason, do not feel the need to get on the internet. We also received evidence last session that there are particular communities and groups of people that, for a variety of reasons, choose not to get online. What are the barriers to that and what are you doing to overcome them? Brendan Dick said that that attitude is not something that we can challenge on our own but that it should be done by a partnership between the industry and the Government. That suggests that the industry has work to do to encourage people to go online.

11:30

Brendan Dick: We are all doing stuff, but collaboration needs to be scaled up. I genuinely believe that that is not just down to the industry but is a social issue for the country.

We have a range of geographically specific initiatives. Over the past few years we have run, with the third sector, projects in Edinburgh and Glasgow to set up hubs to get people to come in and learn how to use and benefit from the internet. Those projects have been good. I have seen people in the Gorgie and Dalry areas of Edinburgh going through that process and ending up getting work, which is fantastic. However, such projects are pretty small scale—we are talking about a few individuals rather than hundreds or thousands of people. We are also doing projects in the Highlands and other parts of Scotland.

On a bigger scale, one of the main things that we are doing is our get IT together campaign, which uses 7,000 BT employees in Scotland working in their communities, often with kids, to help people such as grandparents to become familiar with the internet and to get value from it.

The hard part is that, by the nature of the spread of the population base, a lot of people are not online, but not because they cannot be. Glasgow is wired up to the gunwales; it is a big British city like any other and it is just a question of turning people on. It comes down to individuals' perception of value. People ask, "Why would I?" and it is awfully hard to work that out.

The industry is collaborating more with the third sector and the Government. Michael Fourman might have mentioned the fact that the Royal Society of Edinburgh is planning a study into digital participation and what will drive people to become users. It will go into some depth—which has not been done—and will take time and run in

parallel with the start of the digital participation charter. Hopefully we will learn from that.

As I said, we are collaborating more, and we have some initiatives, but we need some pretty rigorous research.

Julie Minns: There are probably four reasons why people do not currently go online. I agree that the least important of those reasons is lack of access. Nevertheless, we have delivered mobile broadband coverage to areas that were still reliant on dial-up connections, and we have recently embarked on a rural broadband working group with the Countryside Alliance and race online 2012. We are offering small communities the ability to use mobile broadband for a year either in individuals' homes or, as in the first project that we launched in Nottinghamshire—we have another one going live tomorrow in Cumbria—we have put in the small MiFi devices, which get the mobile signal in a pub or community centre, for example. We want to see what happens when broadband is brought to a community that has not previously had it.

An awful lot of work has been done on the other three reasons why people do not go online. The first is relevance: people just do not see what is in it for them. Some people cite cost as a barrier in which—going back to my earlier point—mobile broadband has a part to play, with its pay-as-you-go offering. For some households, that ability to control cost might be their first step to going online. For other consumers, it is about fear: my mother, who is 78, is probably slightly anxious that she might set off something that she should not by going online. People also worry about whether their details are secure online.

As in industry, we have all begun to do more on those reasons. Three has been a partner with race online 2012 for the past 18 months and has been involved in a range of activities. Most recently, over a week, all our retail stores gave an hour and threw open their doors so that people could come in and not get a hard sell or be put off by walking into a mobile phone shop. They could spend some time being given an understanding of what is on the internet and how it is relevant to them. We have invested quite a lot of resource with race online 2012 during the past 18 months in helping people to overcome the three barriers of relevance, fear and cost.

Matt Rogerson: As a superfast broadband company, Virgin Media has not been very good at telling people what they can use 50MB or 100MB speeds for; we just sort of believe in it and sell it. It was a big job for us to explain the benefits of superfast broadband, because we almost have two problems. One is getting people on to first-generation broadband. The other job that Brendan Dick and I have is in getting people excited about buying products such as our 100MB product and BT's Infinity. People using superfast speeds is when stuff such as e-health can really come on stream. There will be lots of potential savings for the public sector through such applications, so there is a big incentive for the public sector to work with the industry to make people understand how transformative broadband could be.

On getting people on to first-generation broadband, there is something in the idea of getting people to use mobile devices as a way into the connected world. My four-year-old nephew uses an iPad. He can just click on applications because it is very intuitive and that seems to me to be a good way for people to make a similar first step into the connected world if they are reluctant to go on a desktop PC or a laptop. We have been working on a bid to meld that into what we are doing and we hope to get some good results from that work.

Richard Rumbelow: We have all demonstrated that, in different parts of our businesses, we have provided people with the opportunity to get better access. That is certainly the case for us. Our Greenock contact centre, for example, has open days and sessions at which the local community can come in to see what we do there, as well as see demonstrations of products and services. We also have an active schools programme, and although that is targeted at online safety for children, it is clearly an opportunity for them to engage with technology and to see how it works.

The prepay market has been critical for us. It has given people the opportunity to access mobile services far more than they have been able to through fixed connection, for example. As we are now undoubtedly entering the smartphone revolution, in which smartphone penetration is outstripping conventional mobile telephony products and devices, that will give people further opportunities to access and drive access to internet and mobile broadband services in the future.

Jamie Hepburn is right that we have all done individual things, but there might be certain aspects on which we could be more collaborative. I acknowledge the work that race online 2012 is trying to do on co-ordination and bringing different bits of the industry together to create much wider digital inclusion than exists at the moment.

The Convener: No one else has questions, so I thank you gentlemen and ladies very much for your evidence. It has been most helpful to our inquiry. If you think that we have missed anything, please send it in in writing as soon as possible.

11:38

Meeting suspended.

11:42

On resuming—

Homelessness Inquiry

The Convener: Under agenda item 2, we continue our homelessness inquiry with an evidence-taking session on progress towards meeting the 2012 homelessness commitment. Our witnesses are Robert Aldridge, chief executive of the Scottish Council for Single Homeless; Gordon MacRae, head of communications and policy at Shelter Scotland; and David Ogilvie, policy and strategy manager of the Scottish Federation of Housing Associations.

Gentlemen, I apologise for keeping you waiting and thank you for your patience. Timing of committee items is not an exact science.

Malcolm Chisholm: I have two general questions. As you would expect, one of them looks to the future and is about difficulties and challenges with meeting the target. Before asking about that, however, I would like to look back and ask how the progress towards meeting the 2012 commitment has impacted on the way in which homelessness services are delivered across Scotland, and in particular what impact it has had on homeless people.

Robert Aldridge (Scottish Council for Single Homeless): In the past 10 years, there has been a dramatic change in the way in which homeless people are treated. The legislation that came in between 2001 and 2003 heralded a change in culture with regard to the way in which we deal with homelessness. To a large extent, local authorities and the other partners have really stepped up to the plate.

Ten years ago, homeless people were treated very differently from the way in which they are treated now. Today, we are not rationing people out of the system but are seeking to find solutions for them. For example, the homelessness officers in local authorities used to be a sort of Cinderella service—they would simply tick boxes to determine whether someone met certain criteria—but they are now enablers who try to get a range of services involved in meeting the long-term needs of homeless people.

The situation is not ideal, and there have been some hiccups along the way, but there has been a dramatic move forward. Although the number of people who apply as homeless took a leap up after the legislation came in, that was mainly due to hidden homelessness being revealed. We are now seeing a slow but quite steady decline in the number of people who apply as, and are found to be, homeless. I think that the approach is having some success on the ground.

11:45

Gordon MacRae (Shelter Scotland): I agree. The 2012 homelessness commitment—we stress that it is a legislative commitment and not simply a target, which means that, rather than being something that should happen, it is something that has to happen—has been a profound catalyst for change in local authorities across Scotland. From our perspective, it has been one of the success stories of devolution, as it would not have happened if the Scottish Parliament had not come together with cross-party support for the principle and if successive Scottish Governments had not reaffirmed the commitment. However, the 2012 commitment is not an end point; it is the beginning of a new way of delivering homelessness services that puts the person at the centre of the service.

In preparation for today, we did a quick survey of local authorities. The national statistics have a quite significant lag and do not always show a completely up-to-date picture. Since we submitted our written evidence to you, we have had a couple more responses. Twenty-seven of the 32 local authorities responded. Nine of them have removed priority need assessments from their homelessness teams, and one has not undertaken a priority need assessment since February, although it has not reached a point in its corporate policy at which it can say that it is fully 2012 compliant. Seven others have set a date by which they will be compliant with the 2012 commitment. Of those, five aim to comply by April next year. The other 10 have said that they will deliver the 2012 commitment. That is a good-news story for Scotland.

As Robert Aldridge said, the commitment has brought about a real change in the way in which homelessness services are perceived in local authorities. The challenge now is to find ways of going beyond the letter of the commitment, which involves removing priority need assessments and starting to provide extra support and access to lets. That is where we are starting to see a real difference for individuals, which answers your question about the impact on homeless people.

More people are in temporary accommodation, but the evidence shows that there is not necessarily a correlation between a local authority that has a higher number of people being assessed as being in priority need and a spike in temporary accommodation. Local authorities that have good prevention strategies, good allocation policies, good investment in their staff and good local leadership are able to assess more people more effectively and house them more successfully in the long term.

David Ogilvie (Scottish Federation of Housing Associations): We said in our written submission that the Parliament can justifiably be

proud of the 2012 homelessness commitment. It stands as possibly the single most significant achievement of the Parliament since devolution. It has attracted international acclaim, having been praised by France and other countries across the world.

The 2012 commitment has changed the dynamic that exists between the homeless applicant and housing providers on the front line. That has helped with the work that is being done to tackle the stigma of homelessness, but we still have quite a way to go. We have started a process, but it has to roll forward. As the other witnesses have said, we cannot regard 2012 as the stopping point.

The 2012 commitment has undoubtedly also changed the ways in which local authorities, housing associations and housing co-operative partners view and deal with homelessness at the strategic level. In the early phase, we had homelessness strategies in place, but latterly that approach has gone into abeyance as a result of the concordat between the Scottish Government and the Convention of Scottish Local Authorities in 2007.

We are now at a point where housing associations and co-operatives are increasingly looking at what contribution they can make, such as by offering tenancies to people who have become homeless, and what they can do from an associational standpoint to promote the sustainment of tenancies. We are now engaged much more in sustaining tenancies and preventing homelessness, which is a substantial change from 10 years ago.

Malcolm Chisholm: That is all very positive, but I will now turn to the future. Are there any persistent barriers that will make the 2012 commitment difficult to meet or sustain? Gordon MacRae said that the letter of the law refers to the abolition of priority need, but surely it also refers to settled or permanent accommodation. I imagine that that is where the problem may arise. For example, there was a report last week that Edinburgh could not meet the commitment, and I presume that it was referring to that aspect. No doubt you will be asked for more details of that in subsequent questions, but will you give us an opening statement on the potential barriers to meeting the commitment in full?

Gordon MacRae: You touch on the key barrier. The single biggest issue—for not just homelessness but the housing sector as a whole—is supply and the lack of available social rented properties in communities across Scotland. We are in the second budget round in succession in which we have seen a disproportionate cut in the capital budget for new-build supply compared

with the overall capital budget cut. That is a regrettable position.

Looking back from where we are now to where we were when the legislation was put in place, we have simply not built enough homes across all tenures. Social rent is clearly where we keep our attention for our client group, but it is part of an overall housing sector that has fallen significantly behind in meeting demand.

There are other barriers underneath the big supply issue. We would like a broader group of stakeholders to take a greater leadership role, including registered social landlords, other local authority departments and the health sector. There are professionals outwith housing who come into contact with people who are experiencing or facing homelessness or housing problems, and they could be key contributors to resolving those people's problems before they become homeless.

The two biggest things that we can do are to prevent people from losing their home in the first place and to drive up the supply of property so that we can meet the demand, but those apparently simple tasks mask a complex system in the background.

We need far more investment and housing options that put people at the centre of how they are supported and managed through times of housing crisis. We need that to be rolled out in a fair, equitable way that guards against gate keeping so that it is not about driving down homelessness applications but about getting a house for someone. We need far more investment in support and tenancy sustainment that ensures that RSLs and the voluntary sector can play an active role in devising local housing strategies and prevention work.

David Ogilvie: I supplement Gordon MacRae's evidence with a renewed plea for the committee and the rest of Parliament to take another look at the joint statement that we released in July with the Scottish Building Federation and the Glasgow and West of Scotland Forum of Housing Associations called "Making Housing a National Priority". When, according to the figures for 2010-11, we have 36,440 people in Scotland identified as priority homeless and as many as 335,000 on housing association waiting lists, housing has to come far higher up the spending priorities than it does.

As Gordon MacRae has alluded to, we have made a strong case in every submission that we have made to Parliament since the budget announcement was made that housing is taking a disproportionate cut. We find that surprising and disappointing.

We talk about the progressive side of the Parliament—the good things that it has done that

mark Scotland out from the rest of the United Kingdom—and the Christie commission is a prime example of that. Much store was placed by the message of preventative spending, and the SFHA can think of no greater form of preventative spending than spending on tackling homelessness. The savings that could be made to a number of public service budgets that are already under significant pressure—whether housing support, care, criminal justice, policing or what have you—are significant. We therefore renew our plea for additional investment in the supply of affordable housing.

Robert Aldridge: There is no disagreement from me with what has been said. When the proposals were put forward, it was made clear that they depended on a number of things, the two key elements being an adequate supply of affordable housing and appropriate levels of support. Others have alluded to the levels of housing investment that we believe are required. We also need to consider the housing support element, as we need to prevent people from becoming homeless whenever that is possible. To a great extent, that involves ensuring that low-level housing support is provided. We must ensure that tenancy sustainment is maximised, which includes providing housing support.

We are concerned that the loss of the ring fence around the supporting people budget, which put a dramatically increased amount of money into housing support, has led to a reduction in some of the important housing support areas that help to prevent homelessness and lead to tenancy sustainment. When budgets are tight, the easiest areas to cut are those of low-intensity support that ensure prevention further up the line rather than those at the crisis point of homelessness. We are concerned that we need to keep a close handle on what is happening with housing support and ensure that it is maintained.

In my written evidence, I mention one or two smaller issues. In particular, there is a persistent problem that is easily solvable. Around 5 per cent of homeless applications are from people who are leaving institutions, whether hospitals, prisons or, to some extent, the armed forces. In all those cases, the people are in the care of institutions and plans can be made for them; therefore, it seems totally unreasonable that anybody leaving any of those institutions should be homeless. We can reduce the level of homelessness at a stroke by getting our policies, plans and so on in relation to institutions better co-ordinated and dealt with.

Neil Findlay: I have a related question. The SFHA's submission mentions operational barriers to achieving the target. It states that some communities believe that

"all 'their houses' are going to 'the homeless'".

As a councillor, I have heard that many times. One of my interests is about how we meet both the housing needs of the applicant and the needs of the community and how we overcome that perception. Do you have any ideas on how we can do that? Has the removal of local connection and waiting time led to some people being transferred from the mainstream list to the homeless list, or made them transfer themselves in that direction? Is there any evidence of that?

Gordon MacRae: The simple answer is no. The evidence shows that the majority of social lets go to people on the mainstream list. In our written evidence, we set out the most recent statistics, which show that 45 per cent of social lets across local authorities and RSLs go to homeless applicants. However, that masks the fact that some RSLs play a disproportionate role in providing homes for homeless people. I am sure that they would welcome a broadening out of that responsibility whereby every social provider of housing would play a greater role. That would also remove the perception to which you refer. There may well be a bottleneck in some areas, where the proportion of social lets that go to homeless people is far higher, but we would argue that that is because some providers are not taking on their responsibilities.

The other main thing that we can do is to ensure that, when that perception bubbles up in a community, people are armed with the facts. The facts clearly show that, as Robert Aldridge said, homeless applications are beginning to decline and that someone who makes a homeless application is likely to end up in temporary accommodation and not in a settled flat or home. The idea that becoming homeless is a way of jumping the queue is demonstrably untrue.

12:00

Neil Findlay: The issue that seems to arise, particularly in communities that are made up of villages, where people are territorial and parochial, is that people are allocated tenancies in places where they do not want to be, and others go in the opposite direction, to places where they do not want to be. How do we overcome that issue, which feeds into people's perception of homelessness?

David Ogilvie: From a housing association perspective, we want to ensure that nothing comes out of the committee's considerations that suggests that allocations should be controlled at a national level. A degree of discretion should be retained for local housing providers, because they are best placed to know the balance of allocations in their communities.

I want to add to what Gordon MacRae said about homelessness being the only route into

housing. Housing associations are all too aware of that situation and are doing what they can to avoid it because it would be contrary to the aims of the Housing (Scotland) Act 1987 and the interests of all public sector service providers. Local authority housing providers also want to avoid that situation. We need a bit of respect for the democratic control of allocations policy at the local level.

Robert Aldridge: I agree. The housing options approach that is being developed is another way of dealing with the problem that Neil Findlay mentioned, when people are allocated housing in places where they do not want to go. If two people have been allocated housing in the wrong place and they want to be in the opposite place, a proper housing options interview could identify that quite early on and deal with it pragmatically. Techniques can be employed locally to manage allocations sensibly.

There is also a misplaced perception in the community about who homeless people are—they are often considered to be somebody else. In fact, most homelessness arises from relationship breakdown. People who apply as homeless are often people from the community who have fallen into difficulties. We all need to be involved in ensuring that homeless people are not stigmatised and are recognised as being part of the community.

Gordon MacRae: There is another common misunderstanding. People often look at someone new who arrives and think that they got their let because they were homeless, but that is often not the case. As Robert Aldridge says, there is a difference between the perception and the reality in small communities, where people want to know who is moving into the area and to understand what is happening.

Adam Ingram: Turning to the homelessness prevention agenda, I had the experience of visiting one of the hubs and hearing about the housing options approach, which seemed to be working well in the hub that I visited. What are your views on how the housing options approach is working?

David Ogilvie: My own experience—and SFHA's experience—so far has been mixed. There are five housing options hubs covering all 32 local authorities. In due course, the committee might want to look at how they have been set up and how they have been working so far.

Our sector has been involved on a patchy basis. That is not through a lack of interest from us; it is through a lack of invitation. That is partly because even though local authorities have gone through considerable culture change over the past 10 years as a result of this agenda, they are still finding it hard to get their heads around what it means for them logistically, particularly given that

they are operating in a challenging budgetary environment.

Associations are telling us that they have not been involved in their local housing options hub. We are looking to address that at the COSLA 2012 steering group, on which SFHA has a seat. A communications sub-group is looking to take forward some work early in the new year—around February—to roll out a communications strategy to address the shortfalls in housing association awareness or involvement and to patch all that up.

From a holistic point of view, the housing options hub approach has to be welcomed, because it is another progressive and unique approach to tackling homelessness in Scotland.

Gordon MacRae: We need to be clear that the housing options hubs approach is in its infancy in Scotland. It is still being rolled out and local authorities, voluntary sector organisations and landlords are really starting to get to grips with its potential.

The experience of some of our Shelter colleagues in England of the approach down south shows that we need to guard against gate keeping, to avoid situations in which people think that they have made a homelessness application but have actually had a housing options interview and have therefore not entered the system. We need to be clear about what we are trying to achieve with housing options. We think that, done well—that is a big proviso—the approach is good and should be welcomed, because it keeps the focus on the outcome of a sustainable, long-term tenancy that meets the individual's needs. However, in the context of 10 years of culture shift in homelessness services, we should not underestimate the cultural change that still has to take place when we are moving housing officers from managing access to a system to providing a very personal service with real expertise in the local community.

We are exploring the role of independent advice as the first port of call in a housing options system to ensure that there is no incentive—implicit or otherwise—within the system for people not to keep homelessness as an option on the table. If we are approaching housing options purely as a means to drive down the number of homelessness applications, that is not housing options in the interests of the individual; it is housing options in the interests of the producer. There are some good examples out there, but we want to ensure that it is about the person coming through the front door, rather than about the organisation running the interview.

Robert Aldridge: Our experience of the housing options hubs is extremely mixed. Some are motoring ahead very well and others are at

quite an early stage of development. One thing that some might welcome but others might not is a little more hands-on oversight of the hubs at the national level to make sure that there are some consistent benchmarks against which they are all trying to achieve.

The Scottish Council for Single Homeless was concerned that there was not much interaction between the hubs. We have set up a network of the lead officers with the housing options hubs to give them a space where they can share their experiences and learn from one another, which has proved successful so far. The hubs have tremendous potential. Some of them are still at a very early stage of development and they need to broaden out the stakeholder involvement—we were talking about that in the coffee lounge before coming to give evidence.

Gordon MacRae made an important point about what is understood by housing options. There is a very great danger that people see housing options as a means of driving down numbers and they focus simply on the numbers that come out of the end of the sausage machine, rather than the quality of the approach. It is quite tricky to find a means by which we can measure good-quality prevention of homelessness—which is what we are all after—against the barriers that are put up to people going through the system. A lot more work is needed to develop that measurement tool.

Adam Ingram: The hub that I visited was very much aware that, as it did not want to operate in a silo, it needed to engage with other agencies, particularly when dealing with the difficult problems around people with complex needs such as mental health issues. On the earlier point about moving towards more preventative spending, it seems that although we can provide resources, people must be willing to work together on the ground. The inclusive nature of the thing is very important.

I was surprised and disappointed to hear that RSLs were not engaged—

David Ogilvie: They are not engaged yet, but they will be.

Adam Ingram: I would have thought that their engagement would be a key feature of the hub approach.

David Ogilvie: I totally agree. We are concerned about that, and we will raise it at the 2012 steering group. As I said, we have plans in place to work with the Scottish Government on that issue in the new year.

Adam Ingram: That is my observation—I will put it into a question. I ask Robert Aldridge to expand on his earlier point about people moving out of institutions or formal care situations—for example, looked-after young people who are coming out of throughcare into a tenancy, or those who are moving out of prison and seeking accommodation.

Robert Aldridge: Okay. I have some examples of people who are in some form of institutional care and for whom we know that there must be some provision. A considerable amount of work has been done on throughcare and aftercare for young people, but a number of local authorities still find it easier to make the children for whom they are the corporate parent homeless, and then to accommodate them. They find it easier to get the services to wrap around them than to arrange a proper and phased transfer into an acceptable housing situation with the appropriate support in place. That is totally unacceptable. So much work has been done, and clear guidelines have been produced, but the actions are not happening everywhere on the ground. In some areas they are, but in too many areas that is still going on.

There is a way through. People know what to do; it is a matter of having the will and prioritising to make it happen. Very good arrangements are often made for people who have had long prison sentences. A lot of preparation can be made in advance of liberation with regard to transferring people into accommodation.

However, all too often in the Scottish Prison Service, for various operational reasons to do with overcrowding or someone being moved, the planned release date is different from the actual date. A range of local authorities have spoken to us about suddenly finding somebody on their doorstep who has been released from prison with no money and nowhere to go. With a literally captive audience, it seems that better joint working between the Scottish Prison Service and local authorities, and better co-ordination of the release, would help to avoid unnecessary homelessness.

A relatively small number of people—250 or so—are still made homeless when they leave hospital. That simply should not happen at all. It is a small number of people, but it should be zero. It is perfectly possible to make proper arrangements to ensure that there is an orderly transfer of someone from hospital into accommodation. That is one element of the homelessness statistics. Work can still be done to improve co-ordination, which could result in reductions in the figures and a better outcome for the people involved.

12:15

Gordon MacRae: We run a prisons project in the north-east of Scotland and our experiences are similar. We look at the issue from the point of view of what we call life transitions, which are transitions not just from the formal institutions, but

from the armed services. We run a project with Scottish Veterans Residences across the road from the Parliament to give people the support that they need.

For too long, responsibility for dealing with homelessness has resided in the housing sector, which has acted as a safety net. We are talking about areas of the public sector that have a profound impact on the housing needs of their clients. We take the view that, with the 2012 commitment coming into place and with the exception of some reforms that are still needed in the private rented sector, the real challenge now is how we can improve practice, not just within housing, but within areas such as health, education, justice and social work. In our view, for people who leave prison, it should be the justice department that puts the resources, the time and the framework in place; it should not be a case of waiting for the housing agency in that locality to pick up the phone. Too often, people become homeless because no one received the fax. That is the kind of situation that results in people sleeping rough.

The Convener: In its submission, Shelter said that a key part of preventing homelessness was to give people the support that they need to stay in the home that they have. Yesterday, Jamie Hepburn and I visited Glasgow to get evidence for the committee's report. We heard from Glasgow Housing Association that absconds make up 26 per cent of its problem. It would appear to be cost effective for GHA to put resources and people into preventing absconds, given the extra costs of those houses being empty, no rent coming in, properties having to be refurbished and so on. What are the challenges in providing effective prevention and housing support services post-2012?

Gordon MacRae: The single biggest challenge is corporate buy-in. We are running a rent arrears pilot with GHA; Stirling Council is also running such a pilot. Because some hard-to-reach tenants do not always welcome a knock on the door from the landlord, GHA is working with us to highlight people who are in danger of falling behind. Our support workers go out to those people, do a benefits check and try to get in place a payment plan so that they can stay in their home. Those pilots show that it is more cost effective to the landlord to put in place such a service than it is to pay the court costs of evicting someone and then have them turn up, the same day, at the front desk to be rehoused. They also demonstrate that there is no link between the use of eviction and a low arrears book, and that it is possible to reduce arrears through early intervention without waiting for a problem to become a crisis, thus reducing the use of eviction.

There is a real good-news story here. Three years ago, we did a report on the use of evictions across the social sector. It showed that, at the time, a social tenant who fell behind on their rent was more likely to lose their home than an owner-occupier who fell behind on their mortgage. There has been a significant change, as we have halved the number of evictions in the social sector in the three years. That is a testament to the corporate buy-in of GHA, Stirling Council and many others. However, we still have some way to go.

Trying to encourage that best practice is a role that the housing options hubs can play. They can share best practice and experience and encourage continual improvement in practice to ensure that the housing sector is embedded in the broader aspect of the welfare state and how we provide support for troubled individuals. They can ask whether there are things that will make a real difference. That is not just the right thing to do but the economical thing to do.

Robert Aldridge: I do not want to open the can of worms that is welfare reform, but one of our concerns is that, if some of the proposed reforms go through, such as those on underoccupation, local authorities and housing associations will face a considerable increase in rent arrears, because so many social tenants are underoccupying by, say, one bedroom. We need to get in place a really good programme on rent arrears, under a preventative approach, to make people aware of what could happen so that they prepare their policies now.

I back up what Gordon MacRae said about the cost-effectiveness of preventing tenancy failure rather than allowing it to happen. We can furnish you with some research that we have done that shows that, typically, the cost to a local authority of the failure of a tenancy for a single person is a minimum of £12,000. Money that is put in to prevent tenancies from failing is money well spent. That work is cost effective.

David Ogilvie: On tenancy sustainment, or the prevention of homelessness in the first place, SFHA had some funding last year from the Glasgow homelessness partnership that allowed us to produce a guidance document called "Preventing and Alleviating Homelessness". It is a good-practice guide that is provided to all our members and is available at a small charge to non-members. It highlights the excellent practice in which some parts of our sector are already engaged in order to show those who are struggling with the agenda what they can do.

It is almost invidious to pick out examples, but off the top of my head, I think of Dunedin Canmore in Edinburgh, which works with a project in Southhouse on the south side of Edinburgh called CHAI—the community help and advice initiative. It

gets a return on its holistic approach to housing support in terms of lower levels of tenancy turnover and higher levels of sustainment. We should not underestimate how onerous it can be for someone who comes out of homelessness to take on responsibility for a tenancy. That is a significant undertaking for anybody, but particularly for people who are 16 or 17 or who come from a background of vulnerability.

Another example is the DVD version of a tenancy agreement that two housing associations—Link and Dunedin Canmore—have produced jointly. People who cannot read or who cannot understand a tenancy agreement can get it in a format that they do understand, and the DVD helps them by giving advice on paying rent on time and how not to annoy the neighbours with noisy parties or what have you. That sort of work is becoming more common. Would it have happened 10 years ago? Possibly, but not to the extent that it is happening now. It is a pleasing by-product of having the commitment in place.

Robert Aldridge said that he did not want to open the can of worms that is welfare reform, but we cannot avoid it. When the commitment was made almost a decade ago, no one had any idea that we were going to end up with the financial crisis that we have had. It is on that premise that the Government has set about restructuring the welfare system. When the committee commendably held its inquiry into the impact of the Welfare Reform Bill in Scotland, it took evidence from the SFHA. I will not recount that evidence again, but we need to be mindful that homelessness is more than likely to increase from the 36,000 base to beyond 40,000 in the next three to five years as a result of the changes that have been set out.

An important amendment on underoccupation will be considered in the House of Lords this afternoon, and we hope to make some inroads in that regard. The bill's provisions on underoccupation alone could cause significant amounts of homelessness, because there is not enough supply of smaller affordable properties. That is another issue that we have to bear in mind.

I will finish at that point. I get too excited when people talk about welfare reform.

Jamie Hepburn: Your answer has pre-empted a question on your general concerns about welfare reform that I was going to ask later. Witnesses at last week's meeting were asked whether they sensed that the UK Government had given any consideration to the homelessness commitment or indeed housing policy generally in its approach to welfare reform. The clear answer last week was no, not just for housing policy in Scotland but for housing policy in the rest of the UK. What is your perspective?

Robert Aldridge: We are all dying to answer that.

David Ogilvie: We all want to answer that.

Jamie Hepburn: I will take David Ogilvie first because his microphone is on.

David Ogilvie: SFHA has its own housing benefits campaign called the campaign for a fairer system. We have corresponded with the Scottish Affairs Committee but have not even had the courtesy of a response. That shows the lie of the land regarding how much scrutiny has been given to the issue from a Scottish perspective.

Jamie Hepburn: The Scottish Affairs Committee is not even at Government level but at the level of parliamentary scrutiny.

David Ogilvie: Yes—then we went up to the ministerial level. We highlighted a parliamentary question that we had put through. The question was not about direct payments; we wanted to find out how many housing benefit recipients in housing association tenancies have their housing benefit mandated directly to the landlord. The figure that came back was 96 per cent. We wrote to Lord Freud to explain that that is because of choice but were told that it was evidence of benefit dependency. That is the level of acknowledgement that we have had so far on the issue right across the piece.

Such is the urgency—if I may use that word—with which the welfare reform agenda is being pursued that the UK Government is not stopping to take the time to work out its full impact. It is a peculiar situation because—I will try to tread carefully on the politics of this—the Scottish Parliament is the body that has responsibility for housing policy in Scotland under the devolution settlement. However, whatever the Scottish Parliament determines on the issue is highly affected by decisions of the Treasury and the Department for Work and Pensions. I do not want to go through the evidence that my director Maureen Watson gave the committee, but all of it must be borne in mind because the welfare reforms will have significant implications and we are going to have to start thinking rapidly about mitigating strategies.

Is it fair to expect housing associations and council landlords, at a time of immense budgetary pressure, to think about how they will make good the shortfall that will arise because the link with rents is being broken? Just about everyone on housing benefit over the next few years will find themselves facing a shortfall. That absolutely fundamental issue will impact on the viability and sustainability of tenancies. When the homelessness commitment was set out all those years ago nobody, including the Council of Mortgage Lenders, would have thought that we

would be in this position. The fundamental basis on which housing association development has been financed and structured is also placed at risk as a result of the reforms. I imagine that that is a major concern for this committee.

Robert Aldridge: I totally endorse those comments. A number of other things have come forward that have disturbed us. One is that no account seems to have been taken of the homelessness legislation in Scotland, whereby local authorities in Scotland have a legal duty to provide temporary accommodation, which is not the case in England, Wales and Northern Ireland. However, proposals are being considered that would fundamentally alter how temporary accommodation is funded and lead to significant shortfalls that will have to be met by local authorities in Scotland. There will be a direct cost for local authorities because of our different housing policy, which I do not think the DWP has taken into account at all.

In addition, very little account has been taken of issues of rurality and remoteness. I understand the ideology that, if somebody is occupying a property that is too large in Lambeth and there is a property of the right size in Camden, they can go from Lambeth to Camden. However, that is very different from a situation in which somebody is living in a property that is too large in Golspie and the nearest property of the right size is in Lochaber, or a situation in which a person would have to go from one island to another island. There are issues of rurality and remoteness in parts of the UK—not just in Scotland, but in Wales and parts of England—that have not been fully acknowledged.

My third significant concern is that the direction of the welfare reforms seems to be to underpin the change in the role of social housing that is foreseen in England without recognising the role that, by consensus, it has played in Scotland for a long time in providing permanent housing for those in need rather than a place to stay in the short term before people move on to something else.

12:30

Gordon MacRae: I share those views. However, we need to start thinking about mitigation. Our understanding through colleagues in Shelter down south is that the legislation is pretty much locked down now. A lot of the policies will be rolled out through guidance, and there are still significant policy decisions to be taken on the role of housing benefit within the universal credit. It is important for committee members to be aware of just where that will impact on Scottish housing and homelessness policy. For instance, the houses in multiple occupation element of the recent housing legislation gives local authorities

the ability to limit the amount of shared accommodation. That is in direct contrast to what local authorities will now need to do—they will need to find more shared accommodation because otherwise housing will become unaffordable.

The single room rate and underoccupancy are, for us, the two issues that require urgent consideration. How do we source the necessary accommodation? If we cannot source that accommodation in the short term, what short-term measures need to be put in place? The relatively small amount of funding that has been allocated for transition is in danger of being gobbled up by the far greater disparities that exist within the M25, and what will be left over for the transitions in Scotland—where, as Robert Aldridge points out, the lack of shared accommodation and the lack of one-bedroom accommodation in rural and remote communities are more profound—remains to be seen, as does how the Scottish public sector will be able to respond. The Scottish Government will have to take a leadership role to make that happen.

Robert Aldridge: I add one technical point. The Scottish secure tenancy does not make provision for shared tenancies. If the welfare reforms go through and move us towards a position whereby social landlords will have to consider shared tenancies, we must ensure that there is proper protection of tenants who have to share, and that proper arrangements are made for them.

Jamie Hepburn: You have pre-empted another of my questions.

David Ogilvie: I offer a further point of clarification. In your original question, you asked what account is being taken of the Scottish context. We talk about the 2012 homelessness commitment. The way that the DWP currently conceives that it will pay housing benefit to those in temporary accommodation—it is only at what the DWP calls a think-piece stage, which makes me gravely worried—is, in common with the rest of the universal credit, by paying the rent four-weekly in arrears directly to tenants coming from a crisis situation or a vulnerable position. Any temporary accommodation provider who is asked to fund their service on that basis will tell you that it cannot be done. We have talked about absconds from housing association tenancies, and the rate of absconds from temporary accommodation would be far higher. That is coming not through the bill, but through secondary legislation.

Jamie Hepburn: That is helpful and reflects what we have heard from other witnesses. Thank you.

Alex Johnstone: I feel that I should preface my remarks by saying, "I am a big fan of housing associations, but—".

At our meeting last week, witnesses suggested that there was a mixed picture in terms of RSL involvement in meeting the 2012 commitment. How has progress toward the 2012 commitment impacted on the use of RSL stock? Do RSLs need to do more to ensure that the 2012 commitment is met and maintained?

David Ogilvie: I anticipated that question after reading the *Official Report* of last week's meeting. Some of the language that was used by some people at that meeting was slightly inflammatory. That is perhaps due to the fact that they represent organisations that are under pressure and have a huge and politically significant target to meet through partnership working. We are concerned about the risk of finger pointing in all of this.

By and large, housing associations have been co-operative and helpful in their attitude to local authorities. We regularly go beyond the referrals under section 5 of the Homelessness etc (Scotland) Act 2003 and are, in any case, housing people off waiting lists. As has been mentioned, there are plenty of examples in the good-practice guidance of housing associations doing much more than just housing people with section 5 referrals. They are ensuring that there are no further homelessness presentations through their tenancy sustainment actions.

I would like this issue to be seen in the round. Let us not forget that housing associations are independent social businesses that are regulated by the Scottish Housing Regulator. We should consider what they are doing beyond section 5 referrals, and what their general demeanour towards local authorities is. There is a corollary that also needs to be borne in mind. A few months ago, I was having a conversation with the chief executive of a large housing association. He said that, as a result of the concordat, the nature of the housing association's relationship with the local authorities with which it works has changed fundamentally. It used to be far more friendly and based on partnership working. However, by necessity, housing associations are now seen by local authorities as possible contractors or business partners, which has shifted the basis on which the relationship is founded.

Housing associations are doing lots of good work on tenancy sustainment and homelessness prevention. The fact that roughly 30 per cent of new lets are being allocated to homeless provision is important. We do not want all new lets to go to homeless people, as that would prevent housing associations from balancing their stock profile.

Gordon MacRae: We take the view that RSLs can and should do more to house homeless people. Undoubtedly, some of them are doing a huge amount, and should be commended for that, but it is right to point out that only 36 per cent of RSL lets go to homeless households, which means that the vast majority do not. Councils have a much higher level of lets to homeless people. Approximately 50 per cent of social rented stock in Scotland is managed by RSLs and 50 per cent is managed by councils, so RSLs undoubtedly can and should do more. However, we should not take a pejorative view of RSLs and say that they are failing. There are good examples of best practice, particularly with regard to tenancy sustainment.

We would welcome more transparency being brought to the process through section 5 of the 2003 act. If RSLs tell us that they feel that they are taking too large a share of the responsibility in their community and there are other providers that are providing a smaller share of lets to homeless people, we can identify that situation and bring a bit of transparency to it through the use of section 5. Those are technical things, but it is just about bringing in a bit of transparency so that we can see the flow of homeless applications and can see which lets are provided by which landlords.

More can be learned from leaders in the RSL sector about rent arrears and tenancy sustainment work. There is an important job to be done to support the specialist providers in the housing association movement. The need for innovation will be on-going and there is no lack of willing to make that happen.

There is a big job for councils to engage RSLs far more effectively. We think that a regrettable number of local housing strategies are put out to consultation without the largest housing providers in an area being involved in the drafting process. Local authorities are missing a trick. If a local authority is going to determine how it houses people in its area, the formulation stage should engage the people with the stock.

Robert Aldridge: I have nothing to add to that.

Alex Johnstone: Should Government funding of RSLs be more closely tied to meeting the Government's policy objectives on homelessness?

David Ogilvie: I would argue that the funding of RSLs is already sufficiently tied to Government objectives.

I return to Gordon MacRae's point that just 35 per cent of RSL lets are to homeless people. Who are the other 65 per cent we are housing? They are people who would otherwise be at risk of homelessness. They are people whose circumstances have changed and who need a different form of housing. That is what fundamentally underpins the issue.

I would not want the committee to make any regrettable decisions about the need to be more stringent with housing associations as a result of some remarks that were made last week. The figures speak for themselves. A proper understanding of what the figures mean beyond the 35 per cent is that 65 per cent of our lets are meeting other forms of housing need. For me, that means that no further action is required on grant funding.

Robert Aldridge: The question relates to the Scottish social housing charter, which is under consideration at the moment, and the new role of the Scottish Housing Regulator in relation to that. The charter offers a good opportunity to define the prime objectives of social landlords and set some clear objectives against which they will be measured and regulated. That is better dealt with through the housing charter and the Scottish housing regulator than by linking it to the funding.

Gordon MacRae: We would take the view that the funding that RSLs get from the Scottish Government should go where there is the most potential to meet existing need. If an RSL in an area is best placed to provide homes, that is the basis on which funding should be directed.

I do not want this to get down to finger pointing at RSLs, but the point about the other 65 per cent applies to councils, too. Councils are still housing the same number of people. The issue for us relates to people who have become homeless while they have been on the waiting list and are therefore identified as being in acute need to a greater degree. How do we address their settled accommodation needs across the range of available stock in the Scottish housing sector? Although, in our view, there is more that the RSLs could do on that, we do not want to see homelessness as the only route to a tenancy. However, whether it is RSLs or local authorities, that is already not the case. That is a perception not a reality, and not even a marginal increase in lets from RSLs to homeless people would change that dynamic.

Alex Johnstone: Last week, COSLA suggested that a move towards common housing registers and common housing allocations policies would be beneficial in this area. What do you think?

Robert Aldridge: I think that they are two different things. A common housing register is a useful way to go. It saves bureaucracy for the applicant and allows providers to apply their own allocations policies to that register. I have some concerns about a national allocations policy. I know that there is something similar in Northern Ireland, but that is for specific reasons, to ensure equality.

There is no single, absolute definition or ranking of need. It is sometimes better to have the different perceptions of variations in need reflected in the allocations policies of social landlords. So long as those policies fit with the overall framework whereby reasonable preference is given to people who are homeless and to various other people and so long as the policies comply with the new Scottish social housing charter, I am more in favour of there being an element of diversity in allocations policies within a common framework than I am of having a national or standard allocations policy.

12:45

David Ogilvie: I absolutely agree with Robert Aldridge. We would be reluctant to suggest a national allocations policy. That is far more problematic for us than common housing registers, with which many housing associations are already fully engaged.

Gordon MacRae: I reiterate those points. A national policy is attractive from an administrative view, but we would need to consider what the impact would be locally.

The Convener: Neil Findlay's second question—his first has been answered, I think—is perhaps relevant to the issue.

Neil Findlay: My question is on housing supply and has two elements. David Ogilvie talked about inflammatory comments by witnesses at last week's meeting, but those witnesses were rather more passive on the issue of housing supply and the significant budget cut. What are your comments on that?

I will add the second element now, to get through this quickly. It is about the emphasis on the private rented sector. Are we overreliant on that sector and will it deliver?

Gordon MacRae: On overall supply, we welcomed the fact that, in May this year, the SNP set a target of 6,000 new builds for social rent. However, we were concerned that the Scottish Government's housing strategy did not reflect that.

Neil Findlay: That was for affordable homes.

Gordon MacRae: No—the manifesto talked about 6,000 houses for social rent, but the Scottish housing strategy did not reflect that and funds were made available for only about 1,500 houses. Since then, there has been a welcome shift to a target of 6,000 affordable homes, 4,000 of which will be for social rent. However, we still think that that is some way short of demand. The last best estimate was that about 10,000 new social rented properties are needed every year just to tread water. That is the situation that we want to reach. However, with the change from

using the number of starts to using the number of completions as a way of measuring, we expect that the Scottish Government will meet the target of completing 4,000 social rented properties every year during this session of Parliament, although the number of starts has recently dipped.

On overreliance on the private rented sector, the expectation that the private rented sector will pick up the slack is perhaps too high. If the private rented sector is in effect to replace the social rented sector in many areas—in many areas, it is no longer the tenure of choice but is the only available sector—the protections that were rightly put in place for vulnerable tenants in the social sector need to be put in place for those who can find accommodation only in the private sector. Reform of the tenancy regime and protections for individuals in the private rented sector are the next big issue that the Scottish Government needs to consider.

Robert Aldridge: In my written submission, I comment on the private rented sector. We have hit a difficult issue in that mortgages are difficult to come by for a range of people who would otherwise have moved into owner-occupation, so they are ending up in the private rented sector. That is likely to continue for a number of years. The private rented sector is being asked to take up the slack resulting from the lack of access to mortgages, but it is also being asked to take up the slack resulting from the lack of supply of affordable rented social housing. The private rented sector is limited in some parts of Scotland—it is okay in some areas, but there is a severe shortage in others. There is a danger that either rents will go up in the areas of shortage, which will make it impossible for the social renting tenants to gain access to housing, or—this is also quite likely—landlords will choose not to take social tenants, to use that terminology.

There is a danger that we are putting too much reliance on the private rented sector. There is an assumption that the private rented sector exists to a similar level in all parts of Scotland, but it is very different in each local authority area. In some areas, it is almost non-existent and cannot take up the strain; in others, it will be under a number of different pressures. We need to keep an eye on that—while also taking an account of the fact that an awful lot of people who are renting out properties at the moment are doing so only because they have been landed with properties that they cannot sell and will get shot of them when the market improves. It is an unstable sector because of that.

A lot of planning needs to be done to ensure that we are not putting too much reliance on the private rented sector. It has a crucial role to play, but I endorse what Gordon MacRae said. If we are

going to make more use of it, either for longer-term housing—for people who would otherwise be in owner-occupation—or for people who are more vulnerable, we need to look at the tenancy regime and ensure that there is adequate security of tenure.

David Ogilvie: I do not have too much to add to the messages on the private rented sector that have already been communicated. Much of what you have heard already is correct.

The change coming through the Welfare Reform Bill will probably lead to the exit of a number of small-scale landlords from the private rented sector market in any case, and I will only allude to recent television documentaries on Channel 4 about the quality of some parts of the private rented sector at what I will call the benefits end of the market. We have to ask whether, in our overall approach to housing options hubs, we want to put forward those parts as "an option". I would argue not.

In the first part of the question, Mr Findlay said that local authorities are somewhat more relaxed about their position on affordable housing funding. That is probably to do with the fact that, as their rents are much lower, they have more headroom on their rent structures for borrowing money for the purposes of development than housing associations do. I speculate that that might account for some of their relaxation on the issue. That does not take away from the fact to which I alluded at the start of my evidence today: we have a housing crisis in this country and we sorely need to put more money into affordable housing.

I noted that a comment was made about the different levels of funding—£30,000 for local authorities and £44,000 or more for housing associations. That is one thing that troubled me when I read the *Official Report* of last week's meeting. When someone enters into that sort of commentary while giving evidence to a committee, it is essential to drill down and understand whether they are comparing apples with apples—and in that case I do not think that they are. When we talk about the £30,000 subsidy for local authority builds, we must remember that local authorities can cross-subsidise—they can get hold of free land, they do not have to pay for remedial work on land and so on. There is a story behind the figures that needs to be told, and I want to impress on the committee that it should not accept that evidence at face value but should drill down, have a look underneath and see what is actually going on.

Gordon MacDonald: I have a few questions about temporary accommodation.

Has the use of temporary accommodation changed as local authorities make progress towards the 2012 homelessness commitment?

Can the use of temporary accommodation be improved? What effect will the Welfare Reform Bill have on the use of temporary accommodation by councils, and how will that impact on the 2012 commitment?

Gordon MacRae: In preparation for today, we did some work to gather information from local authorities. What was striking was the clear evidence that there is no correlation between high levels of priority need assessments—more people being accepted as having the right to temporary accommodation and, ultimately, settled accommodation—and high levels of people in temporary accommodation in a local authority area. That tells us that local authorities that take a holistic approach—to use that terrible term—that covers prevention, supply and good-quality homelessness assessments and support can assess more people and get them into settled accommodation more quickly, which is a good thing.

However, that should not mask the very real problems with the temporary accommodation stock in Scotland. For Christmas, we are running a campaign, which was reflected in the Channel 4 documentary that David Ogilvie mentioned, to drive up the standards in temporary accommodation in Scotland. Very often, the properties that are available for people in the worst situation are of very poor quality.

Last year, in co-operation with the Chartered Institute of Housing Scotland, we published some voluntary guidelines on good temporary accommodation. It is not just about the length of time that people are in there; it is about the quality of the stock, access to information and advice and people's ability to resolve the issues that brought them there in the first place.

Over the past few weeks, we have been going around Scotland asking people to sign our petition, which we are bringing to the Scottish Parliament next week, to ask the Scottish Government to put those guidelines on to a statutory footing. There is inevitably a reliance on more temporary accommodation as we have less stock available. There has been a noticeable increase as more people have come into the system. That is a patchy reality, but it necessitates our improving the standards. We are putting very vulnerable people into some very horrible situations at present— situations that are harming the health of a number of children in Scotland. About 6,000 children are likely to be in temporary accommodation on Christmas day this year, most of whom will still be there at Easter.

Robert Aldridge: Gordon MacDonald mentioned the potential impact of the welfare reforms. David Ogilvie mentioned the think-piece about how temporary accommodation is going to

be paid for, given that people will get their rental element four weeks in arrears and it will be difficult for providers to get access to that rent money. Another issue is that the shared-room rate will apply to under-35s in temporary accommodation, which will mean that substantially less rental money is likely to be available to the providers from a significant number of people in temporary accommodation. A number of local authorities have expressed severe concerns about the financial impact of the changes, should they go ahead, on their ability to pay for the temporary accommodation that is required.

Gordon MacRae is quite right that there is no direct correlation between the various elements, but in areas where things have silted up, the development of housing options work and the prevention of homelessness are really important. Ensuring a smooth transition from people having a housing problem to having that problem sorted, without having recourse to homelessness or temporary accommodation, is best for everyone concerned. It is about driving down the numbers who have to go through the crisis of homelessness, which is what the whole prevention and housing options approach is about. That is the practical way forward.

David Ogilvie: I have said what I needed to say on temporary accommodation.

Malcolm Chisholm: Could the absence of a correlation be a bit misleading? Could it not be that those local authorities that have high numbers of people in temporary accommodation are the ones that are least willing to move quickly towards the abolition of priority need? Is there a danger that temporary accommodation will take the strain next year? All councils will be able to say, "We've abolished priority need," but have they really fulfilled the commitment if they potentially have increasing numbers of people in temporary accommodation for too long a period? For how long is staying in temporary accommodation consistent with the legislation?

13:00

Gordon MacRae: On the first point, about correlation and causation, the evidence demonstrates that local authorities that can assess more people effectively as being in priority need are very often the local authorities that are able to put the other protections in place. That suggests that those local authorities with high numbers of people in temporary accommodation are not yet up to pace with some of those other protections and therefore have further to travel towards putting a good homelessness service in place that meets the needs of the local area.

As for legislation, it is difficult. We had correspondence with a local authority that was considering putting a time bar on people in temporary accommodation, because it saw that as a good thing to do. With housing issues, sometimes you pull one thread and another starts to fall out. We do not want to get people out of temporary accommodation quickly just because we see that as the best thing. We want to get people into sustainable tenancies as effectively and quickly as possible but, if the onus is to get people out of temporary accommodation, our fear is that they will be placed in unsuitable tenancies, that they will be more likely to fall into repeat homelessness and that we are just creating another problem for ourselves. Therefore, although we share the perspective that we do not want people to be in temporary accommodation long term—because it has harmful impacts on life opportunities for children, in particular—we need to be careful about pushing in one direction without making sure that we have the other protections in place.

Robert Aldridge: I endorse all that. We said at the beginning that 2012 is not an end point but is the start of the implementation of the full framework. The monitoring that goes on beyond 2012 needs to take account of the length of time that people are spending in temporary accommodation and initiatives to assist those who are finding it more difficult.

On the point about horses for courses, we need to bear in mind that, although in general we all object to the use of bed-and-breakfast accommodation, there could be specific circumstances in which it is the best option. For example, if somebody became homeless on one of the islands and the only accommodation that is available to keep them in contact with their family and social support network was in bed-and-breakfast accommodation on that island, that might be the best option for the time being, until permanent accommodation became available. It is essential that we have a person-based approach, but we must keep an eye on not allowing temporary accommodation to be an excuse for not fulfilling the real objectives of 2012.

Gordon MacRae: We need to remember that when we talk about bed-and-breakfast accommodation for homeless people we are not talking about a nice landlady with rashers of bacon in the morning; we are generally talking about hostels, which are not places that we see as a long-term solution to anything. Sometimes there is a misapprehension about that.

The Convener: Finally, we have heard some people say that there should be changes in legislation so that, for example, income could be taken into account, and that there should be changes to tenancies in the private and social rented sectors to facilitate more flexible responses to homelessness. Some have asked, as I think that one of you mentioned, whether tenancies should be for life and that sort of thing. Do any of you have any brief comments on that?

Robert Aldridge: We think that there is a need to re-examine the tenancy regime in the private rented sector. Already, if people are using—to use the technical jargon—section 32 of the Housing (Scotland) Act 1987 to house homeless people in the private rented sector, there are additional protections. It is now time to look again at the short assured tenancy—which was never, ever intended to be the default tenancy in the private rented sector—and to have some basic security of tenure for all those in the private rented sector.

Secondly, if the Scottish secure tenancy is to take account of people who are sharing, it needs to be amended to ensure that tenants' rights are protected. Our view would be that we should not move away from what is a secure tenancy for people who are housed in the social rented sector. In Scotland, we have a proud tradition whereby people who are housed in the social rented sector can choose to make it their home and to build up their links with the community, and I think that that helps to build settled and successful communities.

Gordon MacRae: I agree with that.

On the issue of income, we have never been persuaded that there are any real benefits to be had from bringing in such a control. Indeed, there may be significant dangers in administering such a scheme. The law of unintended consequences would be of concern to us.

I thoroughly endorse what has been said on tenancy reform in the private rented sector. As I have said, we see that as being the missing piece in the housing landscape jigsaw in Scotland.

David Ogilvie: Our line has probably been anticipated. Point number 1 is that what is happening with regard to housing policy in England is categorically not the way in which Scotland should be going. As I understand it, the Scottish Government is considering introducing a housing bill next year. We await further information on that. We are aware of discussions that are taking place on how landlords can ensure that they make the best use of their stock. Everyone is trying to find ways of making the best possible efficiencies, but that has to be managed against the backdrop of what will happen as a result of the Welfare Reform Bill.

As regards legislation, the one remaining point that the Parliament may wish to consider that would help to pull us, collectively, closer to abolishing homelessness in Scotland is—you would expect me to say this—the abolition of the

right to buy. There can be no justification for its retention in an environment in which housing spending has been cut to the quick and in which 300,000-plus people are waiting for new homes. Let us not forget that homes will begin to leave the system again next year, as 2012 is the year when the protection for housing association properties from the right to buy ends. It is a tragic irony that 2012 is the year for the meeting of the homelessness commitment, but it is also the year when the right to buy could start to bite into the housing supply in a major way. The Parliament really needs to consider biting the bullet and abolishing the right to buy.

The Convener: As there are no further comments, I thank the witnesses for their evidence. If there is anything that you think you missed out, please put it in writing as soon as possible—you can see how quickly one runs out of time.

I suspend the meeting briefly to allow the witnesses to gather their papers and leave the room.

13:08

Meeting suspended.

13:09

On resuming—

Petition

Transport Strategies (PE1115)

The Convener: The next agenda item is consideration of petition PE1115, by Caroline Moore, on behalf of the campaign to open Blackford railway station again—COBRA. The petition calls on the Scottish Parliament to urge the Scottish Government to ensure that national and regional transport strategies consider and focus on public transport solutions such as the reopening of Blackford railway station, which is identified as a priority action in the latest Tayside and central Scotland regional transport strategy and, in doing so, to recognise and support the positive environmental, economic and social impacts of such local solutions. I refer members to paper 5 and the attached briefing paper from the petitioners.

The briefing paper consists of a business case that the petitioners commissioned, which was provided to the Public Petitions Committee. I invite members to note that and the other representations from the petitioners, which were made available to Transport Scotland and the other bodies that the Public Petitions Committee invited to comment on the petition.

Transport Scotland's position is that it has no plans to reopen Blackford station. It prefers to concentrate on making the best use of current stations before opening any additional ones.

Do members have comments on what we should do with the petition?

Alex Johnstone: I have fond memories of Blackford, which was one of the few places on the trunk road network where there was a level crossing. It broke up many a journey in my youth. I note that the paper includes a list of elected representatives who have supported the campaign. I should pay particular attention, because Murdo Fraser must support it a great deal as he is listed twice.

I was involved, as the convener perhaps was, in the campaign to open a railway station in our back yard at Laurencekirk. That was a positive experience. The project came in ahead of schedule and under budget, and the figures that have been provided since then for the usage of that station have massively exceeded the predictions that were made before it was constructed.

The Convener: That has been at the expense of some other stations on the line—that is the problem.

Alex Johnstone: A couple of other proposals in the north-east are at various stages, such as the proposals for stations at Kintore and Newtonhill, and there are campaigns to progress those.

I would be interested to update my understanding of the general business case for such stations in order to inform both a decision on the petition and consideration of other proposals that might be made in the years to come.

Neil Findlay: I have a question about the procedure. We had a petition before that was then withdrawn. Is the information that we have been presented with all the information that there is?

Steve Farrell (Clerk): Links were provided to all the material on the petition, which is hosted on the Public Petitions Committee's web page. We tried to summarise the key points for members, from the perspective of both the petitioners and Transport Scotland.

Jamie Hepburn: Unlike Alex Johnstone, I have no memories, fond or otherwise, of Blackford. It is not a part of the world that I know particularly well.

At the outset, I should probably congratulate COBRA, because I am aware of its campaign. Members would not necessarily think that I would be aware of a campaign to reopen a station in a place that is not close to the area that I represent, so COBRA has clearly gone about its business assiduously. I am impressed by the work that it has put in; the business case that it has presented to us is certainly impressive.

However, I urge caution about our being willing to take the petition further as I am not sure what we can add to what the Public Petitions Committee has done thus far. Our responsibility is to consider transport on a strategic level. If we started to look at each and every local representation that was made, we would become very busy indeed. Alex Johnstone mentioned a couple of campaigns on his patch and I have campaigned for a railway station at Abronhill in my constituency—I might as well get that on the record. I wonder where it would end if we started to look at every proposal for a new railway station.

That said, I have a lot of sympathy with the petition. I understand that Transport Scotland's position is that it does not want to create new stations and will instead try to get the best out of other stations, but I do not think that those two things are mutually exclusive, and there might be a case for new stations.

13:15

I urge caution about being too gung-ho in the way in which we take the petition forward. I am not saying that we should do nothing, but I am concerned that we should not get too involved in the detail of the arguments around the opening of a Blackford railway station—or a Kintore railway station, or the other one that Alex Johnstone mentioned but which I did not quite hear. I would be quite keen to get involved in discussions around an Abronhill railway station, but that would be a bit parochial of me.

The Convener: There is also a petition to open a railway station at Newtonhill. When Laurencekirk station was opened, the number of stops at Portlethen station decreased, as did the number of passengers using that station. Adding numbers in one place decreased numbers elsewhere, as the operators do not want to increase the number of stops.

When I went to one of the rail consultation events that Transport Scotland has been holding around the country, I saw a good presentation about the usage of stations, which highlighted the fact that stations are often in the wrong place for the pattern of usage in the 21st century and so on. Perhaps we should consider the petition when we have representatives of Transport Scotland before us to discuss the rail 2014 consultation exercise. Would that be agreeable to the committee?

Members *indicated agreement.*

Subordinate Legislation

Disabled Persons (Badges for Motor Vehicles) (Scotland) Amendment (No 2) Regulations 2011 (SSI 2011/410)

13:16

The Convener: Agenda item 4 concerns consideration of a negative instrument. I refer members to the cover note. No motions to annul have been received in relation to the instrument. Do members have any comments?

Neil Findlay: It seems sensible to me.

Alex Johnstone: It does, and I am fully supportive of the objectives behind it. However, when such schemes are tightened up, there are always cases of people who you would think should be entitled to something who encounter difficulties. I look forward to dealing with those cases on an individual basis, should they come forward.

The Convener: Does the committee agree that it does not wish to make any recommendations in relation to the instrument?

Members *indicated agreement.*

Neil Findlay: Before you close the meeting, convener, I have a question about the homelessness inquiry. I do not know whether we have any evidence-taking sessions to come, but I am conscious of the fact that we have not heard from any people who have been through the homeless system. If we do not take evidence from them, we will be missing out on their first-hand experiences of the system.

The Convener: You might want to do that when you are out gathering evidence in Lothian.

Neil Findlay: We might do—I think that that is probably appropriate. However, it might be relevant to hear from such people in the committee as well.

The Convener: When we bring in individuals, we have to be very conscious of the sensitivities that are involved. That is why we are going out to gather that information.

Neil Findlay: I understand that. Link Housing Association has done a terrific education scheme in schools with young people who have been through the system. I think that hearing about the experiences of such people would add quite a bit to our investigation.

Jamie Hepburn: Do you have anyone in mind?

Neil Findlay: The scheme that I just mentioned was very successful. It might be worth asking Link about it.

The Convener: The clerks can consider options around that.

The next meeting of the committee will be on 18 January. I wish you all a happy and restful Christmas and new year.

Meeting closed at 13:20.

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