



The Scottish Parliament
Pàrlamaid na h-Alba

Official Report

INFRASTRUCTURE AND CAPITAL INVESTMENT COMMITTEE

Wednesday 22 February 2012

Session 4

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INFRASTRUCTURE AND CAPITAL INVESTMENT COMMITTEE
4th Meeting 2012, 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)
*Adam Ingram (Carrick, Cumnock and Doon Valley) (SNP)
*Alex Johnstone (North East Scotland) (Con)
*Gordon MacDonald (Edinburgh Pentlands) (SNP)
*Margaret McCulloch (Central Scotland) (Lab)

*attended

THE FOLLOWING ALSO PARTICIPATED:

Alex Neil (Cabinet Secretary for Infrastructure and Capital Investment)
Mike Neilson (Scottish Government)

CLERK TO THE COMMITTEE

Steve Farrell

LOCATION

Committee Room 6

Scottish Parliament

Infrastructure and Capital Investment Committee

Wednesday 22 February 2012

[The Convener opened the meeting at 10:00]

Decision on Taking Business in Private

The Convener (Maureen Watt): Good morning, everyone. I welcome you to the fourth meeting in 2012 of the Infrastructure and Capital Investment Committee, and I remind everyone to switch off their mobile phones and BlackBerrys, because they impact on the broadcasting system. No apologies for absence have been received; I think that we are all present and correct today.

The first item on our agenda is a decision on taking business in private. Do committee members agree that we should consider in private agenda item 7 and in future a related draft report?

Members indicated agreement.

Broadband Infrastructure Inquiry

10:01

The Convener: Agenda item 2 is broadband infrastructure in Scotland. The committee has heard evidence from a range of stakeholder groups with an interest and involvement in the uptake and development of broadband infrastructure, and we would like to thank the numerous individuals and organisations that have submitted written evidence in response to our call for views on the topic.

Since the committee last took evidence on broadband, in December 2011, the Scottish Government has launched “Scotland’s Digital Future—Infrastructure Action Plan”. In today’s evidence session, the committee will question the Cabinet Secretary for Infrastructure and Capital Investment on the contents of the action plan, in the context of the other evidence that the committee has received.

I welcome Alex Neil, who is accompanied by two supporting officials from the Scottish Government: Mike Neilson, director, digital; and Trudy Nicolson, team leader in innovation and digital economy. Cabinet secretary, would you like to make an opening statement?

The Cabinet Secretary for Infrastructure and Capital Investment (Alex Neil): Yes, please. Thank you for inviting me to the committee. I very much welcome this inquiry, which is timeous and appropriate. I think that we are all agreed that the issue is critical for the future of Scotland and its economy.

“Scotland’s Digital Future—Infrastructure Action Plan” was published on 31 January and debated in the Parliament on 2 February. Many members of the committee participated in that debate. The action plan sets out to deliver a step change in people’s ability to access the internet, enabling them to connect from their homes, from their businesses and while on the move. The plan sets out a clear blueprint for delivering world-class digital connectivity in Scotland by 2020, with substantial improvements for all by 2015. Its level of ambition surpasses that set by the United Kingdom Government, and it provides a clear vision of the digital infrastructure that we believe will best serve Scotland’s current and future digital needs.

As the first step to being world class, we will improve significantly internet access speeds for everyone in Scotland, with 85 to 90 per cent of premises receiving speeds of 40 to 80 megabits per second, and a significant uplift in speeds for the remaining 10 to 15 per cent by 2015. We are also seeking to ensure that 2G and 3G mobile not-

spots are addressed, with the highest possible coverage for 4G when it is rolled out. In short, the plan will seek to deliver equity in Scotland, allowing all Scottish society to prosper fully—economically, socially and culturally—in the digital age. The plan acknowledges the clear link between broadband take-up and growth in gross domestic product.

The plan also recognises that the delivery of world-class digital connectivity requires partnership working across the public and private sectors, united behind a shared vision and striving to achieve a common purpose. That will be key to our success. Hundreds of millions of pounds of investment will be required to deliver a step change by 2015. We need to ensure that the Government's investment, in the region of £0.25 billion pounds, is successful and—above all—offers value for money for the public purse.

We expect the private sector to work in partnership with us to deliver the plan, and we will put in place mechanisms to secure greater investment from the private sector. Partnership with local government will also be critical in ensuring that we deliver our national plan while meeting the needs of local areas.

We are committed to working with the Convention of Scottish Local Authorities, individual local authorities, the enterprise agencies and all other stakeholders to take this forward. We, the public sector, must also collectively play our part by being an intelligent customer of digital infrastructure, technology and services, and by using our influence to drive demand and secure private sector investment. As we now implement the action plan, we will seek to build the truly comprehensive partnership approach that is critical for its delivery.

The action plan has already received numerous positive commendations, from industry and think tanks alike, and I was glad to have Alex Johnstone's input in the debate on 2 February and am pleased that he supports the Government's aspirations. I hope that that sets the tone for the rest of the morning.

The Convener: Thank you, cabinet secretary.

Is there a danger that the 2015 targets in the action plan will be difficult to meet if work does not start until the first half of 2013? There are suggestions that even that is too long to wait for the programme 1 contract to be awarded.

Alex Neil: As we have made clear, there is no doubt that although the 2015 targets are ambitious, they are achievable. We have set out the action plan and by the end of March we will have published a procurement strategy. We will then engage in the procurement process, under European Union rules. The first major stage of that

process will be to engage in a competitive dialogue with potential bidders for the contract. To satisfy the requirements of EU procurement legislation, that will take a number of months, but I want to make it absolutely clear that although we have said that we will start in the first half of 2013, we are working towards a date as early as possible in that year. Assuming that the procurement process goes according to plan, I anticipate being able to have the tender document and to appoint the successful tenderer much earlier than the middle of that year.

The Convener: For the record, can you explain what you envisage the programme 1 procurement to include?

Alex Neil: As you know, the country is currently divided into three areas: black, grey and white. The black areas will be covered by the private sector, and BT has already announced a major investment programme throughout the United Kingdom, which will cover a large part of urban Scotland in particular.

I always use Kirkliston as an example of a grey area. It is not quite in Edinburgh and therefore not guaranteed to be covered by the private sector investment, but neither could it be described as a remote rural area. Key to changing the Kirklistons of this world from grey areas to black ones is getting their participation rates up. If we manage that, we will minimise the numbers in the white areas and maximise the numbers in the black ones.

Our investment, tendering and procurement will be based exclusively in the white areas because that is where the private sector is not going to invest and where getting access to superfast broadband—or, in some cases, to any kind of broadband—can be done only through public investment. Therefore, we anticipate wiring up the white areas of Scotland, primarily through the use of such technologies as fibre optic.

Essentially, there are three connections. There are the exchanges, and with 1,600 exchanges BT has by far the largest number of exchanges in Scotland. That is a very large number of exchanges for such a small country, but it is just a historical legacy. About 400 of those exchanges have fewer than 100 phone lines attached to them.

The emphasis will be on getting primarily fibre optic but other technologies, too, to the exchanges. In many areas it will be about getting fibre optic to cabinets, then to premises. There are many places in Scotland, particularly in the remoter rural areas, where it will just not be possible because of the costs for either the public or the private sector to connect premises to fibre optic. We estimate that that will involve somewhere between 5 and 10 per cent of

premises in Scotland, for which the solution will be alternative technologies that will still be future proofed, such as wireless, wi-fi and satellite.

The Convener: Okay, thanks. The committee has heard evidence, as has the Government, from a range of local authority and community groups that had developed broadband action plans for their areas. Do you accept that groups that are advanced with their plans may feel a sense of frustration at having to wait until 2013 for the conclusion of the Scotland-wide procurement process?

Alex Neil: Clearly, the Highlands and Islands area is the furthest advanced and it is moving to procurement, so there is no hold-up there, which we have been at pains to ensure. The south of Scotland has been given an initial £5 million to make a start. I had a meeting with them last week on other matters, but we raised this issue and I did not get any sense of frustration at all from them about it.

The other area that is probably further ahead is the north-east of Scotland, where Aberdeen Council and Aberdeenshire Council have put a plan together. I had a meeting with them recently as well and they did not give me the sense that they were in any way frustrated. They understand exactly the procedures that we have to go through, which will not in any way hold them up. Clearly, if they were going to do their own thing as opposed to being part of our national strategy, they would be at exactly the same stage as we are at.

I really take my hat off to the Grampian area and to Aberdeen Council and Aberdeenshire Council, which I think have done a tremendous amount of work in mapping out their own area, seeing what is required and putting a strategy together and consulting on it. The rest of Scotland, barring the south and the Highlands and Islands area, which are further advanced, could learn a lesson or two from the way in which Aberdeen and Aberdeenshire have conducted themselves and from the progress that they have made in preparing for broadband.

The Convener: They are leading the country as usual. You said that, compared with the UK, Scotland is more ambitious. However, comparing us with the rest of the UK may not be a sufficiently ambitious comparison. Do you believe that our ambitions and aspirations are high enough when compared with the targets that other European countries have set?

Alex Neil: We have deliberately benchmarked what we are planning to do against what is happening in other countries. For example, we mentioned in the action plan Sweden, which is one of the countries that is most advanced. That is why

we have set the very ambitious target beyond 2015 to be world class by 2020.

If we look at what other European countries such as Sweden or Luxembourg are doing, we may find that they are doing it slightly differently from us. Luxembourg is smaller than Edinburgh and it does not have remote rural areas, so it is relatively easy to wire up. Its target is to be world class by 2020, as is ours. Luxembourg will be able to wire up everybody to fibre optic and like technologies and will not need to rely on wireless or satellite technologies, because it does not have remote rural areas, as we do.

Even the UK Government has recognised that the most challenging geography in the UK and perhaps even in the whole of Europe in which to wire up is in Scotland. For us to have a plan to be world class by 2020 is deliberately ambitious, but we believe that it is very achievable.

The Convener: I take your point about Luxembourg being easy to connect up, but its ambition is to provide a speed of 1 gigabit, which is much higher than anything that we are suggesting.

10:15

Alex Neil: We are doing it in such a way as to achieve two things. The first is to enable us to be world class. The definition of "world class" will change. At the moment, Luxembourg is defining it as providing 1 gigabit by 2020, but by the time we get to 2018, it might decide that world class means more than 1 gigabit. We are building in capacity and, once that is done through the use of fibre-optic cables, for example, it will be much easier to get from where we are to where we need to be to be world class. As long as we have capacity, we can achieve our targets.

Obviously the target will be a moving one, particularly when we benchmark ourselves against other countries, because some of them will redefine their targets and make them more ambitious, so the second thing we are trying to do is to future-proof ourselves against new technology so that, irrespective of technological changes, we will be able to accommodate the best of the leading-edge technologies. We are not doing anything to prejudice our ambition, but we recognise that we could be aiming at a moving target so we are designing our strategy in such a way that, however "world class" is defined by 2020, we will be there.

Margaret McCulloch (Central Scotland) (Lab): I have a couple of questions about the procurement process. How will you ensure that the procurement process is simplified so that it does not inhibit lots of other organisations from making a bid?

Is it possible to simplify the questions in the tendering process? Sometimes the questions are really vague and it is difficult for the organisations to know how they will be assessed on their answers.

If large organisations get the tender, will there be a limit to them contracting out work to subcontractors? What seems to be happening just now is that large organisations are coming in and subcontracting to a contractor who subcontracts to another one and, at the end of the line, the small business that is doing all the work has to adhere to all the rules and regulations.

Will you phrase the procurement process in such a way that it contains requirements for benefits to the community, and make sure that a certain number of the people who are employed will come through the modern apprenticeship programme or from the percentage of people who are long-term unemployed?

Alex Neil: Margaret McCulloch makes valid points relating not just to the broadband issue but to more general procurement policy. Fortunately, I am also the minister for procurement so I can answer those general points as well.

We are engaged in a programme of reform for procurement procedures. We are reforming the pre-qualification questionnaire procedure because a lot of the questions are irrelevant. People have to reinvent the wheel and submit a new PQQ every time they bid for a new contract and we are changing that so that the PQQ information is held in a database and the only additional information that would be required to be put in for a new bid would be the relevant information for that bid. We are weeding out the unnecessary questions such as the ones about a software strategy for a fairly simple and small construction project, for example.

PQQ reform has been a bit slower than I wanted it to be because we are trying to take the local authorities with us because they do 50 per cent of procurement in Scotland.

We will address other issues through the proposed sustainable procurement bill, the consultation on which will be published within the next few months.

I am conscious of the subcontracting and supply chain issue. We are looking at how best we can ensure that, for example, the community benefits do not just come from the main contractor but are reflected throughout the supply chain, particularly for larger projects. I am happy to engage on all those wider issues.

I should emphasise three points about the particular contract that we are talking about along the lines of the points that Margaret McCulloch raised. First, we will make the process as

straightforward and simple as possible. We have to abide by European rules but community benefit will loom large in the contract.

Secondly, while we consider the contract for broadband infrastructure, we will simultaneously consider how to streamline and get better value for money and more community benefit from the broadband services that the public sector engages in in Scotland. As members know, that is a result of last year's McClelland report on public procurement. We want to try to run the two processes in parallel to maximise the benefit to the public.

The final point is that I want us to have a payback arrangement. We will invest heavily in the white areas, but when we reach a certain level of usage, the provider will start to make substantial profits as a result of the public investment. At that point, I would like a share of those profits to come back to the taxpayer.

We are considering all those issues. We have already enunciated the principles in the action plan but, when we publish our procurement strategy at the end of March, we will spell out some of the detail.

Adam Ingram (Carrick, Cumnock and Doon Valley) (SNP): I want to explore with the cabinet secretary the timeline for implementing the action plan and the local authorities' role in that. The convener and cabinet secretary have mentioned Aberdeenshire and Aberdeen as being ahead of the game. They are ready to go. How does the cabinet secretary envisage their implementation going? Do they have to wait until next year to get into the white areas?

Alex Neil: We will publish the procurement strategy at the end of March. We have said in the action plan that those areas that are ready to roll in procuring what is required for their area will get priority. I am not going to hold up areas in Grampian because Ayrshire, Lanarkshire or other parts are falling behind and do not have their plans ready. Whoever is ready to roll will get priority. To achieve the ambitious target for 2015, I cannot put people in the north-east of Scotland, for example, on hold until other people get their act together. I make it absolutely clear, as we did in the action plan, that that will be our approach. Frankly, it is time that some of the other people got their act together and submitted to us their plans and what they are looking for from the procurement exercise.

We are heavily engaging COSLA and the Society of Local Authority Chief Executives and Senior Managers in developing the procurement strategy. We consulted widely on the action plan, including with private and public sector stakeholders. The programme board that will

oversee the process will include local government representation, from COSLA. Given that local government has a vital role, we recognise the need to ensure that it is heavily involved at every stage and is part of our process. However, it is not just about COSLA. For example, a member of the south of Scotland team is seconded to our team to ensure that there is close working, and we have a close relationship with Highlands and Islands Enterprise, which is leading on the Highlands contract. We are trying to have a team Scotland approach, rather than have a local government approach, a Scottish Government approach and a health board approach.

As members know, from the £95 million in consequential that John Swinney announced a couple of weeks ago, we allocated £40 million to local government to help it to fund its share of the broadband procurement process. That is a fair deal when we consider what is happening south of the border, where the relevant department and broadband development UK are insisting that the local authorities match the Government's money pound for pound. I did not think that that was a realistic proposition in Scotland. Therefore, we are not demanding that our investment be matched pound for pound, although we require contributions from local authorities. We already have £40 million committed collectively from four local authorities. I hope that the other £40 million that we have allocated will be topped up from existing local government resources.

If the total public sector budget that we have now earmarked for broadband in Scotland is added up, there is around £0.25 billion to take us to 2015. Around £140 million of that is Scottish Government money, and the rest is BDUK and local government money.

Adam Ingram: Thank you for that comprehensive answer. To summarise it, you are saying that the Aberdeenshires and Aberdeens of this world can get on as of now—or after March—with your strategy.

Alex Neil: I will spell it out. We are engaging in a national procurement approach, which we believe will get us the biggest bang for our buck. We believe that the key to the strategy's success is open access and interoperability. If we approach it with those principles, we will not end up with the type of situation that we had with the railways, for example, in which everyone had different-sized gauges, and it took us years—if not centuries—to get a national railway system.

Alex Johnstone (North East Scotland) (Con): Does the minister remember that period?

Alex Neil: I remember you being there, Alex.

On broadband, we will start with a national approach. I have discussed that with the

Aberdeenshire and Aberdeen people, and they are quite relaxed about it. They will be part of the national procurement exercise but, when we are phasing the work, a lot of their work will be done early, because they are ready to do it.

Adam Ingram: So your message to other local authorities or partnership groupings would be that it is time for them to get their finger out.

Alex Neil: I would not use language like that, but yes, that is it. I do not yet know whether the cable connection to Maybole will follow the same route as the bypass. [*Laughter.*]

The Convener: We have to get that in at every meeting, or in every discussion between Adam Ingram and Alex Neil.

We will move on. Malcolm Chisholm wants to ask some questions.

Malcolm Chisholm (Edinburgh Northern and Leith) (Lab): Cabinet secretary, you said that the investments will focus on the white areas into which the market will not go, and that those cover 30 per cent of premises in Scotland. We would be interested to know how you arrived at that figure, and whether you are certain that the market would not be able to reach those areas without public support.

Alex Neil: We have been gathering intelligence on the market situation for quite some time. Although it took us some time to do so, we were eventually able to get the intelligence that was available to BDUK from its mapping exercise, and we have had a great deal of co-operation from companies such as BT and Virgin. We also have our own intelligence on public sector networks. There is, for example, the old pathway project that schools ran. There are also infrastructure facilities in the energy sector that will potentially be helpful for broadband with regard to where we lay the cables and so on. The mapping has been done on the exchanges and cabinets, and that type of thing.

We have combined that intelligence with information from our bilateral discussions with companies such as Virgin, BT and others—and our discussions with the Office of Communications, which has done some work in this regard—on the assumptions around participation levels. For example, if we get a participation level in excess of 20 per cent, the likelihood that the private sector will invest is much higher than if the level is below 20 per cent. If we can get those areas that fall just below 20 per cent over that level, we can move them from the grey area into the black area. It is very much based on market intelligence across the board.

The feedback that we have had since we published the action plan seems to indicate that

there is general agreement that our assumptions around that figure are broadly correct.

10:30

Malcolm Chisholm: In its evidence to the committee, Virgin Media said that the problem in rural areas is that there is very little competition, and suggested that

“the Government should consider how it can underpin commercial investment in those areas”.—[*Official Report, Infrastructure and Capital Investment Committee*, 14 December 2011; c 516.]

How will you work with the operators to try to arrive at a commercially viable solution? Do you think that there will be much interest, or do you agree that there will be very little competition in those areas?

Alex Neil: First, let us be clear that what we are talking about is investment in new infrastructure, not investment in services. There is a lot of competition in service provision, particularly in places such as Edinburgh, but even in rural areas. However, there tends to be less competition in the provision of infrastructure. I am not revealing any secrets by saying that BT has a monopoly in the provision of the existing infrastructure in Scotland.

One reason why we have a competitive dialogue before we issue the invitation to tender is to address that very issue, as it enables us to see how we can maximise competition in the provision of infrastructure. We will look to do that as best we can, but it will depend on who tenders. For example, in the Highlands and Islands, there were originally three tenderers when the contract went out to tender, but there is now only one, because the other two felt that it was not physically possible for them to do what was required. With our partners in the private and public sectors, we will do everything that we possibly can to maximise competition. As I say, there is a lot of competition in the provision of services, but there is less competition in the provision of infrastructure.

Malcolm Chisholm: How can you ensure that hard-to-reach rural areas will not be at the back of the queue for broadband improvement?

Alex Neil: We will build that in—I am determined to build it into the whole procurement strategy, the process and the tendering documents. I am absolutely determined that remote rural areas will not be at the back of the queue, for a number of reasons.

The return on investment from areas that do not have access to broadband or superfast broadband will be far higher proportionately than it will be from other areas. In other words, to a farmer in a remote rural area who requires to put their returns in using broadband, access to superfast

broadband will be a huge boon. To someone who works in the Parliament, who already has access to fast broadband and who just wants to increase their broadband speed, it is still a significant boon and is still essential but, proportionately, it does not have the same impact. I am therefore determined to build into the tender documents provision that remote rural areas are not at the end of the queue.

Malcolm Chisholm: I am not entirely clear about public subsidy. Is it mainly for infrastructure or will there be on-going subsidy of providers thereafter?

Alex Neil: It will be for only infrastructure. I see no need to have public subsidy of services.

This is where the McClelland report on public sector broadband procurement is important. Currently, 56 or 57 contracts exist for broadband services throughout the public sector in Scotland. The McClelland report recommended that we try to get that down to one contract so that we get a bigger bang for our buck. John Swinney is working on that with local government partners and others. We would like to use the purchasing power of public sector broadband services to drive a better bargain with the investment in broadband infrastructure. We are looking at how we can do that.

Malcolm Chisholm: Will there be any guidelines on standards of service, competition and the sustainability of providers?

Alex Neil: When it comes to infrastructure, obviously all the things that would go into a normal tendering procedure, such as environmental standards and community benefits, will be included. We will consider whether any additional requirements should be built into the process.

As I said, I am determined to maximise the community benefit from our investment. Between now and 2015, the public sector will invest in the order of £0.25 billion. I want to ensure that, as Margaret McCulloch said, we maximise the community benefit from that investment right through the supply chain.

Malcolm Chisholm: Have you looked at the approach that has been taken in Northern Ireland and learned anything from it? I am told that it has been successful and that access for

“99% of premises”

in Northern Ireland is

“via a fixed line”.

I am a bit uncertain about the legislation, but the Communications Act 2003 appears to provide for the Northern Ireland Government to make payments to people. I presume that such a provision does not apply in Scotland. Can we learn

that funding mechanism lesson or other lessons from Northern Ireland?

Alex Neil: We have a tripartite group that involves our officials and officials from Wales and Northern Ireland. The group meets regularly, so we are au fait with what goes on in Northern Ireland. The money that is made available to the Northern Ireland Government goes back much further. Under legislation that arose from the peace settlement in Northern Ireland, substantial amounts of money that were not made available to the Scottish Government were made available for a range of services.

As I have said to the committee before, our share of the BDUK money—members might remember that £530 million of BBC licence fee money was allocated for investment in broadband—was £68 million, whereas Wales got £58 million. We should have had a far bigger share. I understand that £100 million of that money has still to be allocated. We are pressing BDUK and the Secretary of State for Culture, Olympics, Media and Sport, Jeremy Hunt, to give Scotland a fairer deal and to up that £68 million.

Margaret McCulloch: You have probably answered some of the questions that I will ask; if you have, I ask you to expand on your answers a bit. In which areas do you expect a need for a mix of technological solutions, such as wireless or mobile coverage, to meet the 2015 targets?

Alex Neil: I said that technologies such as fibre optic would go from the exchange to the cabinet and from the cabinet to the premises. Of course, that will not be the case in a lot of situations, because some copper will still be involved in going to the premises.

Your question drives more at satellite, wi-fi and radio-type technology. There are always exceptions but, as a general rule, the remoter rural areas will require the use of those alternative technologies. For example, parts of the north of Scotland might have fibre-optic technology from the exchange to the cabinet. Some premises might be close enough to the cabinet to have fibre optic or might be served by copper or other things, but some premises might be served by radio or wi-fi technology, by satellite or by a mixture. Those technologies will come into their own in such places, as will the importance of 2G, 3G and 4G.

As you know, there is a £150 million fund at the UK level for investing in mobile broadband. We await the UK Government's decisions on the contract for that, which is likely to be UK-wide and to be issued by the UK Government. We are discussing Scottish coverage with the UK Government. As we say in the action plan, if the aim is 90 per cent coverage for mobile broadband in the UK, we want 90 per cent coverage in

Scotland. Covering 90 per cent of the UK and 85 per cent of Scotland ain't acceptable. It would help if the committee assisted us in that.

Margaret McCulloch: That leads nicely to my final question, as it is on the action plan, which you mentioned. How will you ensure that the mechanisms that are delivered through the action plan are flexible enough to be able to adapt to new and developing technological capability that might emerge in the coming years?

Alex Neil: We have said that three underlying principles must be fulfilled before we will put money into anything. One is future proofing of technology. We will not invest in any project that is not future proofed against technological changes. A project must be able to adapt to whatever new technology comes on board, or we will not fund it.

Secondly, there must be open access, which means that if the Highlands and Islands procurement takes one technological route, and the national contract takes another, it will not be a huge problem.

The third principle, which is also important, is interoperability. If we have future proofing of the technology, open access, and interoperability, we believe that we will accommodate technological developments. We will not fund any project that does not meet those three criteria.

The Convener: You highlighted the problem of having different systems in different parts of the country, such as if the Highlands and Islands goes a different way from the rest of Scotland in a procurement exercise. Will the Government ensure that regional differences are recognised? Will you be able to incorporate those differences without weakening the overall package?

Alex Neil: Absolutely. That is why we are applying the three principles that I just mentioned. In making its investment, Highlands and Islands will incorporate the same three principles as the national contract. As we have said in the plan, we want the Highlands and Islands contract to be done in such a way that it can be an integral part of the national contract. If we use the three criteria, we can have the flexibilities.

Let us look at some of the plans in your own area. I would say that, in general, wireless technology is for the remoter rural areas, but Grampian plans to use wireless technology for part of the urban area. There are very good reasons for that; it is all about reception—and the rest of the technical stuff that I do not understand. Therefore, although I say that it is generally accepted that wireless technology is for remote rural areas, if the people of Grampian have decided that the right thing to do is to use that technology in part of Aberdeen city, our

procurement strategy will be flexible enough to incorporate that.

In other words, the strategy will be a combination of bottom-up and top-down initiatives. The top-down part will ensure that our broadband does not end up like the railways, with different gauges throughout the country. That would not give interoperability or open access. The bottom-up stuff will ensure that there is enough flexibility in the plan to accommodate the specific requirements of every part of Scotland.

The Convener: You have said that the areas that are ready to go will not be held up by the areas that are not ready. In determining who gets the go-ahead in the white areas of the country, will you take into account places that have not only a good tourism industry, but the potential to grow that industry, for example, or will you look at areas in which there is a need for more telehealth? How will you reconcile all those issues when you are deciding who gets the go-ahead in the first tranche?

Alex Neil: A set of criteria will be part of the procurement strategy that we will publish at the end of March to prioritise the work. That is mentioned in the action plan, which refers to

“readiness of a particular area or project ... economic and social benefits”

and

“areas where current obtainable speeds are below our target.”

Those are the broad criteria; we will fill them out in more detail in the procurement strategy, and we will decide the priorities on that basis.

Supply might also have an influence. Once we see the tenders that are submitted and look at what capacity there already is in different parts of the country, we might find that it will not take a great deal for some of them to get from where they are to where they need to be. That will all be factored into the strategy.

The action plan also provides for some local empowerment. In some areas—such as, I think, Midlothian and Fife—local communities have got together and invested in upgrading their broadband services by commissioning the work themselves. There could also be an element of that.

The Convener: When Angus Broadband Co-operative gave evidence to the committee, it said that it needed £9 million for 2,046 households. What would you say to that? Is that good use of public money? How do you see the Angus glens getting good broadband provision?

10:45

Alex Neil: When we get the tenders in, we will see what solutions the bidders come up with for areas such as the Angus glens. Our £0.25 billion is only part of the package; the other part will have to be investment from the private sector. We will have to insist that the private sector dips its hands into its pockets in the white areas as well, because the private sector will be a beneficiary and will get a return on its investment.

I have had meetings all over the country, and have received representations from, I think, every part of the country—from MSPs and others—on particular problems and demands. The procurement strategy that we will publish at the end of March will put a framework round the criteria and will fill things out in more detail.

There will be challenging areas. That is why we say that we reckon that we can get coverage up to 90 per cent by 2015 but that it will take longer to cover the whole country. It may well be that the Angus glens are part of the 10 per cent, but I do not know enough to say that at the moment. However, I am determined that people are not at the end of the queue just because they are in a remote or rural area. If we get a substantial share of the £150 million funding for mobile broadband, it may be part of the solution for the Angus glens—rather than trying to get fibre-optic links to all premises.

Jamie Hepburn (Cumbernauld and Kilsyth) (SNP): You have partly answered my question. I had been going to ask whether the £0.25 billion was the global cost of the action plan, but you have said that it is not. It is the Scottish Government’s share of the investment. Can you estimate the overall cost of the action plan?

Alex Neil: We are in pre-procurement, so I am very reluctant to answer that question in any detail. People will be listening to this and trying to get a clue on how to start writing their bids, so I am not going to give a hostage to fortune.

Jamie Hepburn: Okay. I think that we will accept that.

Various pots of money are in play—for example, money from the next-generation digital fund, BDUK and the EU. When are those pots of money likely to be allocated?

Alex Neil: We have allocated them, and they will be spent according to the profile of spend in the contracts. There have been many different pots of money, so I will give you a summary of where we are, and tell you how we arrived at the figure of £0.25 billion. There is £68 million from the BDUK money, which I have already referred to and would like to increase. That is why I am talking about around £0.25 billion; if we get more

from the BDUK fund, the figure will be slightly higher than £0.25 billion, and if we do not, it will be slightly lower.

We have allocated £25 million from European structural funds. We originally allocated £50 million of our own money, but that was topped up by another £28 million in John Swinney's announcement two weeks ago. On top of that, £40 million has already been committed by four local authorities. We have also put £40 million into the local government consequentials that I mentioned earlier. I think that that brings me up to the full figure.

I should mention two other funds, one of which I have already mentioned—the £150 million UK fund, probably for a UK contract, for mobile broadband. Obviously, we are talking to the UK Government. I would have preferred it if the UK Government had just given us a substantial share that we could have put into our own pot, but I am not going to argue the point as long as we get a fair share of the £150 million. That money will influence our procurement strategy.

BDUK will publish its tendering procedure for England at the end of March. We will consider whether our strategy should be to piggyback on to that, or to completely do our own thing.

There is also another pot of money. In the Chancellor of the Exchequer's autumn statement in November, he announced £100 million of additional money for investment in broadband. That money will be allocated to the four capital cities—London, Cardiff, Edinburgh and Belfast—plus six other cities in the UK. The way in which the UK Government has set the criteria for deciding which six cities, in addition to the four capitals, get the money means that, in Scotland, only Glasgow could bid for it. I have written to the secretary of state, Jeremy Hunt, and the Chief Secretary to the Treasury, Danny Alexander, to ask them to rethink the criteria to allow other cities in Scotland, such as Inverness, Perth and Aberdeen, to bid for some of that money. That is not because I have anything against Glasgow—quite the opposite—but because, in my view, that money has been allocated to areas in which the private sector will probably invest anyway, whereas public money should be allocated to areas in which there is unlikely to be private investment.

There is a rumour—it is only a rumour—that that £100 million will be topped up with further funds, with the result that we might be able to get moneys for other cities in Scotland. My view is that that £100 million would have been better spent on the white areas north and south of the border. If it is to be allocated to the cities, the criteria should, at least, be opened up so that it can be allocated to those cities, or those parts of cities, where the

private sector ain't going to go. The committee's assistance with that would be extremely helpful.

Jamie Hepburn: Your mention of the rumour of additional money leads me nicely to my next question. If additional money becomes available—I am not saying that that will necessarily happen—how will it be allocated? Will the places that just miss out this time be the first port of call, or will you need to go through an entirely new allocation process?

Alex Neil: How long is a piece of string? We were not consulted on the autumn statement announcement and I dare say that we will not be consulted on any future announcement. A unilateral decision will be made, without consultation.

Jamie Hepburn: I was really asking what will happen if the money comes into the Scottish Government's hands and you are in control of the process.

Alex Neil: Oh, if the £100 million—

Jamie Hepburn: I do not mean the £100 million specifically; I just mean money generally. I am not saying that you will get any.

Alex Neil: It will go into the pot and it will allow us to do more quicker.

Jamie Hepburn: Okay.

The Convener: You said that the EU money is structural fund money. Is it existing structural fund money?

Alex Neil: Yes.

The Convener: There is no more money available from the EU.

Alex Neil: We cannot identify any more from the current round of structural funds. I know that because I am also the minister with responsibility for European structural funds. We are in discussions with our colleagues in Europe about the next round of structural funds from 2014 onwards.

I should add that the European Commission has put forward a plan for a €40 billion to €50 billion connectivity fund, which would cover transport, energy and broadband. If it goes ahead, we will try to access a share of that fund, because it is clear that it could help us to meet our target of being world class by 2020.

The Convener: That must be the money that I am thinking about, which I found out about when I was in Brussels recently with Lewis McNaughton. The Commission has not yet identified where it will get the money from.

Alex Neil: Yes. I understand that the UK Government is arguing against the creation of that

fund. If Scotland was independent, of course, we would be in Europe supporting it.

The Convener: Quite right. I call Alex Johnstone.

Alex Johnstone: In that case, I will change the subject entirely.

I want to look at innovations and the use of new technologies, on which we have had quite a bit of evidence, in some cases from people who have technologies to promote. Future proofing is necessary because we do not know what is around the corner. New technologies might arrive, but it is more likely that technologies that we already know about will become more relevant as they are developed.

What does the Scottish Government intend to do to work with operators to use their efforts and technical expertise to ensure that we use the right technology in the right situation?

Alex Neil: I have had a series of ministerial bilateral meetings with all the companies that are or might be involved in the sector in Scotland. Officials have had regular meetings with them, as well. That dialogue is continuing so that we can get a good understanding of not just what is on the market, but what is in the laboratory and is likely to come on to the market. Our technical people have a good understanding of that.

Alex Johnstone: Your action plan suggests that groups will be able to tap into a £5 million seed fund to exploit alternative technologies. How will community groups be able to access that fund?

Alex Neil: We will publish details of how the fund will work in April. We are in discussions with the Convention of Scottish Local Authorities and others, and we will make proposals. We would welcome any recommendations from the committee on how the fund should be accessed and what the key criteria should be.

Alex Johnstone: Will it be available to facilitate access in remote rural areas, or will it be used to encourage uptake and provide the necessary infrastructure in areas such as the city of Glasgow?

Alex Neil: Without prejudicing our paper on the fund, my view is that we should make it open to deprived communities in Glasgow and elsewhere, and to remote rural areas and rural areas in general. I would keep it broad, because we are more likely to get innovative solutions if we do not close down the criteria and make them too narrow.

As I said, I do not want to prejudice the outcome of our discussions. I would prefer to hear the committee's views rather than tell you mine,

because we are trying to be genuinely consultative.

Alex Johnstone: One technology that is capable of achieving more than we currently require of it is 4G. What has the Government identified as its requirement from the 4G spectrum in Scotland? I know that you have already touched on the issue, but I want to explore the procedures and figures.

Alex Neil: The introduction of 4G represents a step change in the ability to receive higher definition and higher speed communications. I do not think that the UK Government has set a date for the 4G auction yet. It is under consultation. You will be interested to know that I have checked the Scotland Act 1998 to make sure that the auction is a reserved matter, because had it not been, auctioning off Scotland's 4G spectrum would have been a useful source of income.

Alex Johnstone: I am sure that you could have turned it into a cost, minister.

Alex Neil: Although 4G is extremely important and its introduction will be a step change, the problem and more immediate issue is that too many parts of Scotland still do not have 3G. Our immediate priority is to try to get more 3G where we can do so.

Alex Johnstone: The comparison with the 3G experience is probably what should focus our minds on the 4G auction.

Alex Neil: Exactly. I agree.

Alex Johnstone: Have you made a formal response to the consultation, and, if so, what was in it?

Alex Neil: We have certainly been in discussions that have counted as a formal response, but it is more a case of there being an intergovernmental discussion than of us being another consultee. I have raised the issue with the secretary of state and others in the UK Government, and we have also discussed it in detail with Ofcom.

Alex Johnstone: When you raised the issue with the secretary of state, what did you ask for?

Alex Neil: Basically, we were trying to get a hold on the timescale for what was intended and how he intended to use the funds. To be honest, at that stage, it was quite vague—in fact, it still is. We want to use 4G to allow us to achieve our ambitions for world-class speed and availability of broadband by 2020. On coverage, our action plan states that, because 98 per cent of the UK will be covered, we want 98 per cent of Scotland to be covered.

Alex Johnstone: In your discussions, have you gone into detail on the values? If you set the same

target for Scotland as for the rest of the UK, the value of the rights that are being bid for will be different in Scotland from the value in the rest of the UK. Have you taken the discussions to that level?

11:00

Alex Neil: We are discussing those things at official level but, to be honest, our priority has been what we have talked about this morning, and there is still much to be done before we get to the 4G decisions. However, we are discussing the matter in some detail at official level with our colleagues in London.

Alex Johnstone: I will try once more to get under the skin of the issue. You and I have discussed in debate and in other circumstances the need to let the market do what it can do best and then to ensure that public money does what the market cannot achieve. In relation to the 4G auction, do you agree that we could either set the target for Scotland very high, as a percentage, or set it lower and then consider how to extend the coverage using direct public support over and above what is achieved in the market auction?

Alex Neil: To an extent, that would depend on how much money is raised by the auction. The auction will certainly be nothing like the auction a few years ago, which raised £22 billion for the UK. We are talking about a substantially lower figure. My view is that Scotland should have more than just a population share, because of our geography and topography. Personally, I think that we should get about a 25 per cent share of any public funds that are allocated for 4G.

I agree with the member that public intervention should be made only where the market is failing. There is no point in our undermining the market or duplicating it. My comments about the £100 million fund are relevant, because in my view that was not the most efficient use of £100 million.

I emphasise that we are at an early stage in the process. We have not reached the level of detail that Alex Johnstone is talking about, because the UK Government is not at that stage.

Alex Johnstone: Thank you.

Margaret McCulloch: Cabinet secretary, you mentioned that Glasgow has a low take-up of broadband. When broadband is put into areas where there might be one, two or three generations of unemployed people living on basic jobseekers allowance and other benefits, how will those people be able to afford to access the technology?

Alex Neil: There is a generational issue. A survey that was done a few months ago among secondary school pupils in Glasgow showed that

the level of take-up of mobile broadband was about 90 per cent, including in the poorer areas. Although the issues of take-up and participation have a poverty and affordability aspect, which I in no way underestimate, there is also a generational aspect. Even in poorer areas, the uptake of mobile broadband among young people is high. In fact, that survey indicated that take-up is probably much higher than the overall level of take-up of traditional access to broadband, even in prosperous areas.

Affordability is, however, an important issue. One reason why we are concentrating on the white areas is that there is a clear correlation between the cost of accessing services and the volume of take-up. Generally speaking, where there is a high volume of take-up, there is a lower unit cost for the end user. Therefore, we are putting a lot of emphasis on strategies to increase participation. That is for two reasons: number 1 is that we want more people to participate and to get the benefits and number 2 is that the higher the level of participation, the lower the cost of using broadband for individuals. We have spelled it out in the action plan that a central part of our strategy is driving up participation rates. The survey in Glasgow indicated that the younger generation is participating using mobile broadband rather than fibre-optic connections.

Gordon MacDonald (Edinburgh Pentlands) (SNP): The Ofcom data reflect the fact that, compared with the rest of the UK, broadband take-up in Scotland is low among the public, and data indicate that a proportion of small to medium-sized enterprises lack adequate information technology skills and that many could make better use of their internet connections. Will the £1 million per year funding that was announced in the action plan be sufficient to drive up take-up levels among the public and SMEs? What will that funding specifically be used for?

Alex Neil: That is on top of all the other work that is going on through schools, for example. I do not want to create the impression that we are spending only £1 million on driving up participation. The £1 million is specifically for what was outlined in the action plan.

I will give a supplementary answer to Margaret McCulloch's question and answer Gordon MacDonald's question. The evidence suggests that price is not the major barrier; rather, skills are. Older people in particular get a bit frightened about trying to access some of the technology.

When I worked in the computer industry 20 or 30 years ago—when I was a very young man—the product life cycle of computers such as the old VAX computers was around two or three years. Now, the product life cycle of a lot of software, let alone hardware, is measured in weeks. If a person

buys something today, it will have been superseded by something more leading edge within a month. Many people get mesmerised by questions about how to access, the best way to access, and the best technology, software and hardware to use. All those issues are complex.

From what I have heard anecdotally in my constituency, I think that more pensioners are using the internet than has previously been the case, and that a lot of work at the community level in libraries and community centres and through Age UK and other organisations is now having an effect. Compared with the population as a whole, the participation rate of under-30s is relatively high, irrespective of social background. Obviously, the under-30s will become 40-year-olds and 50-year-olds and will participate throughout their lives. There is undoubtedly an improvement in the situation, but it is not as fast or as widespread as we would like it to be. The SME sector in particular is not making maximum use of broadband connectivity for purchasing power, marketing, innovation and all the other things that it can be used for.

That is a cross-Government issue. It is not just about the digital strategy; the issue is part of our education strategy. Remote healthcare is part of our health strategy and is important in the Grampian strategy, and I think that it will eventually be a major driver in increasing participation rates.

One of the biggest benefits of superfast broadband will be to the farming community, as, in effect, farmers cannot make their returns without access to superfast broadband. On Monday, I was talking to a farmer in my constituency, who told me that, because of a lack of access to superfast broadband in the area, he must put the stuff on a dongle or something, take it to the library in the next major town and send his returns in that way. That is ridiculous. He should be able to sit in the kitchen and do that from his laptop.

There is a job for every one of us in driving up participation rates.

Gordon MacDonald: On driving up participation rates, Highlands and Islands Enterprise and the business gateway are going to announce upskilling support projects. Will those support programmes be continuous over the action plan period? Will they be adapted as new technologies emerge?

Alex Neil: Yes, they are going to do that. Highlands and Islands Enterprise will announce specific details about that in April. The £1 million will go towards boosting what it is already doing in that field.

Through HIE, Highlands and Islands is one of the areas where great emphasis has been placed

on encouraging people to access broadband and use it regularly. The job will not be complete in 2015; this is an on-going process and I would like to see the whole population able to access broadband.

Gordon MacDonald: How will the Scottish Government's engagement work complement what others are doing, or are planning to do, to ensure that there is no duplication and that the most can be made of contributions from the likes of the Royal Society of Edinburgh?

Alex Neil: A lot of this is driven at local government level, particularly through education and community education departments. There probably is a bit of duplication, but I am not too worried about that here because this is a drip-drip approach. For example, if someone is participating in a weekly group during the day and is encouraged to use broadband there, they do not leave it for another week but go to something else in the evening and get broadband there as well. Such an approach is important, particularly in the early stages—once people are hooked they self-start.

Gordon MacDonald: You have already touched on how software changes quickly and new technology comes out all the time, so education will obviously be key to driving take-up in the years to come. How will the Scottish Government seek to increase the number of information and communication technology students, given that they will be key to developing innovation and new technologies?

Alex Neil: Michael Russell has been keen to ensure that ICT skills are a key part of the curriculum for excellence for the upcoming generation, and every university and college in Scotland now has ICT media as part of its educational product offering, so ICT is already part of the culture in schools, colleges and universities.

The biggest challenge is the adult population—particularly the over-30s—for whom ICT is not yet part of their culture. Obviously, some of them are ICT-proficient at work or in their leisure activities, and some are proficient simply because they have broadband at home and use it for internet shopping and so on. Internet shopping has been a major boost for participation rates, including, I regret to say, in my own home. It is one way in which the skills are being used. We cannot say that this is such a department or such an organisation's responsibility. It is a multifarious one, which has to go through every level of government.

Gordon MacDonald: Thank you.

Margaret McCulloch: I disagree that cost is not an issue for people who would like to become silver surfers. For elderly people living on a

pension, £15 or £16 a month is quite a chunk of their income. There is also the cost of buying the equipment, and many of them have to pay for the leisure courses in ICT. I have examples of cost being an issue for that group.

Alex Neil: I was quoting some of the survey work, which says that across the board price is not the major barrier. I agree that it will be a barrier for certain groups and we all need to do what we can to remove it.

The Convener: The Glasgow survey showed that there was a big uptake of mobile broadband, but it is not being used for learning, particularly by young people. That is a problem because households that have fixed land-line broadband, where children can go on the internet on a big computer screen, are at an advantage. Rather than having a land line into their homes, a lot of families now rely solely on mobiles. There is a big issue there. Do you have any thoughts on how we should tackle that?

11:15

Alex Neil: Smartphones, such as the iPhone, have become very popular in a range of age groups but particularly among the younger age group because it is possible to record music on them—you can go to the pub and listen to the music and it records it and puts it on your system. You can book your recording of Coronation Street remotely and so on. That kind of technology is already becoming part of our culture for all age groups. The cost of iPhones has come down quite dramatically since their introduction.

In terms of particular kinds of offering, I go back to the example of e-health. I think that remote diagnosis will be part of the health service of the future, in not just rural but urban areas. I do not think that you could make a very good diagnosis using an iPhone. There will always be new applications for traditional screen technology, as it were. The technology in the market is almost segmenting itself, so that while iPhones are used for various applications, some of which I have mentioned, screen technology can be used for other applications, such as e-health and aspects of e-education.

To make the maximum use of broadband, the ideal would be for people to have access to both iPhone-type applications, because so much broadband access is from mobile connections, as well as to the traditional connection, with the screen and the mouse and so on that we are all so familiar with in the Scottish Parliament.

The Convener: That is true, but maybe some of the money for uptake could be used to educate those with iPhones about the educational apps that are available.

Alex Neil: Absolutely. Again, if the committee wanted to make that kind of recommendation we would be keen to hear what it has to say.

Adam Ingram: The action plan sets out a lot of work to be undertaken across the four programmes. How will the Government monitor and evaluate action? To what extent will you keep us informed of progress?

Alex Neil: I would be happy regularly to update the committee verbally or in writing—every three or four months if that would be helpful. I can give the committee short progress reports and perhaps once or twice a year give a more detailed report. I am more than happy to keep the committee—and, via the committee, the entire Parliament—informed. It is important that the committee is informed so that it sees the progress that we make.

In terms of monitoring and evaluation, I have set up a programme office that is headed up by Mike Neilson. The office already includes a secondee from the south of Scotland, and we are working closely with people in the Highlands and Islands. That work will be reported on regularly. We also have a special Cabinet sub-committee on digital issues, which I chair and from which there are regular reports back to the full Cabinet on progress.

Mike Neilson will fill in the committee with more detail of how we are managing the process at operational level.

Mike Neilson (Scottish Government): As the cabinet secretary said, we are establishing a programme board, a programme office and the four main work streams.

I will add two points on evaluation, monitoring and the provision of information on progress in general. The first concerns the outcomes and indicators in the updated national performance framework. We now have two indicators in the framework that relate to broadband infrastructure availability and internet access, which provide a visible long-term measure.

We also need to begin to work out how to keep people informed about when things are happening in their areas. As we move into the procurement and contractual phases, we will consider using the internet to provide information on when stuff will happen in particular areas.

Jamie Hepburn: We already talked about the EU in connection with funding but, of course, the EU can also have an impact on policy. The state-aid guidelines for broadband are under review and the digital agenda for Europe is part of the Europe 2020 strategy. How is the Scottish Government interacting with those, particularly the review of the guidelines? Are you confident that the action plan

will be consistent with the digital agenda for Europe and whatever emerges from the review?

Alex Neil: The European strategy is high level, and is primarily concerned with interstate connectivity among member states. However, to get successful interstate connectivity, we must have intrastate connectivity. That is where the European strategy touches on our strategy and part of the wider UK strategy.

We published our strategy last year. We have also published an action plan and will publish a procurement plan at the end of March. Those have all been proofed against European rules, European directives and the European strategy and they all fit well into what Europe is trying to achieve.

The main interaction that I would like to have with Europe in the period ahead is to access structural funds or the connectivity fund as much as possible to help Scotland to get ahead more quickly, especially between 2015 and 2020, when we will, I think, face the greatest financial challenge to achieving our ambition to make ourselves world class, which involves a real step change.

We have now identified £250 million for the first phase. We will publish our overall plan on the second, post-2015, phase at the end of the calendar year. That is where the biggest challenge will be so we need to ensure that, between the private and public sectors, we get the moneys that are available.

We check everything that we do to ensure that we are working within the state-aid rules. We have a team in the Scottish Government that covers not only broadband but all aspects of public subsidy to ensure that we follow the state-aid rules. As you know, there are proposals for changes in the rules that would come into effect in 2014. We are actively involved in those discussions with our European colleagues and our colleagues in London. Fiona Hyslop also regularly raises the issues through the various committees of the British-Irish Council and her involvement in Europe.

Mike Neilson: I will add a point on compatibility with state-aid rules. The focus on white areas is consistent with the state-aid rules because the clear principle of the rules is that we can have state intervention only in areas into which the market will not go, and that such intervention should be the minimum that is necessary for delivery, which is part of the payback about which the cabinet secretary talked. There is a good alignment between those objectives and how we are putting the plan together.

The Convener: Does that mean that the grey areas must be eliminated and that an area must be either black or white?

Alex Neil: Not necessarily. If the grey areas—the Kirklistons of this world—could not get access to broadband without public subvention, such support would be within the state-aid rules.

Margaret McCulloch: Through the procurement stage and when the providers are reaping the rewards and getting profit, will the Scottish Government have a percentage of the profit? Will the profit that the Government obtains cover the cost for the white areas in which it will have to invest?

Alex Neil: I do not envisage that the profit will cover the cost, except over an extremely long period. It comes down to participation rates, which vary very widely.

Let me give you a hypothetical case. If we were to invest in the broadband connection for a remote rural area in, for example, Alex Johnstone's constituency, North East Scotland, and as a result of that public investment various service providers came into the area, the owner of the infrastructure would benefit. Two lots would benefit but, to be frank, the payback could relate only to the infrastructure element because it would be impractical for it to relate to the service element. However, the payback for the private investment might come over 12, 15 or 20 years. Therefore, we must have the right of some kind of payback at the point at which the investor starts to make excessive profits—not in the sense of immoral profits, but biggish money—from the infrastructure.

I will give you another hypothetical example. Let us say that we put a broadband connection into a small town and shale oil was discovered, so the town became a highly prosperous hotspot for oil production. Let us say that the payback period ended up being five years, instead of 20 or 25 years as we originally anticipated. After those five years, the infrastructure provider could end up making loads of money. In those circumstances, I would want the taxpayer to get a share of the loads of money.

Margaret McCulloch: Would that be included in the procurement process?

Alex Neil: Yes.

The Convener: There are no further questions, so I thank the cabinet secretary and his team for their evidence. Later in the meeting, we will consider the evidence that we have heard.

11:28

Meeting suspended.

11:32

On resuming—

Petitions

Independent Vehicular Ferry Routes (PE1192)

Lochboisdale-Mallaig Ferry Service (Reintroduction) (PE1394)

The Convener: Agenda item 3 is consideration of two petitions that have been referred to the committee. We have considered PE1192 previously and we discussed the issues that it raises during the recent evidence session with the Minister for Housing and Transport on the Scottish ferry services draft plan. PE1394 also concerns Scottish ferry services, in particular the reintroduction of a direct ferry service from Lochboisdale to Mallaig.

I refer members to paper 2, and remind them that the Scottish Government's consultation on its ferry services draft plan is still open and will take into account many of the issues that both petitions raise. I invite members to comment.

Alex Johnstone: As I have made clear before, I am very sympathetic to any attempt to promote independent ferry services, wherever possible. We asked questions of the minister when we discussed PE1192 and he gave a clear commitment to the requirement that such services be treated fairly and equally. I would see it as the committee's duty to continue monitoring the minister's commitment to that, but I think that we have reached a position in which we have a ministerial commitment that aligns fairly closely with the terms of the petition.

The Convener: I believe that Gordon MacDonald has a query about whether PE1192 refers not just to services that the Scottish Government subsidises, but to local authority services.

Gordon MacDonald: Yes. Donald Ewen Darroch e-mailed me to say that he thinks that the local council has a conflict of interest. Argyll and Bute Council owns the vessel that goes between Jura and Islay and it sets the timetable and the fares, although it does not operate the ferry on a day-to-day basis. However, the council is also the planning authority so Mr Darroch feels that there could be a conflict of interest in relation to what he was trying to do with the council a number of years ago, which was to get a direct link between Jura and the mainland, given that, as the planning authority, it would have decided whether he could get a licence to operate the route.

The Convener: I assume that he will take up that point in the ferries review.

Gordon MacDonald: I assume so.

The Convener: How should we deal with the petitions?

Jamie Hepburn: Alex Johnstone's summary of the position with regard to PE1192 is probably right, but we have to be careful with PE1394. It reminds me of the petition that we had about Blackford railway station. We have to be careful not to get drawn into micromanaging Scotland's transport system. Our role is to take a more overarching view. We might or might not have sympathy with particular circumstances here, there and everywhere across Scotland, but the committee should be careful. If we start looking at issues like this, we will have to look at absolutely everything and our work programme is as comprehensive as it is.

The Convener: Are you saying that PE1394 can also be dealt with through a submission to the ferries review?

Jamie Hepburn: I would think so, yes.

The Convener: Are we agreed to take that course of action with PE1394?

Members indicated agreement.

The Convener: I think that we all agree with what Alex Johnstone said about PE1192 and the minister's submission making the issue perfectly clear. Are we agreed to close the petitions at this stage?

Members indicated agreement.

Subordinate Legislation

Scottish Road Works Register (Prescribed Fees) Regulations 2012 (SSI 2012/11)

11:37

The Convener: Under agenda item 4, the committee is invited to consider a negative instrument. I refer members to the cover note on the instrument, which is paper 3. No motions to annul have been received. As members have no comments to make, is the committee agreed that we do not wish to make any recommendations on the regulations?

Members *indicated agreement.*

Housing (Scotland) Act 2010 (Commencement No 5) Order 2012 (SSI 2012/19)

The Convener: Agenda item 5 is a commencement order, which is not subject to parliamentary procedure. I refer members to the cover note on the order, which is paper 4. Does the committee agree to take note of the order?

Members *indicated agreement.*

European Commission Work Programme

11:38

The Convener: Agenda item 6 is the European Commission work programme, which is about the European Union priorities for engagement and scrutiny. Following the Scottish Parliament's agreement of the strategy, subject committees are required to review the European Commission work programme and select specific strategic priorities, reporting their decisions to the European and External Relations Committee in advance of a debate on the work programme and parliamentary priorities for action.

I refer members to paper 5, and I welcome Iain McIver, the Scottish Parliament information centre researcher, who will help us to get through this. Jamie Hepburn, the committee's European reporter, will make a few opening remarks.

Jamie Hepburn: Thank you, convener. I will address my remarks to paper 5, which I hope that members have had a chance to read. The substance of the paper is in the annex. I thank Iain McIver for his assistance in preparing the paper; it is good to have him here today to answer any detailed questions that members might have.

The annex to paper 5 sets out nine current and forthcoming EU topics that are relevant to our remit. Before members comment, it might be useful for me to explain what the adoption of our EU priorities might mean for the committee's work. It is probably fair to say that not every topic will merit further and detailed action by the committee at this stage or, indeed, further down the line. For example, one of the topics is not planned for introduction until 2014. Some of the issues have been raised just to make us aware of them and we can come back to them later.

If we agree our EU priorities, the system of having an EU reporter will allow us to continue to monitor the issues and the Parliament's EU adviser will include regular updates in the "Brussels Bulletin", which will continue to be circulated to members. Any areas that are of particular concern to our remit will be highlighted. Should it become clear that there is scope for further engagement by the committee, that can be brought to the committee's attention and we will then decide what to do. Planning further work will, of course, need to take account of our existing work commitments.

On possible courses of action, the ideal position is for us to ensure that relevant EU issues are scrutinised during our existing work programme so that we can work them into things that we are

already doing. For example, two topics that are listed in today's annex are related to the digital issue. There is the review of state aid for broadband and the digital agenda for Europe. I was able to raise those issues today with the cabinet secretary, which demonstrates that the commitment need not be too onerous.

Another useful course of action would be to write to the Scottish Government seeking information on how it plans to engage on a particular topic. We do that regularly anyway, and we could do it straight away with the nine EU topics that are on the list for today. Of course, any response that we receive could assist us in deciding whether any further action would be beneficial or whether none is needed, either now or in the future.

I do not suppose that we need to decide on any specific course of action today, but I suggest that a good way forward would be to agree the list of topics as our EU priorities. As I have said, others might emerge. It would also be useful to write to the Scottish Government to get information on how it plans to engage on each of the topics. In the meantime, any developments on the topics will continue to be monitored and the committee updated accordingly.

The Convener: As no one has any comments, I invite members to agree to consider and adopt the priorities set out in the annex to paper 5, to follow relevant issues in the course of its current work programme as appropriate, and to write to the Scottish Government for information on how it plans to engage with the proposals and whether any are likely to involve subsidiarity issues. Are we agreed?

Members *indicated agreement.*

Jamie Hepburn: Does that mean that Iain McIver gets off scot free? I am very disappointed.

The Convener: It looks like it, but that is because he did all the work prior to coming here and it is all well set out in the paper. Thank you, Iain.

11:43

Meeting continued in private until 11:53.

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