

ENTERPRISE AND CULTURE COMMITTEE

Tuesday 4 May 2004
(*Afternoon*)

Session 2

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ENTERPRISE AND CULTURE COMMITTEE

14th Meeting 2004, Session 2

CONVENER

*Alasdair Morgan (South of Scotland) (SNP)

DEPUTY CONVENER

*Mike Watson (Glasgow Cathcart) (Lab)

COMMITTEE MEMBERS

*Brian Adam (Aberdeen North) (SNP)

*Mr Richard Baker (North East Scotland) (Lab)

*Chris Ballance (South of Scotland) (Green)

*Susan Deacon (Edinburgh East and Musselburgh) (Lab)

*Murdo Fraser (Mid Scotland and Fife) (Con)

*Christine May (Central Fife) (Lab)

*Mr Jamie Stone (Caithness, Sutherland and Easter Ross) (LD)

COMMITTEE SUBSTITUTES

Mark Ballard (Lothians) (Green)

Rhona Brankin (Midlothian) (Lab)

Mr David Davidson (North East Scotland) (Con)

Fiona Hyslop (Lothians) (SNP)

George Lyon (Argyll and Bute) (LD)

*attended

THE FOLLOWING GAVE EVIDENCE:

Lewis Macdonald (Deputy Minister for Enterprise and Lifelong Learning)

Sue Kearns (Scottish Executive Enterprise, Transport and Lifelong Learning Department)

Robin Naysmith (Scottish Executive Enterprise, Transport and Lifelong Learning Department)

CLERK TO THE COMMITTEE

Simon Watkins

SENIOR ASSISTANT CLERK

Judith Evans

ASSISTANT CLERK

Seán Wixted

LOCATION

The Chamber

Scottish Parliament

Enterprise and Culture Committee

Tuesday 4 May 2004

(Afternoon)

[THE CONVENER *opened the meeting at 14:01*]

Item in Private

The Convener (Alasdair Morgan): I open the 14th meeting of the Enterprise and Culture Committee this year. Item 1 on the agenda is simply to seek the committee's agreement to take item 3, on an outline for our report on broadband in Scotland, in private. Is that agreed?

Members *indicated agreement.*

Broadband Inquiry

14:02

The Convener: I welcome the Deputy Minister for Enterprise and Lifelong Learning, Lewis Macdonald MSP, who is accompanied by Robin Naysmith, head of the energy and telecommunications division, and Sue Cairns, head of telecoms policy. The minister will give evidence in connection with our inquiry into broadband in Scotland, and I invite him to make a few opening remarks.

The Deputy Minister for Enterprise and Lifelong Learning (Lewis Macdonald): Thank you for the opportunity to spend a little time this afternoon telling the committee about the progress that we feel we are making on broadband, and responding to any questions that members might have.

As members will recall, the Executive launched an initiative in December 2002 with a budget of up to £24 million, which was aimed at making broadband available to at least 70 per cent of the Scottish population by 31 March this year. I am delighted to confirm that we achieved that target ahead of time and within budget. When in August 2001 we originally laid out the strategy on the basis of which the targets were set 18 months ago, broadband was available to about 43 per cent of households and businesses in Scotland. By the end of March this year, that figure had reached 78 per cent, which was in excess of the target that we had set.

It is widely recognised that broadband is an enabling technology that can bring significant economic benefits. It was to ensure that everybody was able to take full advantage of those potential benefits that we set our targets and confirmed affordable and pervasive broadband access as one of the principal aims of the Government's partnership agreement last year. A key element of the Executive's initiative has been marketing activity that has been aimed at raising awareness of broadband in order to stimulate demand for it.

A Scotland-wide broadband business incentive scheme was also introduced, which provides direct subsidies to businesses to help them to offset the costs of obtaining a broadband connection. The business incentive scheme has made a significant contribution to the increase in demand and in uptake. There have been more than 8,000 applications for grants, and the actual uptake rate of broadband among Scottish businesses—I stress that I mean uptake as opposed to access—has increased from some 4 per cent of Scottish businesses two years ago to

19 per cent of Scottish businesses now. That figure of nearly 20 per cent confirms that more and more of Scotland's businesses now recognise broadband as being a vital tool in improving their business competitiveness.

As a result of our demand stimulation activity, we in Scotland can demonstrate the fastest growth in uptake and the largest percentage of ADSL registrations of any nation or region in the United Kingdom. It is important to note that we have achieved that on the basis of a supplier-neutral and technology-neutral approach—I know that that issue will have arisen during the committee's evidence-taking sessions.

Our activity is not just about ADSL, although we quote those figures because they are significant and ADSL is a large part of the market. We have also supported a number of successful trials of alternative technologies for broadband provision, such as wireless technology and power line carriers. Those trials were undertaken in conjunction with the enterprise agencies and with support from the Department of Trade and Industry broadband fund. Their objective was to assess the technologies' potential to bring broadband to areas that are outwith the reach of commercial supply of ADSL. For example, power line technology in Crieff and Campbeltown and wireless technology in Aberfoyle, Lochwinnoch and parts of the Borders have extended broadband access to remote and rural areas.

It is clearly important to put in place the technology that allows coverage, but it is the content and what people do with broadband that do the most to encourage uptake by individuals and businesses. Later this year, as one of our initiatives to encourage uptake, we and Highlands and Islands Enterprise will support a major conference at Aviemore that will focus on the applications and uses of broadband. We believe that the conference will provide an ideal opportunity to showcase Scottish talent in software development and design, raise awareness of what can be achieved with broadband and, in so doing, encourage greater uptake throughout Scotland.

In summary, significant achievements have been made in recent months, but we recognise that there is still some way to go. Our aspiration is to make broadband available throughout Scotland—even 78 per cent is not enough. As members will know, one of the things that have happened since the committee's inquiry began is last week's announcement by British Telecommunications that it intends to make ADSL broadband available to about 95 per cent of Scottish households and businesses by next summer, which clearly makes a significant difference to the tasks that we face. However, about 5 per cent of Scottish households will

remain without access. That is because of Scotland's geography and the disparate densities of population in different parts of the country.

Of course, the areas that are the least commercially attractive to the companies that are rolling out broadband access are often our most remote and rural communities. We are clear that if we are to fill in the last part of the picture we will need technical innovation and market flexibility. We in Government need to continue to provide a clear lead because we want to achieve pervasive access. That will be a significant step forward from where we are now and a giant leap from where we started three years ago, but we believe that it is essential if Scotland's businesses and households are to be on a level playing field with those of the rest of the UK. We recognise that broadband is as important to the most remote rural communities as it is to others, so we will look closely at what we can do to bridge the gap to the remaining 5 per cent.

We will probably have more to say on the matter; we have to consider last week's announcement carefully and we have to consider the accessing telecoms links across Scotland—ATLAS—project, on which we expect a decision before the end of this month. I hope that my remarks provide some background to where we are and the direction in which we want to go.

The Convener: You said that the programme is within budget, and you said that the budget was £24 million, but by how much are you within budget?

Lewis Macdonald: We estimate that about half of the £24 million has been allocated thus far, so we are well within budget. We want to make good use of the remaining funds to achieve the level of pervasive access that I described.

The Convener: Your final point concerned the areas in which broadband will not be available even after BT's latest announcement. That includes three groups: first, there are the exchanges that will not be enabled at all, nearly all of which are in remote rural areas in the Highlands or the south of the country. Secondly, there are the people who are more than 6km from their exchange, who cannot get broadband even if the exchange is enabled—that is not necessarily only in rural areas. Thirdly, there are areas that were upgraded to fibre optics, but which cannot be converted to ADSL unless the fibre is ripped out and copper is put in again.

Last year, Stephen Timms said that his target was

"a Britain in which broadband is available ... in every single community by the end of 2005".

Although I do not want to saddle you with another Administration's targets, and regardless of the definition of the word "community"—perhaps in this case, "community" would equate with "exchange"—do you think that can be achieved? If we were going to achieve it, we would have to move pretty quickly to target those other areas.

Lewis Macdonald: That is precisely the point that we in Government have to consider, and we will consider it very quickly in response to last week's announcement. Your points were right. I do not know whether you have seen the useful map that I have here, which I have just received from Scottish Enterprise. I am happy to let the committee have a copy of it. The map shows the remaining 399 areas that are not covered. As you say, they are mostly in the Highlands and the south of Scotland.

There is also the matter of areas that lie outwith the radius of an exchange. Those of you who have seen last week's BT release will know that it talks about 98 per cent coverage. That is accurate in BT's terms, but the difference between BT's 98 per cent and our 95 per cent is that BT refers to 98 per cent of exchanges and customers, whereas we acknowledge that there are people who fall outside the radius of exchanges. That is why there is a difference in the figures.

I am conscious of the targets that the DTI has set and, of course, we will consider carefully what we can do to meet the objective of access for every community as quickly as we can. Once we have had a little time to consider the new information that has reached us because of the BT announcement, we will make an announcement.

The Convener: In a sense, the BT announcement makes your task easier because those areas were always going to be difficult to cover. One might therefore have thought that you would have had a fair inkling what your strategy was going to be for those areas.

Lewis Macdonald: Yes, of course. You are absolutely right that BT has made a commercial decision and solved a large part of the remaining problem, but that narrows down the areas on which we want to focus. We have now to consider how quickly we can deliver for those areas. I agree that it is very helpful that we are now in a position from which that is going to happen.

As the convener suggests, before last week we were working on the next step; we want to take that step pretty quickly. The BT announcement does not make that harder, but it removes the trigger mechanism on which much strategy was built in the past, so that has to be taken into account. However, that will not significantly delay the Government's decision-making process.

Christine May (Central Fife) (Lab): The Executive, its agencies and partners should take credit from the success of the programme to date, even if it has had some naked commercial support from BT. That should be welcome. I presume that it has left the Executive with funds that it could use for other things. What more of everything else have you been able to do through having that funding available?

I turn to paragraph 22 of your submission, under the heading "Future-proofing". It states:

"getting fibre closer to, and ultimately into, the home must be a longer-term vision"

for increased bandwidth and speed. Will you talk a little more about getting fibre optics and increased bandwidth and speed for business use, rather than for home use? How is your thinking developing on that?

I was in at the beginning of project ATLAS and I am pleased to hear that you expect a decision soon. I am still disappointed that it has been so slow because it has set us back. Will you comment on that?

14:15

Lewis Macdonald: We certainly share your disappointment at the delays to project ATLAS; however, such things must be done properly. We understand the need for a decision to be made that will hold and which will not be subject to any further challenge.

Because we have additional flexibility, we have been able to invest more in the demand stimulation side of things, which we think has contributed to the final outcome. We set out thinking that most of the £24 million would be required to improve the supply, support the suppliers and fill the gaps in the market in areas where ADSL technology would not reach. Over the past 18 months, however, it has become clear that that is not necessarily required, so we have invested in, for example, the business broadband incentive that I mentioned. The fact is that we are now outstripping the rest of the UK in registrations of interest. The broadband for Scotland website is attracting 20,000 hits a month, many of which result in people seeking to take up access to broadband. The enterprise agencies are carrying out marketing using the same resource and more than 500 businesses have had access to demonstrations of broadband through the broadband demo centres that have been set up by the business broadband initiative.

There are other projects. I have mentioned the power line communications initiatives in Crieff and Campbeltown. We have supported—directly or indirectly—a number of other initiatives to trial technologies in areas where we know that ADSL

will not apply, and we will continue to look for imaginative ways to invest funds to reach the target levels. Robin Naysmith or Sue Kearns may want to say something more about telecommunications fibres and access to broadband in the future.

Christine May: Before they do so, may I ask a supplementary question that they might answer at the same time?

Lewis Macdonald: Of course.

Christine May: From time to time, we read mildly critical articles in the financial press or the business press about the French and the Kiwis in New Zealand outstripping what we are doing by investing in next-generation technology. Perhaps the Executive officials could tell us how closely they are watching what is being done in other places.

Robin Naysmith (Scottish Executive Enterprise, Transport and Lifelong Learning Department): Our written evidence makes it clear that part of the problem with the fibre solution is that it is not particularly commercially attractive in today's market. Our main strategy has been to demonstrate that there is a demand for broadband per se. We expect that, once we have got that to a critical mass and broadband has become the accepted tool for people who do business, the demand for increased capacity will stimulate the market to deliver. Part of the objective of project ATLAS is to bring that greater bandwidth capacity to business parks in areas in which there is no such commercial provision. That is a key aspect of the strategy, but it must go at the pace that the demand can be proven to stimulate.

As far as other countries are concerned, we are watching what happens carefully. Our main focus remains on getting coverage. The kind of improvements to which the minister referred earlier, which we can expect to see through the results of BT's announcement last week, will make us comparable with the countries that you mentioned. We may not be quite as advanced in our technology as Japan and South Korea, but we are probably giving Germany and France a run for their money.

Mr Jamie Stone (Caithness, Sutherland and Easter Ross) (LD): I have two questions based on the excellent written submission from the Scottish Executive. You have talked about direct intervention, and the Executive's submission talks about direct intervention

"until the end of 2002".

Could the Executive, and possibly the enterprise agencies, give consideration to intervention whereby people would be sent into small businesses? One would have to be careful about

the assistance that was given and the way in which it would work, but people could go in for a time to give businesses advice on what to do with sales forces using broadband. That would be interesting; imaginative suggestions could be made, especially in some unemployment black spots. For instance, we heard excellent evidence from BT about a launderette that has benefited from broadband. There are ways in which people in businesses can be shown the many opportunities that broadband can present.

That was food for thought; my second question is simpler. In your superb case study on Identification Technologies Scotland, the figure that is quoted for its broadband package is £423 a month, which is entirely reasonable to ITS. For some of the very smallest businesses, however, that would be a problematic figure. Is any assistance or sliding scale being considered by the Executive or Government agencies? Could a lower fee or some sort of assistance in kind be considered to help businesses with turnovers of, say, £50,000 to £150,000?

Lewis Macdonald: On your first point, it is a matter of our working directly with businesses, with people going in to show them the benefits that they can obtain. Indeed, that is already being done by the enterprise networks. I suspect that they will want to do more of that, in the terms that you describe.

Mr Stone: Yes—although what I meant was not so much people going into a business for a day or a week, but people being with a business for, say, a month, using broadband and linking it to the sales ledger and so on. They could demonstrate how it is done and show the business that, by using that tool, it actually achieves more sales. That goes slightly further than what I think you were saying.

Lewis Macdonald: This suggestion would not, by any chance, be for marketing Sutherland cheese, would it?

Mr Stone: No—I was thinking of Caithness Glass.

Lewis Macdonald: The enterprise networks are always up for suggestions of ways in which they might better support businesses in taking advantage of technological opportunities that exist. I would not want to commit people to spending long periods of time at any particular business, given that there is a limit to the resources that are available to those businesses. As I said, we have come in within budget, but that does not allow us to adopt a Santa Claus approach to the next step.

On your other point, we recognise that smaller businesses perhaps require more support, advice and information so that they can take advantage of opportunities. We are open to any suggestions

that the committee might wish to make about how we could do that better.

Sue Kearns (Scottish Executive Enterprise, Transport and Lifelong Learning Department): There are many case studies on the Scottish Enterprise website, which are there to convince small businesses of the benefits of broadband. The more experience we have of small businesses, the easier it is to convince people who do not already have broadband.

Brian Adam (Aberdeen North) (SNP): I would like to explore further the lack of access to broadband among businesses because of their distance from the nearest exchange. Are you now suggesting that only 3 per cent of people are affected because of distance and technical problems, including lack of copper cable? I would be surprised if the figure is as low as that—either that or the people who are affected are all up in our neck of the woods, minister. I am sure that the minister would be concerned to find that distance is the problem on Great Northern Road in Aberdeen. I find it hard to believe that the figure is as low as 3 per cent.

Lewis Macdonald: We anticipate that, by the time BT has rolled out the next stage of access in more remote communities, the balance will be something of that order. There is a bit of estimation involved, but we are anxious to identify where the problem exists and to do something about it. It is true that the percentage of households and businesses that lie outwith the relevant radius is much higher in rural areas than it is in urban areas. If you are telling me that one of my constituents has a problem with this, you must of course encourage him or her to write to me straight away.

Brian Adam: It could be somebody who is about to have an office very close to your constituency who will have that problem.

Lewis Macdonald: I am sure that the situation is not discriminatory.

Brian Adam: I cannot imagine that the problem exists just in the small area to which I referred.

Sue Kearns: We have percentage figures for Scotland broken up by region. We know the percentage of people who are out of reach in different areas. Overall, we estimate that the figure is about 3 per cent, but it is higher in some areas. Down south, BT is trialling 10km-reach ADSL and we hope that there will be trials in Scotland later this year.

Brian Adam: How will we deal with areas where the problem is not distance but the lack of copper wire? Will we come up with a supply-side solution to that problem or will people have to do what the

good folk of Kingswells are doing and find a solution themselves—welcome though that is?

Lewis Macdonald: Our position is firmly technology neutral. That means that we are considering not merely extending access to ADSL but extending access to broadband by whatever means are available. If that involves examining other technologies or issues that we need to address to allow access to those technologies, we will consider doing so in our response to the latest development that I described a few moments ago.

Brian Adam: So you are willing to consider providing Executive support to infill where commercial solutions may not stack up.

Lewis Macdonald: Hitherto we have not offered blanket support to, for example, wireless technology to enable all the gaps in the market to be filled but have encouraged people to present proposals that we can support, which can act as pilots for other parts of the country where the same issues may arise. On the basis of those pilots, we make judgments about how widespread the problems are and whether more widespread intervention and support by Government would be helpful.

Mike Watson (Glasgow Cathcart) (Lab): I wanted to raise the same issue, so I will develop it slightly. When BT gave evidence to us in March, it said unequivocally:

“100 per cent broadband coverage ... is an achievable and absolutely essential goal and should be adopted as a target by the Scottish Executive for immediate implementation.”

It backed up those comments in a subsequent submission.

I would like you to clarify your position. In the light of the answer that you gave to Brian Adam's question and the point that you made in your opening remarks about the need to use technical innovation, market flexibility and some Government intervention, has the Executive set itself the target of achieving 100 per cent broadband coverage or will a target be set on the basis of the pilots to which you referred, such as those at Crieff and Campbeltown?

Lewis Macdonald: The aim of the pilots is to establish what more needs to be done. The commitment to seek pervasive access to broadband is clear. The convener quoted Stephen Timms, who wants every community in Britain to have access to broadband. The meaning of our commitment to pervasive access to broadband across Scotland is very similar.

Mike Watson: I note what you say, which is not yet a commitment to provide 100 per cent broadband access. What might be the brake on meeting that commitment? Would it be financial?

In response to a question from Christine May, you said that so far only about half of the £24 million that the Executive has set aside for the purpose has been used. Over what period was it anticipated that that money would be spent? Would it be feasible to spend some of the residue on filling the final gap after BT's target of 97.8 per cent coverage is reached in 2005?

Lewis Macdonald: Let me make clear the distinction that must be drawn. We have made a commitment to pervasive access for broadband, which is not qualified—it is an absolute commitment that is clearly stated in the partnership agreement. It is not yet finalised how we will achieve that for the 5 per cent of households that will not be covered by what has been done up to now or by the commitment that BT made in its statement last week. That is the remaining area of ambiguity. The commitment to achieve pervasive coverage is a clear, black-and-white commitment. We will decide very quickly how to adjust what we had in mind before last week to fit in with the fact that the same trigger mechanisms no longer exist, and we will decide what we should do to move beyond 95 per cent coverage and to reach every community in Scotland.

Mike Watson: Thank you. That is clear.

If the £12 million of the £24 million that remains to be used is insufficient to achieve pervasive coverage, will you access additional funds?

14:30

Lewis Macdonald: We are optimistic that our existing budget will allow us to take the required measures. As with any Government funding decision, we seek to operate within our budget, but if we find that it is not adequate to meet our needs, we will look elsewhere. For example, there is the possibility of European funding for parts of Scotland, of which we would take advantage if that was required. We are committed to achieving pervasive access and we believe that our existing budget should allow us to do that. We will simply have to assess quickly how best to turn the funding into the necessary actions.

Mike Watson: My second point is on business coverage. I believe that Scottish Enterprise raised the 19 per cent take-up figure at an earlier meeting in the broadband inquiry, which I want to probe further for clarification. The 19 per cent figure seems to me to refer to take-up of all types of broadband across business, whereas the BT figure of 7 or 8 per cent refers more narrowly to ADSL. However, Scottish Enterprise said in its subsequent written submission that it believes that the 19 per cent figure is an underestimate and that the real take-up figure—based on UK growth in

the intervening period—will be in excess of 30 per cent by the middle of this year. Is the Executive figure for take-up of all types of broadband the 19 per cent figure that the minister quoted? If so, is BT's 8 per cent ADSL figure in line with the minister's understanding of the situation?

Lewis Macdonald: The latest information on which we are working is that there is 19 per cent take-up by business. The Scottish Enterprise figure is a forecast. Like the Executive, Scottish Enterprise is making a best estimate from the information that it has. We hope that the Scottish Enterprise forecast is right and that we will quickly reach 30 per cent take-up for businesses. That is the purpose of much of our work with the business community to stimulate demand.

The latest quarterly figures from the Scottish household survey show that 17 per cent of households with internet access have broadband. Therefore, nearly one in six households with internet access has broadband, which I suspect is a large proportion of the total number of households. Business and household take-up of broadband are in roughly the same ballpark.

Mike Watson: Some of the take-up covers both areas.

Lewis Macdonald: Absolutely.

Mike Watson: My final point is on state aid. You referred in your submission to the Cumbria decision, which was announced at the back-end of last year. You said that you would take that into account for future development in Scotland. How might the Cumbria decision assist us in reaching the pervasive coverage to which we referred earlier?

Lewis Macdonald: Cumbria has allowed private persons to benefit from a public sector roll-out. Clearly, that might be helpful. Members will be aware of the pathfinder initiative that my colleagues in the Finance and Central Services Department are leading. That initiative is designed to bring access to public sector outlets in local communities. Our interpretation of the Cumbria decision is that, among other things, it would allow the pathfinder initiative to be within European rules if it gives access to businesses. The Cumbria decision has removed concerns about such initiatives and given us a bit more flexibility.

Susan Deacon (Edinburgh East and Musselburgh) (Lab): I apologise to the convener and to the minister for missing the opening elements of the minister's evidence.

You will tell me if what I am about to ask, on the wider issue of where we go from here, has been covered. Obviously, our inquiry and your engagement with it have focused on broadband because that is what we are considering.

However, broadband exists within a much wider context, which is how we develop information and communications technology more generally in Scotland.

Some of the points that you made in response to Mike Watson, such as those on the pathfinder initiative, are examples of the wider context within which broadband development is taking place. As we move towards completing our report, it would be helpful to obtain a sense of how the Executive plans to ensure that the momentum behind that work is kept up, both organisationally and in wider policy and practice, and that as broad and effective a coalition of individuals and organisations as possible is brought together to ensure that Scotland is taking full advantage of the technology that is available to it.

Lewis Macdonald: I will start with the Executive itself. We work cross-departmentally—there is a cross-departmental group of officials and there are meetings between ministers with responsibilities in the area. Jim Wallace is the overall leader of broadband policy throughout the Executive. In addition to the responsibilities of the Enterprise, Transport and Lifelong Learning Department, the Finance and Central Services Department has a particular responsibility for the pathfinder initiative, which I have just mentioned, and the ministers with responsibility for the Education Department and the Health Department are working together through cross-departmental initiatives to ensure that a coherent and joined-up approach is taken.

As in many other areas of policy, it is important that what we propagate to the private sector and to private individuals is practised within the public sector. We are keen that the public sector should be a vehicle for broadband access and an exemplar of what can be done with it. We are keen to ensure—again, on a cross-departmental basis—that, in schools and in post-school education and training, people are given the opportunity to understand what the technologies can bring. By becoming familiar with using such tools while they are engaged in formal education, they will have the ability to access and make use of them afterwards.

The committee will be aware of the significant amount of work that is being done to roll out broadband within the national health service. We certainly aspire to achieve a very good model of joined-up government by ensuring that all such initiatives are going in the same direction at roughly the same time.

Susan Deacon: I am grateful for that information, but I wonder whether I could ask you to elaborate on the input of external organisations. You said quite a lot about joined-up government, but I am interested to find out how the Executive and, for that matter, Scottish Enterprise's local

network are involving not just the private sector, but communities, the voluntary sector, social enterprise and so on.

I am conscious that the digital Scotland initiative, which was developed immediately after devolution, acted as a forum for advancing that range of perspectives. My understanding is that no equivalent forum exists at the moment; I would be grateful if you could clarify whether that is the case. If that is so, do you think that such a forum might be needed in the future?

Lewis Macdonald: I am sorry—I missed your point.

Susan Deacon: I said that my understanding was that, during the first few years of devolution, the digital Scotland initiative acted as a focal point and culminated in the publication of a report. Is there an equivalent of that and, if not, do you think that such a forum might be necessary in the future, to bring together not just the coalitions, but—crucially—some of the energy, enthusiasm and knowledge that exist throughout Scotland? We could probably channel that quite powerfully in the future, although it is fair to say that that has been done to some extent already.

Lewis Macdonald: I think that some of the stuff that was done as part of the digital Scotland initiative has now been mainstreamed, for example in the enterprise networks. That is an important part of the answer to your question.

We also work closely with the business community and business organisations. For example, the Federation of Small Businesses has engaged closely with us in selling the benefits of broadband to the small business community, which consists of small and medium-sized enterprises. We are particularly keen that that work should continue and that we should engage with representative organisations in the community that can get across the message for us through their networks, connections and influence with their members. That is a sensible approach.

There is clearly a link between stimulating access to the internet, which we do more generally, and encouraging the take-up of broadband, because the easiest way in for people is to migrate from narrowband to broadband. The work that we do to encourage people to become familiar with and to make use of the internet, through the network of learning centres for example, will build towards greater broadband take-up in the future.

Susan Deacon: Will you clarify a small point? You explained specifically where the ministerial lead lies in relation to broadband and e-public services. Does the overarching ministerial lead for the area of work that we are considering reside

with the Enterprise, Transport and Lifelong Learning Department?

Lewis Macdonald: If I understand you correctly, I think that it does. Are you asking about responsibility for electronic media?

Susan Deacon: Yes.

Lewis Macdonald: That responsibility lies with the energy and telecommunications division, which is headed up by Robin Naysmith.

Chris Ballance (South of Scotland) (Green): I will build on the points that members have made about the future. We have heard in our inquiry that ADSL might well be out of date in two or three years' time and that we might need to consider SDSL. You said that a consultation has been initiated at UK level to assess bandwidth needs in 2010. When is that consultation likely to report? What input will the Scottish Parliament have into future developments?

Lewis Macdonald: I will ask Sue Kearns to answer your question on the consultation.

Sue Kearns: The DTI consultation has just started and I am not sure when it will end, to be honest. We will have an input into the consultation.

Lewis Macdonald: The DTI consultation is being run by others rather than by ourselves, but we can certainly provide the committee with more details about it.

Chris Ballance: Will you also provide details of the Scottish Executive's role in future developments on broadband?

Lewis Macdonald: Yes—that certainly falls into our domain. Project ATLAS represents a step forward in that it seeks to provide a bandwidth of 2 megabits per second in selected business parks before rolling that bandwidth out further. The Office of Communications—Ofcom—clearly has overall responsibility for the area, as it is the UK-wide regulator.

It is clear that to generate demand for the next generation we must first ensure that there is mass take-up of broadband. I do not in any way diminish the importance of Chris Ballance's question about future developments on broadband, but part of the answer is that, before we get to that stage, we must ensure that there is widespread access to and use of the existing broadband technology. It is a step-by-step process and we are on an important lower part of the ladder; in order to ascend the ladder we must maximise broadband uptake.

Chris Ballance: I accept that.

My next question builds on what has been said about the Executive's intention to secure 100 per cent coverage. I received an e-mail yesterday from

a 14-year-old boy in a small village that will be excluded from the proposed 98 per cent coverage through BT exchanges. He wanted to know why there was no coverage and when there would be. When I reply, I will tell him everything that you have said about the Executive's intentions, but may I add that the Executive intends that access should be affordable compared with other broadband provision? May I also tell him when he might expect to have coverage? A commitment that is given without a date does not mean much.

Lewis Macdonald: His questions are good questions, but I would not want to give you the answers here and now. In part, the answer is as soon as possible. You heard the convener refer to the Great Britain-wide vision laid out by Stephen Timms. We do not want to be laggards in that respect. We want to deliver access as quickly as we can.

One can argue that, technically, everyone has access, if we count the most expensive means of access, which is satellite, but that is not what we are talking about. We are talking about more affordable access. Sadly, I cannot give you a date this afternoon, although I hope to do so fairly soon, but I hope that I have indicated that you can reply to your constituent and say that we recognise that there is no reason why we cannot have 100 per cent access, and that we intend to achieve it.

14:45

Chris Ballance: Do you accept that at the end of it all—maybe at the end of next year—there will be a case for grant aid for the last few hundred or so households and businesses that cannot receive broadband, to enable the 100 per cent target to be met?

Lewis Macdonald: We are not at that stage now. I am sure that you appreciate that I do not want to prejudge the next key step, which will be to achieve pervasive access. We will encourage that to happen quickly. When we see what we can put in place, we will consider the challenges that remain.

Richard Baker (North East Scotland) (Lab): I will follow on from Chris Ballance's questions, which addressed some of the issues that I wanted to raise. The aim is to counter a digital divide—which is an oft-used term—and provide access for people, particularly in rural areas. Am I right in thinking that you are moving on from considering satellite technology for people who are not going to be part of the new BT roll-out but who want to access broadband? Establishing a partnership could cover that last couple of per cent. We took evidence from one witness who said that providing affordable access with new technologies would

require substantial support from the Executive for new infrastructure.

Lewis Macdonald: As I said, our approach is technology neutral, but we want to make access affordable for people, which means that we need to consider all the options that are available to us. However, grants are currently available to business to access satellite broadband, so there is nothing insurmountable about providing public support to intervene in the market where it is required. We are trying to deliver the maximum benefit at minimum cost to the public purse. That is value for money, and that is the approach that we are taking.

Richard Baker: That is useful. I have one final question, part of which might go outwith your remit. We seem to be making fantastic progress on access, but the issue now is encouraging take-up. To what extent is the Executive working with other organisations such as the Confederation of British Industry Scotland and the FSB to encourage business take-up, and beyond that to encourage take-up in other sectors, such as the third sector, so that access is taken up across the social spectrum?

Lewis Macdonald: As I said, we are working closely with the FSB and the CBI. We consulted them on the kind of support that would be most appropriate for business, and on the business broadband incentive, and they responded positively. We will work with all organisations of that type if giving them our support can make a difference to their recruiting members to take up broadband.

The Convener: There are no more questions, so I thank the minister and his officials for their evidence. We hope that we will be hearing an announcement from you in near future. It would be helpful if it came before we finalise our report, but I realise that you have other considerations.

Lewis Macdonald: I am sure that we will keep in touch on timetables over the coming few weeks.

The Convener: As agreed previously, we now move into private session.

14:49

Meeting continued in private until 16:07.

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