

Scottish Affairs Committee

Oral evidence: [Digital connectivity in Scotland](#), HC 654

Tuesday 1 May 2018

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[Watch the meeting](#)

Members present: Pete Wishart (Chair); Deidre Brock; David Duguid; Hugh Gaffney; Christine Jardine; Ged Killen; John Lamont; Paul Masterton; Danielle Rowley; Tommy Sheppard; Ross Thomson.

Questions 395 - 555

Witnesses

[I](#): Steve Unger, Chief Technology Officer, Ofcom, and Jonathan Ruff, Regulatory Affairs Manager, Ofcom Scotland.

[II](#): Rt hon Matt Hancock MP, Secretary of State for Digital, Culture, Media and Sport

Written evidence from witnesses:

- [Ofcom](#)
- [Digital, Culture, Media and Sport](#)

Examination of witnesses

Witnesses: Steve Unger and Jonathan Ruff.

Q395 **Chair:** Good morning, gentlemen. I saw Mr Ruff yesterday at London City Airport, sharing the misery of our much-delayed flight down from Edinburgh, so it is good to see you again, Mr Ruff, in a much more formal setting today. Mr Unger, thank you for joining us this morning. To get things started, please say who you are and what role you have within your organisation and anything by way of a short introductory statement. We will perhaps start with you, Mr Unger.

Steve Unger: I will just give a very brief introduction. I am an executive board member at Ofcom. My responsibilities include setting Ofcom's overall strategy for regulation and, in particular, I was responsible for the digital communications review that we published two or three years back. I am also responsible as Ofcom's chief technology officer for tracking availability of infrastructure across the country. Jonathan Ruff, who you have already met, is one of my colleagues based in our Edinburgh office. He is here to provide potentially another perspective alongside mine to what is going on, particularly in relation to Scotland. Could I just make two opening remarks?

Chair: Please.

Steve Unger: I will keep them brief. The first opening remark is in relation to our overall strategy. The overall strategy for promoting availability of infrastructure is as we essentially set out in the digital communications review that I referred to just now. An important point I would want to make is that we differentiate that strategy across different parts of the UK. We recognise that there is not a single answer that will work across the whole of the UK for promoting availability and, in particular, there are three elements to the strategy.

First, in those parts of the country where we think entering competition is sustainable we have said we will do what we can to help that type of competition drive investment, particularly new fibre networks. We recognise that is not good for the whole of the country. Secondly, in those parts of the country where essentially BT is the only game in town, we have separated Openreach from the rest of BT in order to make it more responsive to the needs of consumers. Thirdly, we recognise there are parts of the country where even the dominant provider, BT, finds it unprofitable to invest itself. In those parts of the country, we have recognised there is a need for some sort of public intervention in order to put funding into those parts of the country where otherwise commercial investment would not happen. An important point I want to make is that our strategy is threefold. It recognises the different challenges facing different parts of the UK.



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In terms of where we are at the moment, we published yesterday our latest update through our “Connected Nations” report. I will not go into too many of the stats from that report, but I might just highlight two. One is that in Scotland we now see superfast broadband availability having increased since last spring from 87% to 91%. That is a significant improvement—still not where we want to get to, still not where the rest of the UK is, but it is a material improvement. In mobile, if I pick just one number, the availability of 4G across the land mass of the country, in Scotland that has increased over the last year from 17% to 30%, again clearly not where we want to be but a material improvement.

I think that probably the overall message from the report is that we see improvements in availability of infrastructure but there is still some way to go. I will stop at that point.

Q396 **Chair:** I am grateful. Mr Ruff, do you have anything to add?

Jonathan Ruff: I am based in our Edinburgh office, which is newly opened. We have 35 colleagues based there now and we look at regulatory affairs engagements with extensive stakeholder engagement as well as Scotland-specific policy issues. I am sure as we go through the session we can pick on some of the specific policy questions.

Q397 **Chair:** I am grateful. Obviously, we noted with great interest your review yesterday, and we did notice the figures that you gave. There is an increase from 87% to 91% in Scotland, the UK as a whole 91% to 93%. I do not know what your view of these figures is. There has been quite a lot of debate just now about Scotland’s position vis-à-vis the rest of the United Kingdom. How would you categorise and describe the progress or non-progress that has been made?

Steve Unger: On superfast, I will ask Jonathan to comment after me, but it is clear that Scotland is not where the rest of the UK is at the moment. For the whole of the UK there was an important milestone at the beginning of this year where we got to 95% superfast availability for the UK as a whole. Scotland is not quite there. There is the 91% figure that we quoted yesterday and the ambition through R100 to get well beyond that. The improvement over the last couple of years has been quite impressive, so I am hopeful and I am optimistic, but you just cannot be complacent. We have to get further. There has to be an ambition, which is to get advanced infrastructure to everyone in this country, and we are not there yet. Jonathan, do you want to say more on that?

Jonathan Ruff: Yes. Obviously, Scotland has made significant improvements in broadband and mobile coverage.

Chair: Could you both speak up a little bit?

Jonathan Ruff: Sorry. In Scotland, obviously there have been significant improvements in broadband and mobile over the past few years. Obviously, the statistic of 73% superfast to 91% now is quite a significant



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improvement. However, I think it is generally well accepted that Scotland lags behind the rest of the UK in some measures, but there are well-documented reasons for that: low population density, challenging terrain as well. I think there is a recognition that there are limits of competition in driving connectivity out into rural areas. In some circumstances there it may be necessary to have Government intervention of some kind, which is obviously what we have seen in Scotland.

Q398 Chair: Could you describe in a little more depth your role in the delivery of broadband in Scotland? Obviously, this is a responsibility for the respective Governments and there is a division of responsibility and responsibility for the roll-out. What do you do? What value do you add to ensure that we get the necessary broadband in all our constituencies?

Steve Unger: I would highlight two broad areas. First, across the UK where there are publicly funded schemes we provide technical advice. We do that in many, many cases across the UK. We certainly do a lot of work in that area in Scotland, essentially helping people identify where the problems are. That is one important area.

The other important area of work is making sure that we co-ordinate particularly work on USO with public interventions, and most obviously R100. There was a meeting on that topic just last week. Both technical advice into people who are procuring broadband and co-ordination with our own initiatives I think are the two important areas.

Jonathan Ruff: To add to what Steve said, we do not have a formal vote on the Scottish Government's Reaching 100% programme, but we have been providing technical advice and expertise when it has been requested. Since taking on formal responsibility for the UK Government's broadband USO, we have already had a formal meeting with the Scottish Government—I think that was on 19 April—just to discuss the overlap between the two programmes.

Q399 Chair: We have questions about USO that we will come to. I just wanted to find out—so it is not getting the overalls on and digging up the roads, then, to make sure that we get to—

Jonathan Ruff: No. I think the important point there is we do not have a formal role.

Steve Unger: I would differentiate. There is this point about technical support, where we have no responsibility, and there are some areas where there is effectively overlapping responsibility because we are doing similar things. There we clearly need to co-ordinate effectively.

Q400 Chair: Thank you. Just moving on a little bit, I was looking at your 2018 annual plan. You have committed to improving customer information on broadband and mobile coverage and performance. How are you going to achieve that?



Steve Unger: There are several things that we do. Perhaps the most important direct intervention is our own publication of data both on our website but also trying to find ways of making that information accessible to people. As I am sure you know, the trick is often not just to publish data in a very technical form, it is to try to make that data accessible. We have an app, which anyone can access on their mobile phone, and you can use that to query what is available in your area and also to check the speed that is being delivered to you. Finding different ways of providing information to people is really important.

There are also obligations on providers to be transparent about what they are providing. In particular, at the point of sale providers are required to provide information to potential customers on the estimated speed of the service. Of course, if that speed is not delivered, then there are various rights, including ultimately a right to exit.

Q401 **Chair:** We have probably had more submissions for this inquiry than anything else that the Scottish Affairs Committee has conducted in the course of the past few years. One of the major issues—and you could call it a complaint if you want—was about consumers not getting the speeds that are advertised. That is a massive frustration, as I suppose you would recognise. What rights do the consumers then have when they see all these glossy ads telling them they are going to get up to 60 or 70 megabits per second, even over 100, and they are not actually getting them when they test it? They are getting about 20 or 30. What happens then?

Steve Unger: There are several layers to this. First, the way providers market cannot be too far out from the general quality of the service provided. There are rules there. More importantly, at the point of sale, providers are required to provide an estimate of the minimum speed and if that minimum speed is not delivered, there is a right to exit. I would say that there is a fundamental issue here, which is that the right to exit, of course, does not do you a great deal of good if you want a service and you only have one provider.

For me, there are two strands to this. One is that I absolutely understand the enormous frustration people get when they feel they have been misled about the service they are getting, so we absolutely have to improve the quality of information provided to them. I also think that one of the important reasons why we now need to make the shift from copper infrastructure to fibre infrastructure is because that is not just about gigabit speed, it is because the service is inherently more predictable. You will get to a point where the speeds people are told they will get, they will get. That is the point about fibre networks: predictability.

So for me, there is a long-term shift to fibre, which is what deals with the underlying problem, which is that copper networks are unpredictable in their performance; and in the more immediate to short term, we need to make sure that people get as good information as they can be provided about the performance of their existing service.



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Q402 **Chair:** Lastly from me, I did note that in March of this year you announced your voluntary code of practice. Voluntary is obviously one of these words that means one does not, therefore, have to do it. Are you confident that by introducing this there will be a better protection for consumers when they are exposed to all these glossy ads and then go home and find that they are not getting the speeds that they thought they were going to secure?

Steve Unger: The specifics of the voluntary code of practice are voluntary, but it sits within a statutory framework. In particular, there are various rules within the European framework, including the net neutrality rules, which require companies to provide this type of information at the point of sale. The code of practice is voluntary, but if companies do not deliver on that voluntary code of practice we do have the powers to go further.

Chair: You have the powers. We will leave that aside just now. We need to find out what Ofcom might do to these companies, but we will move on.

Q403 **John Lamont:** Good morning. Throughout this inquiry, the Committee has heard a range of terms to refer to fibre broadband. Your spring update yesterday confirmed, as you have already mentioned, that Scotland continues to lag behind England and Wales in terms of broadband provision. Can I just clarify what your figures actually mean? If you say a property has access or has download speeds of x megabits per second, does that mean that they are actually getting that speed or does that mean that they have a connection to a fibre-installed cabinet?

Steve Unger: The data we published yesterday is based on the measured speed for the access line. When someone has a broadband connection, the copper line is capable of essentially working out what speeds it will operate at. That speed is captured within the network and that is the information that we collect from the operators, which we published yesterday. So that is the actual speed of the copper connection.

What it does not include is any potential degradation of the speed, which is, for example, contention in the core network due to the fact that parts of particularly the backhaul network are shared between multiple homes. It also will not include any degradation within your home between multiple users. But it is the actual speed of the connection from a home to the network.

Q404 **John Lamont:** There will be some properties that are counted within your percentage of having access that do not have the speeds that you would expect them to get?

Steve Unger: It is a complex definitional question. There are two things that affect the delivered speed of someone using a copper connection. One is that the copper itself, the speed that it is capable of going at, depends on its length. That effect is captured in our measurements. It is



not an “up to” speed, and when people talk about “up to” 24 megabits, for example, they are talking about the theoretical limits of a copper connection rather than the actual speed of a particular copper connection. Our measurements do capture the actual speed of that copper line.

What also happens, though, is over the course of a day the speeds you actually get, for example, if you are accessing a video service, Netflix say, you will be accessing that not just over the copper part of the network, you will be accessing that over parts of the core network. You will be dependent also on the quality of Netflix’s connection to your network. Our data does not capture degradations caused by those effects.

Q405 **John Lamont:** I understand you are giving us a very technical answer, but I think the answer is yes, there are properties within that percentage that are deemed to have access to fibre broadband that are not currently getting the quality of service?

Steve Unger: Yes, so contention will always, for some parts of the day, reduce speed.

Q406 **John Lamont:** Can you quantify that in any way? Of that percentage of properties that you think have access but do not actually, for all those reasons that you have described very, very well, how many properties are not getting what they would expect?

Steve Unger: We also have another measurement programme. The only data that we have for every line in the country is the data that is collected from the network on the speed of copper. We also have another programme working with a company called SamKnows, which essentially involves putting little boxes in a sample of homes. Those boxes are able to track the actual performance over a 24-hour period, and they allow us to assess for those homes what the degradation is that is caused by contention. I am afraid it varies quite substantially between operator and between service, so I cannot give you a simple answer, but I could provide you with a more detailed summary of what that data tells us.

Q407 **John Lamont:** That would be helpful. You must be able to understand the frustration from all our constituents when they get told that they have access to fibre broadband or a very, very good quality of broadband service and they are not getting that. They do not really understand the variety of reasons that you have tried to describe why they are not able to.

Steve Unger: There are probably three broad sets of issues. One is the quality of the access network itself, and that tends to be the focus of a lot of the investment programmes. There is this question about the connection to your content provider—sadly beyond our control but we at least need to understand it. The other important thing is that for many people the quality of service is limited by the wi-fi in your home, if you are using wi-fi, and we have also provided a wi-fi app. The idea there is



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to help people run a simple test to try to work out whether what they are observing is a problem with their home network or their provider.

Q408 John Lamont: Do you think the Advertising Standards Authority has a role in this in terms of ensuring that for information that is given to potential customers or people before they make a switch between suppliers, they are getting accurate knowledge before they make that decision to switch?

Steve Unger: They clearly do have a role and they have intervened in the past. There is obviously a current debate about how you refer to a fibre network, but yes, the ASA certainly has a role here.

Q409 John Lamont: Do you work with them in respect of that?

Steve Unger: Yes, we do.

Jonathan Ruff: They published a decision in November, which effectively was saying that you could not advertise a speed unless 50% of your customers were actually achieving that speed. Obviously, we would support that because it is closing the gap between the actual speeds people are getting and the advertised speeds.

Q410 John Lamont: Do you think that decision is enough? Do you think more should or can be done?

Steve Unger: I think the big debate that is now emerging is the use of the word "fibre". Historically, a number of different types of networks have been referred to as fibre networks, in particular fibre to the cabinet networks as well as cable networks. I think that was probably okay historically because that was pretty well the only way you had any sort of fibre network in this country. As we start to see widespread deployment of what we call full fibre networks, we do need to find a way of differentiating between those networks that are fibre all the way to the home—and where, therefore, you have that guaranteed quality of service that comes with full fibre—and fibre to the cabinet in particular.

Q411 David Duguid: When Mr Lamont asked that question, I thought, "Oh yes, I know the answer to this," but then you expanded on that answer and now I am even more confused than I was before. I thank you for trying to explain it but, with the greatest respect to yourself, I think your description illustrated the confusion perfectly. We have been inquiring around this subject for quite a while now, so we are probably, I would hope, more knowledgeable on this subject than most members of the public, but now I am even more confused. You introduced a new word to me, which was contention. Am I right in thinking that that is based on how many people are using the same copper network? What I was also waiting for you to describe is the effect that the distance from the cabinet has. Can you explain a bit more about that?

Steve Unger: I apologise; unfortunately this is technically complex and the trick is always to try to find ways of explaining it. Sometimes an



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analogy to the transport networks helps. Contention is a big issue in any network where multiple people share. If you are on a road, lots of drivers sharing the same road always results in a degradation in performance. That degradation will, of course, vary over the course of the day depending on how many people are using the road. When we talk about telecoms networks, any telecoms network is subject to the same sort of contention that a road network is subject to. That can mean that in busy times the performance you get is much lower than the theoretical capacity. That is the contention issue and that is often quite difficult to measure, but it is certainly something that does impact on performance.

There is a separate point, which is that even the theoretical performance of a copper connection does depend on how far you are from the cabinet. The further you are from the cabinet, the worse it gets.

Q412 David Duguid: Is there a point technically at which you are so far away from the cabinet that it is not worth being connected to that fibre network?

Steve Unger: Yes.

David Duguid: I have heard different numbers expressing that.

Steve Unger: The speed will degrade. If you are connected to a cabinet, you will get to a point if you are more than, say, a few kilometres away, where you might as well be connected to an exchange. You will not get the performance boost that comes with cabinet-based technologies.

Q413 David Duguid: Finally, you talked about access to fibre as being the original measure we had, and we got to the 95% access to fibre. Then access to superfast is what we are talking about now and the target is still 95%. Is it not the case that the target is always going to be 95% depending on how we define it? Is there always going to be that 5% missing out?

Steve Unger: Sorry, the target has been a 95% access to superfast. I apologise for the complexity. Superfast is defined by ourselves as a speed of 30 megabits, defined in a technology-neutral way. It is defined by both the UK Government and the Scottish Government as 24 megabits. The target has been superfast. That has been defined in a technology-neutral way. When companies market that service, they very often refer to it as a fibre service. There is a tendency on some occasions for people to use technology-neutral definitions of performance, typically minimum speed, but very often the thing that resonates in marketing terms is fibre or ultra-fibre. People use marketing language that also focuses on the technology being used, I am afraid, which does not help make them simpler.

Q414 Chair: I have a couple of things on that. Could you supply us with some further information? I know it is technical and I know we are all a bit slow as Members of Parliament, so if you could explain it as patiently and as carefully as you can, that would be very helpful. Just one thing: I think



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the Scottish Government have classified superfast broadband as 30 megabits per second, too. It is the UK Government that have said 24.

Jonathan Ruff: For its Reaching 100% programme. In the past, for the DSSB programme it had been defined as access to fibre, but I guess that point is irrelevant now because it has moved on to 30 megabits per second.

Steve Unger: So many different definitions have been used for different initiatives.

Chair: Yes, that has always been very confusing from the outset of this inquiry—what was classified as superfast. Thank you for that.

Q415 **Tommy Sheppard:** Back to the USO, I think Mr Ruff was about to explain that you now have responsibility for the delivery over the next two years of the broadband USO. Can you give us some insight into your plans in that regard? How are you going to go about delivering that?

Steve Unger: I will talk about what we are doing generally. Jonathan can then pick up on the particular interaction with R100.

We intend to consult in June, essentially looking for expressions of interest from different providers who might be interested in providing the USO service. The key point here is that if there are multiple creditable companies interested in being a designated provider, then we potentially need to think about some sort of competitive process. If there are not, then we may need to directly designate a provider. The first thing to understand is who is interested, and that will be the June consultation.

Q416 **Tommy Sheppard:** You are looking to, at the end of the day, appoint a single provider, though?

Steve Unger: It depends who is interested. There is a bit of history here. We were asked two or three years ago to provide technical advice to the UK Government on the design of the USO. At that point, we did issue a consultation in which we were trying to understand who was interested, who potentially might deliver the USO. At that point, what we identified was that only BT was interested. There weren't any other providers that were interested in stepping forward and competing with BT to deliver the USO. Subsequently, when the UK Government ran their consultation process, some other providers did express interest, at least in providing a USO service in parts of the country. What we now need to do is test that a bit further to see what level of interest there is in competition to deliver the USO.

Q417 **Tommy Sheppard:** How do you guard against a provider having a competitive advantage going forward?

Steve Unger: How do you mean? Could you elaborate slightly?

Tommy Sheppard: The provider might be selected in a way that gives them an unfair competitive advantage.



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Steve Unger: There are two versions of this. One is that there is competition to select providers, in which case there is a competitive process that should determine the best provider. The idea of that competition is that the provider should not get the full cost of delivering the service because they will also get some benefit from delivering the service.

The same is true if we simply designate a single provider. If we designate a single provider, we will then have to set up a mechanism to allow them to recover costs but they do not recover all of the costs. The way the framework works is that once we have designated a provider, we have to calculate what is described as the net cost burden on that provider. That is the cost that they face over and above any commercial benefits. They are then allowed to recover that incremental set of costs potentially from a fund. The key point is they do not get to recover from the fund the costs of those things they will have done commercially anyway.

Q418 **Deidre Brock:** There is talk that this will mean, therefore, that providers will have to put up their prices and that will affect all UK consumers. Could you confirm that that is your understanding as well?

Steve Unger: It would probably help if I step through the process because it is slightly complex. The first thing we have to do is to work out who provides the USO, and that is either a competitive process or we directly designate someone. For that company, we then work out what incremental costs they face in delivering the USO. If that number is material, then we would put in place a universal service fund.

That universal service fund ultimately can get its money from one of two places. It could get its money from Government in the form of public funding, in which case, of course, the taxpayer pays, but the UK Government have said that is not the option they wish to pursue. What is left is that the fund gets its money from a levy on all providers. We have to decide the detail of which providers contribute to the fund and in what proportion.

There is then a question as to how those providers respond. Yes, it is certainly likely that they would pass on at least part of those costs to consumers. In our original advice to Government, going back two or three years, one of the calculations we did was that we tried to work out, given the costs of delivering the USO, what the impact would be on consumer bills for different assumptions about payback periods and so on. That is in our original advice and if you wish I could pull out those numbers again.

Q419 **Deidre Brock:** Please, yes, that would be helpful. Just while I am here—sorry to interrupt in this way, Chair—in a letter to Fergus Ewing, Cabinet Secretary for Rural Economy and Connectivity, the Secretary of State said, “It is important to note that everyone will have the right to request access to a universal broadband connection by 2020. Despite that, it is unlikely that everyone would actually be connected then. This is because



the USO is not a roll-out programme but an on-demand scheme". Can you explain to us your understanding of the difference between a roll-out programme and an on-demand scheme here, please?

Steve Unger: Yes. A roll-out programme, typically publicly funded, is when a public entity decides to—well, it is what it says, actually. Money goes into building a network and that network is built ahead of demand. A judgment is made that there are parts of the country where there would be a benefit, either economic or social, from having a network built over and above what is commercially provided, and public funding is provided to build that network in advance of demand.

What happens with a USO scheme is that the designated provider is not required to build any network ahead of time. The legal obligation on that designated provider is to meet requests for connections on demand. The designated provider come 2020 will be open for business. At that point, any consumer who wants a 10-megabit service can approach that designated provider and ask for a connection. There is then the eligibility question, but even if they are eligible there will be a certain amount of time to put in place a connection.

To make this scheme practical, what obviously does not work is if the time taken to respond is so long that it does not meet consumer expectations. One of the important points of detailed design is to make sure that even though it is an on-demand obligation, if you like, the way that is done is sensible. A system where you demand something and wait a very long time clearly does not meet the intent of a USO. Part of our detailed design is to make sure that demands are met on a sensible timescale, but that there is no obligation to build in advance is the key difference.

Q420 **Chair:** I know there are further questions on the USO, but I am still a bit uncertain about how this on-demand principle works. It does not seem to be universalism—that everybody would have a right to expect it will be there. It will only be supplied if there is a request for this to take place. Then you are also saying we know there are obviously price limits and so on that are going to be put in place. If you are living in a rural area and you are the only one that wants this service, should you expect that you would have this delivered? What is the difference between expectation and request when it comes to this?

Steve Unger: There is a legal framework here that talks about on demand. It is then worth thinking practically about what you want to achieve. When I think practically about this, I think that the on demand does create two types of practical concerns. One is making sure that the designated provider can provide a service reasonably quickly. The second practical question is making sure that designated provider can find a sensible way of aggregating demand.

Q421 **Chair:** Aggregating? We are into the realms of aggregations now?



Steve Unger: Let me explain this a bit further. There are two types of risk with an on-demand service. One is that if nothing has been built ahead of time it takes time to deliver. The other type of risk is that if the first person in a village demands a service and there is nothing there, then, of course, for that very first person the costs will be very high. Therefore, the risk is that that goes above the cost threshold. What you want to make sure is that there is a way of combining the demand from everybody in that village so that you can find a way. For everybody in that village who wants the USO scheme, we need to find a way of combining that demand so that the total cost per connection is below the threshold, because otherwise it does not get built. The second thing you need to do is make sure that the timescale for supplying is a sensible timescale.

Q422 **Chair:** There seem to be lots of qualifications in this delivery of universalism.

Steve Unger: There is a reason why it is going to take us a couple of years to put this in place. What we have at the moment is a statutory framework that sets out what is to be delivered in terms of specification of the USO service and some broad principles that go with that service. There are some important detailed points of design to make this practical. I do think the types of points I am describing at the moment can be addressed, but there is a reason why it is going to take us a couple of years to work through these points and make sure that the scheme does work in the way it is intended.

Chair: Great, thank you.

Q423 **David Duguid:** I want to talk about the USO, obviously, and you have answered some of what I was going to ask. Going back to previous evidence, you have estimated that 59,000 premises could be left unserved by the USO because it will cost more than the £3,400 cap to connect those premises. Do you know how many of those 59,000 are in Scotland and can you break it down within Scotland, if not today then at some other time?

Steve Unger: Can I say a bit about where that 59,000 came from? The 59,000 was an estimate that we provided in our technical advice to Government going back two or three years. When we did that piece of work, we commissioned a study from Analysys Mason, which essentially provided a theoretical cost curve. We tried to understand theoretically across the country, as you got further and further into the most rural areas, how costs increase.

I would emphasise that it was a theoretical piece of work. The 59,000, therefore, is the number that was used to assess whether the intervention was a sensible intervention, but my experience is that when you go out and try to deliver infrastructure in the most rural parts of the country, it is always different from the theoretical number. You always find practical issues, blocked ducts, whatever else, so I would not attach



too much weight to the 59,000. It is a ballpark estimate as to whether the intervention is reasonable, and I think it would be a mistake to try to break it down by geography. I think what you will then get is spurious precision. If you really insist, I can go away and try to work out what the number might be, but to be honest even the macro level number is a theoretical estimate.

Q424 David Duguid: I think you are right. Rather than trying to estimate who is going to get it when and who is going to be left out, maybe your efforts would be best spent in making sure as many people as possible get the superfast connection.

Steve Unger: That is the point, yes.

Q425 David Duguid: We have heard concerns. I was talking about the continuing use of the 95% target as just 95% using a different terminology, so there is always going to be that last 5%, final 5%, whatever we call them. We have heard about the options of alternative technologies such as satellite being used, and historically for people who have used satellite there has been low satisfaction. Companies providing that service have gone bust and people who think they are getting something to replace what everyone else is getting through their fibre connection end up not getting anything in some cases. How will you address those concerns in the design of the USO?

Steve Unger: First, we certainly need to get beyond 95%. There are various initiatives to try to push wireline technologies. I think we can get wireline beyond 95% but you are right, there will come a point where we are looking at some form of wireless technology. There are various options out there. In the past, we have tried various trials using fixed wireless. There was a trial of TV white space technology, which was trialled on the Isle of Bute by BT a few years ago. That was an initiative looking at innovative uses of fixed wireless to try to get to the most rural areas.

Satellite, I think you are right, has historically had poor customer satisfaction. The current generation of satellite technologies, which are based on geostationary satellites—satellites that sit at the same point in orbit so they are always at the same point above the earth's surface—I think have inherent problems both in terms of the amount of capacity they provide and the lag. There is always a bit of a delay in the response time. There is a new and interesting generation of satellites coming along, some fairly high-profile projects such as SpaceX and OneWeb, which potentially deliver better performance. I doubt they will be ready by 2020, but in the long run satellite has always been an important backstop and the capabilities of satellite technologies are going to improve. I think you are right—they do at the moment suffer from a poor consumer experience compared to wireline.

Q426 David Duguid: Going back to the general distinction between a USO on demand as opposed to a roll-out, just to clarify what you were saying



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earlier, if someone was to demand or request that minimum obligation, it does not stop there, there is an obligation to satisfy that demand within what you call a reasonable timeframe?

Steve Unger: Yes, that is right.

Q427 **David Duguid:** Do you have any feeling for what that reasonable timeframe might be?

Steve Unger: To be honest, this is where we go beyond what the framework says and into what I hope will be a common-sense view of the technical detail. One of the things that we have to do over the next year or two is turn that obligation to meet reasonable requests into something that is practically meaningful. My observation was not a legal one, it was a common-sense one, which is that if it takes so long to meet that request that people effectively feel it is not available, that has not solved the problem. So, I cannot give you an estimate now. I do think it is something that we are going to have to address as part of our detailed design.

Q428 **Chair:** It sounds very much like kicking into the long grass if somebody makes a reasonable request to satisfy the demands of the USO and they are just going to be told, "We will get around to it sometime."

Steve Unger: My view, and this is a very strongly held view, is I go back to the strategy we set out in the DCR, which I was responsible for. I feel very strongly that we do have to find a way of delivering decent broadband to everybody, and that means that we have to find a way of using this USO scheme not just to meet the letter of what the scheme says, we have to make sure it is designed in a way that meets the intent, because I think we all share the concern about lack of availability of decent broadband.

Q429 **Chair:** Why did the UK Government not just do what the Scottish Government have done and make a commitment to deliver?

Steve Unger: I think you will have to ask the—

Jonathan Ruff: Yes, I am not sure that it is really appropriate for a regulator to comment on different Government objectives.

Q430 **Chair:** I would like to know that, though. Obviously, Ofcom is involved with the USO. USOs are all very well, but for all the reasons that you have given and the difficulties involved in all this, why did the UK Government not just take the decision that we are going to connect the last 5%?

Steve Unger: I think you will have to ask the UK Government that.

Q431 **Chair:** Yes, we definitely will. Does Ofcom have a view about why they did not do this?

Steve Unger: We have a view that—



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Q432 **Chair:** Will you share it with this Committee?

Steve Unger: We have a view, as we set out in our digital communications review, that we want to get to everybody.

Q433 **Chair:** Okay, let's try to phrase that another way to see if we can get an answer out of you. Would you have preferred it if the UK Government had said they would do a roll-out programme instead of—

Steve Unger: I do not mind how we get there. At the moment, I think it is good that we have a USO because that will provide a universal safety net. That is really important. I think that is complemented by a range of schemes, what was the BDUK scheme in Scotland, now the R100 scheme. There are a range of schemes that go beyond the USO and that is great. Having a baseline that is decent broadband for everybody is the USO. That is a good start. I would love us to go further than that. A large part of our strategy is trying to get full fibre to everybody.

Q434 **Chair:** We appreciate and respect that, it is fantastic, but you still did not answer my question. I will give it one last chance. Would it have been better to have a roll-out programme rather than just being able to request to secure your broadband?

Steve Unger: It is not for me to tell the UK Government how they balance their priorities.

Chair: We have tried our best here. Thank you for that.

Q435 **Christine Jardine:** The UK Government's universal service obligation and the Scottish Government's R100 programme both aim to provide broadband coverage to rural and remote areas. There is a possible overlap, so how will you manage the overlap between the two programmes effectively?

Steve Unger: Jonathan has already mentioned the meetings. I think there is potential—particularly the on-demand element of the R100 scheme—to find a sensible way of co-ordinating that with the on-demand elements of the USO scheme. The idea there, I think, is that you might be able to find some way of combining an R100 voucher with the USO funding in order to perhaps increase the number of people who are eligible for USO. That is the thing that we are exploring.

What we cannot do is take the USO scheme and somehow use it as a way of raising money to be put into network investments that are funded upfront. That is just not what the statutory framework allows us to do, but I do think there is scope to co-ordinate the on-demand elements of the two schemes.

Q436 **Christine Jardine:** What about Mr Ruff—do you have anything to add?

Jonathan Ruff: No, just to again add that while we do not have a formal role in the Reaching 100% programme we have been quite extensively engaged with the Scottish Government. In fact, Mr Ewing and his officials



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noted that last week and we are having a series of meetings with them in June as well.

As Steve said, the important point of where the two programmes bite and where they interact will probably be on customers that maybe exceed the USO cost threshold, and for some consumers where there is an on-demand aspect to the Reaching 100% programme. At the moment that is one of the areas where we see there being some overlap. We have already started discussions on that but it is early days so far.

Q437 Christine Jardine: Are you discussing it with the UK Government as well?

Jonathan Ruff: Now that Ofcom has the formal legal responsibility for implementing it, as Steve said the majority of those kinds of decisions—designating the provider, funding arrangements and all these kinds of questions—are now within Ofcom’s gift so it is mostly discussions with the Scottish Government.

Steve Unger: We have provided technical advice to the UK Government throughout the process. It is worth recalling that for the technical advice we provided on the USO to the UK Government we looked at three scenarios. We costed a very basic USO and a mid-range USO, which is the one they have finally gone for. We did also cost a superfast USO because we took the view that our job was to provide the technical advice and we did not want to get in a position where we had precluded that option. The line we consistently take is to provide technical advice to the various funding bodies for these sorts of schemes.

Christine Jardine: Okay, thank you.

Q438 Ross Thomson: A very quick question following from some of the conversations we have had. As we have talked about, Scotland does have the lowest proportion of premises that have access to superfast broadband across the UK. Understandably, the Government are looking at different ways of approaching this.

Do you think it will be helpful that Scottish councils will now have the ability to bid directly for funding from UK Government in relation to what has already been quite a slow roll-out of broadband in Scotland?

Steve Unger: It is certainly helpful to have local engagement and that has been the case across the UK. There is always a balance and we saw this a bit in the BDUK programme across the whole of the UK. On the one hand it is really important that you have local involvement and a local sense of priorities. It is also very helpful if that sits within a framework that gives, if you like, purchasing power, the ability to negotiate with the big companies. There is always a bit of a balance between those two.

Jonathan Ruff: To clarify, that question is on local full fibre network access. Again, Ofcom doesn’t have a formal role in that. We are aware, obviously, there are a few local authorities in Scotland that have applied



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for that funding. Any initiatives that are going to bring about increased coverage are to be welcomed.

I would not say there has been a slow roll-out of broadband in Scotland. The statistics today show that from 2015 to 2018 there has been a jump of about 73% to 91%, so I would not go as far as to say there has been a slow roll-out. However, again, any additional initiatives are very welcome.

Q439 Ross Thomson: I think my constituents feel it is slow. Following on from that point you made, interestingly enough, Aberdeen City Council had tried to make the case that it should be allowed to make its own procurement. They felt they could progress a lot quicker rather than having to go through a Scotland-wide programme. Do you think there is more we could do to be a bit more different in our approach and to be a bit more local in our approach to this as well?

Steve Unger: I have seen quite a few of these schemes. It is really quite difficult because you are trying to do two things. You are trying to get local flexibility and local engagement is really important, obviously in terms of understanding local needs. There is also the planning side. A lot of these investment schemes rely heavily on engagement with local planning authorities, so you want that engagement.

A lot depends on the nature of the procurement process. If you are now trying to buy a service from a big provider like BT then you also want some clout. Therefore there is also benefit in aggregating across different local areas to get that clout in dealing with companies like BT.

I am sorry, I am not giving you a completely straightforward answer. In my view you also want to find the right partnership between local authorities, they really have to get engaged, but it is sometimes helpful if they are part of a broader framework that gives them purchasing power.

Sometimes with a particular scheme, if you are in a slightly experimental mode—trying to encourage, for example, initiatives like TV white space technology—then I think the balance switches to having more local flexibility because you are not in this mode where you need purchasing power.

Ross Thomson: Sure, that is great. Thank you very much.

Q440 Deidre Brock: One of our experts suggested there has not yet been a really granular study, if you like, looking at all the local authority projects in England and how well, or otherwise, they have worked. Are you aware of one or is there one that has assessed this approach and can give us some idea of the results ultimately?

Steve Unger: I had better take that away.

Deidre Brock: Please do, because I think it is important.

Steve Unger: I am not sure what is publicly available. It is certainly the case that experience varied quite a lot. There were some local authorities



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in England that essentially took responsibility themselves for procuring. There were others that essentially went along with the overall national framework that BDUK had established. The outcomes varied quite substantially. Let me take that question away.

Deidre Brock: Please do, thank you.

- Q441 **David Duguid:** Following on from Ms Brock and Mr Thomson, although you did not have an answer to Ms Brock's question, would it be fair to say that in general there is a case for having that centralised and aggregated approach for procurement clout, to use your word, but maybe for having a more rapid and more flexible approach to roll-out and installation, which would be better placed at a local authority level?

Steve Unger: Yes, is the short answer. There is a lot of experience that suggests—there is an example in the US, if you look at what Google tried to do, building fibre in different US cities. They selected cities where they could develop a strong relationship with the planning authorities in that particular city because that is a key success factor.

David Duguid: Thank you.

- Q442 **Deidre Brock:** Therefore the Chairman's approach of working very closely in partnership with local authorities is—

Steve Unger: Exactly, so it is a partnership. That is why I was saying it is not one or the other. You want the benefit of scale but you also need the engagement locally.

- Q443 **Chair:** This is quite important because the Secretary of State has been on record to say that in his view, because of constitutional concerns, he wants to bypass the Scottish Government and move directly to fund local authorities in order to try to deliver broadband. Would it make any sense to have 35 different local authorities involved in procurement programmes, trying to drive forward broadband programmes? It could be done by one and costs could be cut.

Jonathan Ruff: Essentially they are trying to achieve two different things. The local full fibre network programme is about full fibre and that is obviously with input from local authorities. The Reaching 100% programme is more of a wider residential programme for 30 megabits per second. We are slightly comparing two different things here.

- Q444 **Chair:** There was an announcement yesterday—I don't know if it was from you guys—that some of the local authority programmes that had been announced were going to secure funding over the course of the next few years. Highlands and Islands were getting £4.5 million. Is that a figure you recognise, in terms of funding local authorities to be involved in broadband roll-outs?

Steve Unger: I think that is a Government scheme.

Jonathan Ruff: Yes.



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Steve Unger: We are not close to the details of those Government schemes. If I could just repeat the general principle, which is that there is usually merit in having local engagement in any of the schemes. It is quite a pragmatic point—if you are trying to build a network you need there to be local engagement to facilitate that.

Q445 **Chair:** Let me try to put this another way, to see if we can get some sort of response from you. Is it helpful to have a number of different initiatives? If you have a UK scheme that is being administered by the Scottish Government, you have R100 and an announcement there is £190 million to be given to local authorities to also deliver these objectives, in Ofcom's view how helpful are different partners and players when it comes to delivering broadband in Scotland?

Steve Unger: I am happy that the money is going in. I am not going to comment on the way Government chooses to fund schemes; sorry.

Q446 **Chair:** I thought you were advisory. If the Government said, "Listen, Ofcom, what do you think about this local authority approach to broadband roll-out in Scotland?" what is your view on this?

Steve Unger: My own experience is that Governments face many pressures as to how they fund broadband initiatives and other priorities. Our role is to provide technical advice on the types of services that people need. It is a mistake for us as a regulator to start commenting on the detail of how Governments—

Q447 **Chair:** My last bash at this: are there any technical issues that might be involved?

Steve Unger: Technical issues could arise with co-ordination. I go back to my earlier point: we do need to be careful that when there are multiple schemes with potential overlap, to the extent that that creates co-ordination issues, it is important that we do address those. I mentioned already the co-ordination request between R100 and USO. Clearly there is a risk in having multiple schemes and I think there is a technical role to manage that.

Chair: We will take "there is a risk" away from that exchange.

Steve Unger: But it could be managed. I regard my job as making sure that it can be managed.

Chair: It could be the Secretary of State sitting here, couldn't it, with some of the replies we are getting?

Steve Unger: I think you are seeing him next.

Chair: Grateful—I think.

Q448 **John Lamont:** My question flows from that. I think the figures that you published yesterday confirm the lag that Scotland has with the rest of the United Kingdom in terms of broadband roll-out. I would suggest there are serious questions about how the Scottish Government have performed in



terms of their role in this. Drilling down, if you look at the rural figures and my own area in the Scottish borders, while the national figure is 91%, in my area it is only 81%. That means 11,000 properties in the borders not getting superfast broadband and 8,000 of them are not even getting the 10 megabits USO commitment. I suggest that is perhaps confirmation that, particularly for rural areas, the current programme of delivery is not working as effectively as it could. From there it reinforces in my mind why Scottish Borders Council and other councils representing those more challenging areas need to be involved more, so they can take direct action to try to bridge that gap.

I wondered if you could expand a little bit more about the analysis you have done about these rural communities and the fact they are clearly some way off. I know you have spoken about the question marks around that 91% figure but if you look at the rural areas, like my own area, there are even bigger challenges.

Steve Unger: The reason why we publish this data at that level is because the average number for the whole of the UK does not help a particular part of the UK that is getting poor service.

There are definitely rural parts of Scotland—also not just in Scotland—that are materially worse than 91%. That is why, for me, it is not just about stopping at the 95%. It is a slightly scratched record, we have to get to where everybody has decent broadband and as many people as possible are getting something beyond that. I do not think 81% is where we need to be in your area. I do not think 91% is where we need to be in Scotland. I do not think 95% is where we need to be for the UK as a whole. We should have an ambition to go beyond all of those numbers.

Q449 **John Lamont:** Last week, and also in written evidence we have had, there was evidence from some community broadband schemes that have raised concerns about how the Scottish Government's approach has fitted in with their ambition. I wondered if you recognise the concerns that these community broadband schemes have raised.

Steve Unger: I can say there is a broad issue that also comes up in USO about making sure the way we design a public intervention does not disrupt the business. There are various community broadband schemes that are out there. We are very supportive of those schemes because people are having a go at fixing the problem for themselves and it is quite important that intervention does not undermine those. The detail does tend to vary.

Jonathan Ruff: In the Ofcom Scotland team we had semi-frequent discussions with Community Broadband Scotland. In fact our chief executive and Ofcom Scotland director went to Laggan in Inverness to visit one. There are some questions around the sustainability of these schemes. In a lot of cases it has relied on individuals in the local area with a lot of technical knowledge, expertise and the motivation to want to be able to run a complex programme like that.



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In terms of your question about the Scottish Government, I guess perhaps their thinking has been if there is a national 100% target then these community broadband schemes will be incorporated into that. There would be a question maybe about whether that is still necessary, if there is a national roll-out programme. Yes, I think it comes back to a question of concerns about the sustainability of these schemes.

Q450 John Lamont: The reality is these community schemes, certainly in my own area, are providing solutions to the people who do not have broadband. I know they were very upset at the very dismissive comments from Fergus Ewing when he appeared before this Committee. He was dismissive of their sustainability and there were other criticisms he had. These people are providing broadband service to people who would otherwise not be getting it through all the other Government schemes.

Steve Unger: In general terms it is true that there have been a number of these schemes that in the past have failed. At the same time I am very sympathetic. We should give them a chance. Certainly in the context of the USO design, what we will do is try to make sure the eligibility criteria for USO are such that where there are community broadband schemes we do not undermine those schemes through the design of the USO.

It is also correct to say that in the past those schemes have not always proved sustainable. However, I wouldn't want to be the person responsible for putting them under.

Q451 Deidre Brock: I want to ask you about the number of provisions Ofcom introduced that were aimed at driving up competition in the broadband market. You opened up Openreach's ducts and poles. Openreach has been required to provide access since 2010 but so far very few providers have applied for that. I wonder if you could talk about how different your approach is now to this issue.

Steve Unger: There was a big reset with the digital communication review. The really big shift was in terms of the model of competition. Previously we had favoured essentially resale competition—companies like TalkTalk and Sky reselling broadband that they purchased from BT. The problem with that, of course, is that it does not put pressure on Openreach itself. Therefore we shifted towards a model of competition where others were competing directly with Openreach. Duct and pole access was key. You are right that the original version of duct and pole access, which had a slightly different name, has been pretty ineffective. It had been put in place originally to make the original BDUK scheme contestable but was not used by many people.

There were two or three things we did. Perhaps the most important thing was understanding where the ducts are. I went out to two or three countries where duct access has been successful as a way of driving competition. Interestingly, I think Portugal especially is a great case study where Vodafone has been able to lay its own infrastructure in



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Portugal Telecom's ducts and now fibre is very widely available. The key enabler there was a database with detailed information on the locations of all the ducts, which could then be used by competing providers to plan their network build rather than having to plan and then go out and discover the duct either did not exist or was in poor condition.

One of the big initiatives recently has been to get that type of database in place with Openreach. That has been really important and I think people are starting to use it.

There have also been a number of technical process points. With the previous product the price was probably not a problem but what is often the case is that a lot of the technical processes are not optimal when you come to build a network. There has been a lot of detailed work to get those processes fixed.

Q452 Ged Killen: We have heard from alternative internet providers that the process for getting engineers accredited to work in Openreach's network is too complex and cumbersome. Is there any way that process can be streamlined?

Steve Unger: We have had people come to us to make a similar comment. First, there does need to be a process that makes sure people who are working on BT's network know what they are doing. There has always been that issue under various models of competition if you are sharing access to infrastructure. The way the process works at the moment is that essentially it is a once-off process. It requires particular individuals to be identified as appropriately skilled in each company and then they train other people. That has the benefit that it only happens once so it is not an ongoing requirement. We had complaints early on that that once-off requirement was too onerous but most companies I am aware of have now got through it. Because it was a once-off, rather than ongoing, requirement things are now working for those companies.

There will always be new companies coming into the market. I would say if there are particular companies who are struggling at the moment to get through the accreditation process, probably the best thing is to get them to obviously escalate it with Openreach and ultimately talk to us. We have tried to facilitate where we can.

Q453 Ged Killen: Is it not the case that there are few providers that have taken up the opportunity to access the network? If there are companies that have gone through this, why are they not?

Steve Unger: My understanding is a number of companies are now accredited. For those companies that are now accredited this is not an issue because, as I say, it is a process you just do once. There is a potential concern about new companies coming into the market but we are not hearing concern right now from those companies. All we can do in those circumstances is try to facilitate on a particular case. What we cannot say is there should not be a process. It is clearly right that BT



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does accredit the engineers who work on its network. However, if there is a particular case where it feels like it is taking too long then we are very happy to get involved.

Q454 Ged Killen: You are currently consulting on coverage obligations for the future 700 megahertz auction. The Committee has received evidence that supports nation-specific coverage obligations, but suggests that the Scotland target is not high enough. How do you define the 76% target? What impact would increasing the target have on the outcome of the spectrum auction?

Steve Unger: What we tried to do in having nation-specific targets is that we recognised the starting point for each nation was very, very different. It was not going to be possible with the available funds to get to the same point for everybody.

It is worth emphasising that in the context of this auction the total amount of money that is available is limited by the value of the spectrum. If we try to set an obligation that is too onerous on companies through this 700 megahertz award, they just will not bid for the spectrum. People will not deploy networks and there will not be any improvement in coverage. We are limited in what we can achieve by the value of the 700 megahertz spectrum. We have tried to assess that. This is a key starting point, by looking at the value of the same spectrum sold in other countries, Germany in particular. The first point is that there is a limited amount of money available.

We have tried to distribute that across the different nations in a way that delivers a much bigger uplift in Scotland than other nations. The uplift in Scotland is 12 percentage points. The uplift in England is one percentage point, so I think in England we expect to go from 91% to 92% as a result of these coverage obligations. In Scotland we get an uplift of 12 percentage points. Therefore the benefit is greater in the nations, also in Wales. It does not get you to where England is, which is just because the scale of the problem is too great to be addressed by this one limb.

Q455 Ged Killen: Only 46% of Scotland's A and B roads have mobile voice coverage. How will your proposed geographic coverage obligations improve that?

Steve Unger: There isn't an explicit obligation in relation to roads. What we have done is propose three obligations. There is one obligation that is 60% of currently unserved premises, which is focused on premises and small communities. Then there are two obligations that look at geographic landmass, which is the obligation you were just referring to. We expect that obligation to have a benefit to A and B roads but we haven't explicitly required a particular coverage target for A and B roads. We did look at that in some detail.

We did consider two alternatives ahead of this consultation. One option, instead of specifying an obligation for geographic area, would have been



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to specify an obligation that was very focused on roads. That is quite credible. That then guarantees you get an improvement on roads wherein you recognise the problem. It does, however, mean there were a number of geographic areas that people go to that are not roads—coastal paths, national parks—but need mobile coverage. An obligation that was focused on roads would not improve things there. You are always having to make a judgment, I am afraid.

Q456 **Ged Killen:** Is it not possible to do both?

Steve Unger: There isn't enough money, no. I share your concern about road coverage particularly with debates about connected cars. Again, we have to get to a point where the UK's road network is covered for data as well as voice. That clearly has to be where we get to. However, we were clear in our consultation on these coverage obligations that we cannot do everything with this particular lever and we have made some choices.

Ged Killen: Thank you.

Q457 **Ross Thomson:** When auctioning spectrum, how do you balance the trade-off between maximising the income from the sale and ensuring coverage is provided to as wide an area as possible?

Steve Unger: We do not maximise income. It is important to be really clear that our duties are not to maximise the revenue that comes from spectrum awards. Our duties are to competition, we want to make sure there continues to be a competitive market; spectrum efficiency, we want to make sure the spectrum is used efficiently and we think generally auction is the best way of getting the spectrum into the hands of people who will use it efficiently; and coverage, availability of service.

In designing these coverage obligations, we have tried to come up with an auction design that delivers as much coverage as we think we can while still having an auction design that will get the spectrum into the hands of people who will use it most efficiently. That is our trade-off. In designing this particular auction we have given a great deal of weight to the coverage aspect of it.

Q458 **Paul Masterton:** Obviously, making spectrum available is key to the development of 5G technology. What are your plans for freeing up spectrum capacity for 5G?

Steve Unger: There are probably three spectrum requirements for 5G. There is a big debate going on at the moment about what 5G is. It is worth saying there is a fair bit of hype; certainly there has been over the last couple of years. People are only gradually trying to work out what 5G will really deliver.

There are broadly three objectives in relation to the spectrum and they map on to three different spectrum bands. First, this 700 megahertz band that we have just been talking about has been defined across Europe as one of the pioneer bands of 5G, with a particular focus on improved



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coverage. Using the 700 megahertz band to deliver better coverage is really important but it will only deliver a certain amount of capacity. Those low frequencies will deliver good coverage but you will not get the sort of capacity some people will want.

There is a second pioneer band that has been defined across Europe for 5G applications, which is the band at 3,500 megahertz. That is a band that we are also auctioning as a matter of priority. That will allow significantly more capacity at existing base sites but will not extend coverage. The nature of that band is that its propagation characteristics are not good for coverage but we hope that will broadly match existing coverage.

Then, at the very speculative end of the 5G story, there is a lot of interest in very high-frequency networks using small cells. You have probably heard some of this now. I think there are interesting experiments using small cells in Aberdeen, for example. That is where the story is most speculative. We are making available the spectrum at 26 gigahertz, essentially on a licence basis, to people who want to experiment with that band. Across most of Europe it is unclear what the business case is for that particular band so we are in experimental mode. What is clear is that delivering wide-area coverage using that band is really, really challenging.

Q459 **Chair:** Thank you. Lastly on mobile coverage, we had the four big mobile operators in last week and heard quite compelling evidence from them and there were a number of issues we wanted to explore. This idea of macro-roaming where not-spots can be filled by having access to whatever provider's network, is that something you would favour and would suggest perhaps to our mobile company friends that this is something they may want to pursue?

Steve Unger: We have looked at it in the past. In fact, we looked at it in some detail ahead of the 4G auction and the work we did then I think is in the public domain. You have a basic trade-off when you are thinking about roaming. It is certainly technically feasible. There are some wrinkles around technical feasibility, but it certainly can be done technically. You are making a trade-off. It clearly sounds attractive because it gives you an immediate improvement in the coverage experienced by consumers. For most consumers who cannot get a service because their provider is not available in the area, there is usually someone else who is available. So I get the interest in roaming from that perspective. The risk is that it destroys the incentive to networks to build infrastructure, because if their customers can just roam on to some other network, particularly at a low cost, why bother to build your own network? The risk in the past has always been that—

Q460 **Chair:** It is exactly what they said last week when they were here.

Steve Unger: It does not surprise me they said that.



Q461 **Chair:** Surely Ofcom does not have an issue with spectrum sharing in order to try to address some of these difficult issues?

Steve Unger: No. There are various models of sharing. There are a lot of operators that share masts. I think that is really helpful. Increasingly people will also share spectrum and a lot of discussion around 5G in particular is about new models of spectrum sharing. We have been very keen to push those models into those frequency white spaces. Roaming on to other networks has always been very contentious for the mobile operators. They have always argued that if we were to intervene to impose roaming, then in extremis they would stop investing. Now, they *would* say that, so that does not leave me saying that it is of no interest. It is something that always comes back as a question, but I think we just need to be aware of the risk on the investment side. I am not where the operators are. I would not completely rule it out of hand but I think one would need to be cautious in terms of investment incentives.

Chair: Okay. Thank you for that. I know we have asked you for a couple of further submissions to this Committee, and if there is anything else that you observe in the course of this inquiry, which is just about to conclude, please give a further submission to the Committee. Thank you ever so much.

Examination of witness

Witness: Rt hon Matt Hancock MP, Secretary of State for Digital, Culture, Media and Sport.

Q462 **Chair:** Thank you very much, Secretary of State, for helping us out with the digital connectivity of Scotland inquiry. I think you are the last person we are to hear from, so you can sense the excitement and anticipation in the Committee that we have you in front of us today. Anything by way of a short introductory statement will be welcome to the Committee.

Matt Hancock: Thank you very much for having me. We care very strongly about getting a world-class digital infrastructure in Scotland as well as the whole of the UK. Overall, across the UK, our superfast broadband programme has ensured 95% of premises now have access to download speeds of 24 megabits per second or more.

We work with the Scottish Government to try to deliver as good a service as possible across Scotland. There have been some challenges in delivering the service in Scotland—not least the delays to the procurement process from the Scottish Government—but I am glad to say that there has also been some progress in ensuring that roll-out continues and we will do everything that we can to make sure the roll-out of the superfast technology happens as quickly as possible.

Q463 **Chair:** I am grateful. That was a very short and informative introductory statement. If you could clarify one thing for the Committee as we kick



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off: who is responsible for broadband in Scotland?

Matt Hancock: The overall policy for telecommunications is reserved. We took the decision in the last Parliament, in the 2010 to 2015 Parliament, to deliver in Scotland by delegating the funding to the Scottish Government, and so on the ground the Scottish Government have been responsible.

Q464 **Chair:** I am just trying to clarify where responsibility begins. You are responsible for broadband in Scotland. The Scottish Government are responsible for delivering that broadband. Is that your view?

Matt Hancock: The responsibility for the delivery of telecommunications is reserved. The UK Government then chooses how to deliver telecommunications infrastructure, and has chosen in the past to deliver in Scotland through the Scottish Government, which runs Digital Scotland. Therefore, in the past we have delegated the funding to the Scottish Government to support the roll-out. The latest funding that we gave was announced in February 2014. It is a source of deep frustration to me that the procurement for that broadband roll-out, where we allocated the money in 2014, only began in December 2017, some three and a half years later, and indeed the procurement process chosen by the Scottish Government is a slower form of procurement than we use in the UK Government. That means that the roll-out of the subsidised broadband system in Scotland has been slower than it could well have been—

Chair: Slower?

Matt Hancock: —had the Scottish Government acted as fast as any English local authority, the Welsh Government or, indeed—until the collapse of devolution in Northern Ireland—the Northern Ireland Executive.

Q465 **Chair:** That is nonsense, Minister. The fastest growth of broadband coverage in the whole of the United Kingdom in the past few years has been in Scotland. It is up 26 percentage points since 2014. Now, I have seen some of the inflammatory language you have used around this in the course of the past few weeks—and most particularly the House of Commons—when you said, "It is a classic example of" the SNP "concentrating so much on constitutional issues...It is deeply frustrating that the roll-out in Scotland has been slower than anywhere else, so with the next generation roll-out we have decided to go through Scottish councils because we are fed up with the performance of the Scottish Government". How helpful do you think these comments have been in order to try and deliver broadband in Scotland?

Matt Hancock: I have been doing everything I can to improve the delivery of broadband in Scotland, and exhortation and trying to explain to the Scottish Government why it is important for them to speed up their procurement process in future has been part of my case.



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Q466 **Chair:** You think it is your job to lecture the Scottish Government about how to deliver a lifeline service to the rest of Scotland, given what they have done in the course of the past few years?

Matt Hancock: The thing is, Mr Wishart, when the UK Government has allocated funding for the purpose of people in Scotland to be able to get better broadband connections, and the Scottish Government has sat on that money for three and a half years before even opening the procurement process—

Chair: How much is that money?

Matt Hancock: —hold on, meaning that now, over four years since that money was allocated, it is still not being used for the benefit of Scottish people, of course I get frustrated. It is totally understandable. What is more, we have put in, at the full disposal of the Scottish Government, as many of the technical capabilities as they should need, and the fact that this procurement is slower than any procurement from any of the English local authorities we deal with, or the Welsh Government or the Northern Ireland Executive, means of course I am frustrated because I want the best possible connectivity for the people of Scotland, and the Scottish Government have taken their eye off the ball.

Q467 **Chair:** Is it the case that my constituency without the Scottish Government's DSSB programme would have been left at 59.3%? Instead, in my constituency I now have 84.2%. But can I ask you: how much money has been committed to Scotland for your responsibility of delivering broadband? How much money has been committed, and how much does this sum that you say we have been sitting on amount to?

Matt Hancock: If you take your constituency, and on those figures just over 84% have access to superfast broadband, that means that there are just over 15% of people who don't. If the Scottish Government had got on with spending the money that we had allocated to them, then some of your constituents could be connected at superfast speeds, and currently they are not, so you can understand my frustration.

Q468 **Chair:** What is the financial resource that you have given to the Scottish Government in the course of the past few years? This critical last phase, how much money has that been?

Matt Hancock: Yes. In total, the Scottish Government has received over £121 million from the UK Government and, just to put that into context, Scotland has received 17% of UK funding for superfast broadband, although it comprises roughly 8% of the population. This means there has been more than double the spending per person in Scotland on superfast broadband by the UK Government than there has been for the rest of the United Kingdom. We have gone out of our way to ensure that Scotland gets more than double its fair share—

Q469 **Chair:** What is the landmass of Scotland compared to the rest of the UK?



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Matt Hancock: It is not about the landmass; it is about people, Mr Wishart.

Q470 **Chair:** Is everybody in jobs?

Matt Hancock: The connections are to people.

Q471 **Chair:** Do you know how big Scotland's coastline is?

Matt Hancock: We connect people to broadband.

Q472 **Chair:** So it is about people connection?

Matt Hancock: Yes. It is a matter of where the people are, yes.

Q473 **Chair:** You take no account of geography, typography and a challenging environment?

Matt Hancock: Well, of course, we provide more than double the funding for broadband for people in Scotland, and it is a deep frustration that the 15% of people in your constituency could have been connected had the Scottish Government got on with it.

Q474 **Chair:** Isn't it the case, Minister, that all that you have committed for this critical last phase has been £21 million? There was an announcement last week from the Scottish Government that £587 million will be committed, and I am supposed to thank you for that?

Matt Hancock: It is not a question of thanks. We committed £21 million to a further phase of Scottish broadband roll-out in February 2014. You can understand why, given that the Scottish Government chose, for some reason unknown to me, not to—

Chair: You are not prepared to—

Matt Hancock: —hold on, excuse me, I was just answering the question. The Scottish Government chose not to spend that money and here we are four years later. The money has been available, is sitting and waiting to be spent on connecting the people in your constituency, and people right across Scotland, who could have been connected if the Scottish Government had got on with it.

Q475 **Chair:** You are not prepared to accept at all—we had the current Secretary last week who said the approach of Scotland has been totally different, in terms of procurement, about taking forward these projects about phases 2, 3 and 4 being brought together in order to try to ensure this is going to be delivered as efficiently as possible, given the challenge of geography. You have rejected all of that?

Matt Hancock: It is true that the Scottish Government have chosen a different approach to procurement. They have chosen what is called the competitive dialogue process instead of an open procurement process. The result of that has been that the procurement process has been slower, and so people in Scotland have been waiting longer. The buffering has been continuing for longer in Scotland than the rest of the UK and I



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wish it hadn't. We have given them all the technical support they could have asked for and we are still waiting to see the results of that procurement.

Q476 **Chair:** I just do not get this at all. Given a challenging geography, the topography, the environment, we have 93% of roll-out of fibre broadband, 2% ahead of the rest of the United Kingdom. In case you did not know it, we have over one-third of the landmass of the United Kingdom, a challenging environment to deliver this. What I think is frustrating for people is that you stand up in the House of Commons and singularly attack the Scottish Government, who have been working in partnership to try and deliver this. Again, I don't know how helpful you feel these comments have been. There was an opportunity last week that was given from the Cabinet Secretary of the Scottish Government to reset this relationship.

Matt Hancock: Yes.

Q477 **Chair:** Can we now get on without the petty, snide criticisms and work together properly to deliver?

Matt Hancock: Yes, I would welcome an approach that avoided any of those criticisms from the Scottish Government and I would return the compliment, but the fact of the matter is, you can understand my frustration on behalf of—

Chair: No, I do not.

Matt Hancock: You should be able to understand, I would argue. My frustration—

Chair: Well, we have 93% online.

Matt Hancock: Hold on. I care deeply about getting broadband connectivity and the roll-out, and the reason is because it has very positive impacts on productivity, on quality of life, and I want to see as many people connected as possible. So, when the UK Government chooses to allocate money through the Scottish Government and the result of that is that they sit on the money for four years and don't help people in Scotland, probably because they are too worried about independence instead of delivering for the people of Scotland, it is deeply frustrating.

Chair: It is just bizarre.

Matt Hancock: But I have a solution, you will be glad to know. At the completion of the superfast roll-out, the next stage is to use the new technology, which is full fibre, and because of this problem and because of not wanting to have this frustration, we have a solution to the problem. That is that in future, with the full fibre roll-out, we are going to talk directly and contract directly with local authorities in Scotland—in the same way as we do with English local authorities, because that has



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proved so much better over the last few years—and avoid the Scottish Government getting in the way.

Q478 **Chair:** Getting in the way?

Matt Hancock: Yes, absolutely, with sitting on the money for years and years and years doing nothing with it. *[Interruption.]* Hold on, let me just explain. We have had a fantastic response from Scottish local authorities. For instance, the very first of the vouchers issued on our latest scheme was issued in Aberdeen because of the excellent work of both Aberdeen and Aberdeenshire. This is not a party political point because Labour local authorities and Conservative local authorities have been biting our hands off to be involved in the roll-out of the next generation of technology.

I could have taken the decision, given that this is a reserved matter at policy level, to try to take this out of the hands of the Scottish Government, given their failures over many, many years, but instead I want that to proceed as well as possible. But for the new generation of technology, I am sure you will agree that—given the delays upon delays and the slow procurement of the Scottish Government—the best thing to do is go direct to local authorities and local people.

Q479 **Chair:** Let's talk a little bit about that then because it is very interesting. We have the figures from Ofcom yesterday and apparently £190 million is going to be available to local authorities. Is that correct?

Matt Hancock: That is in the current round of procurement.

Q480 **Chair:** In the first round, £95 million was shared between 13 local authority areas. Only one is in Scotland, the Highlands and Islands, which is receiving £4.5 million. Are those figures that you recognise?

Matt Hancock: That is one part of it, but that is—

Q481 **Chair:** Tell us about the rest of the parts, then.

Matt Hancock: There is a broader programme. The first is what we call the local full fibre networks, which is about local authorities being able to deliver connections to public sector buildings, which will help by getting the fibre backbone spread to more areas. That is the first. The second is the voucher scheme, so that businesses can get a voucher up to £3,000 for an ultrafast connection and also individuals can have a voucher for a connection. The first roll-out of this was in Aberdeen, and that is rolling out across the whole of the country. Then the third is the 5G trials and test beds, which is about mobile connectivity but, increasingly, mobile and broadband are interlinked because you need the fibre backhaul, as it is called—the fibre connections to the mobile phone masts, which need to be spread more broadly—and in that Aberdeen and Aberdeenshire is one of the first successes in that procurement.

Q482 **Chair:** Just to understand you properly, it is now your intention to bypass the Scottish Government and to directly fund local authorities in Scotland to deliver broadband, even though the Scottish Government have just



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committed £570 million to ensure that every property in Scotland will be connected to superfast broadband by 2022? Is that what you are intending to do?

Matt Hancock: Of course, I welcome any money spent on broadband. If you cared about broadband roll-out as much as me—of course I care about—I think it is a good use of taxpayers' money to support broadband roll-out. But it is not good enough just to commit to it; you've got to get on and deliver it. You know, we committed to more money for Scotland four years ago and it hasn't been rolled out because we gave it to the Scottish Government to deliver.

Chair: I have tried my best with you.

Q483 **Tommy Sheppard:** Minister, I don't want to caricature your position, so let me be clear that I understand it. You accept this is the UK Government's statutory responsibility but you have taken a policy decision to engage with the Scottish Government effectively as an agency for the delivery of that responsibility, and your concern is that they appear to be dragging their feet, which is causing problems with the level of coverage in Scotland. Would that be a fair statement?

Matt Hancock: Yes.

Q484 **Tommy Sheppard:** May I ask you this, then: the money you are talking about from 2014 is £21 million. That is about 3% of the total budget that is now being marshalled and invested by the Scottish Government in this area. Would you accept that 3% will have quite a marginal effect on the overall, and actually, isn't it the case that the Scottish Government is now finding additional resources, not ones that have been given by the UK Government, but resources it has had to find itself by deflecting spending from other priorities in order to achieve the results it needs to achieve because of the failure of the UK Government to provide adequate investment?

Matt Hancock: No.

Q485 **Tommy Sheppard:** You do not accept that at all?

Matt Hancock: No, of course not.

Q486 **Tommy Sheppard:** You accept £21 million is a small proportion of £587 million?

Matt Hancock: When the UK Government chooses, as a policy decision, to fund money to try to solve problems for people in Scotland, and chooses to fund that money through the Scottish Government, and the Scottish Government does nothing with it for several years, you can understand why the amount of money does not go up. The money is there and it could have been used years ago.

Q487 **Tommy Sheppard:** So if there had not been delays with spending this £21 million, we would now be in the same position as the rest of the UK and heading towards 100%? In other words, your Government have



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provided all the money that is required to deliver 100% broadband in Scotland?

Matt Hancock: Let's take a look at the rest of the money in the R100 programme. A large chunk of that comes from what we call gain share, which is when you have a successful broadband roll-out and more people take up the broadband than is in the par in the contract, part of the returns for that comes back into the contract to go into further roll-out. Now, if the £21 million that we allocated in February 2014 had been spent, more money could have come back in to be spent on broadband roll-out. As it happened, the £121 million overall in the first round, because that allowed for a load of connections and because more people took it up than was par in the contract, money from that has come back in, so there is actually recycled UK Government money within the overall R100 project.

I appreciate that the Scottish Government goes to great lengths to badge money that has come from the UK Government, has then gone out to allow for broadband roll-out, has then come back into the contract because of the smart design of that first round of contracts. By the way, the first round of contracts was not delivered through the Scottish Government, it was delivered directly to associations of Scottish local authorities. Those have been successful contracts. My beef is with the second round of contracts, which have been waiting for four years. A large chunk of the extra money in the R100—just like in English local authorities and in Wales—has come from clawback, which is due to the success of the very first round of the contracts.

Q488 **Tommy Sheppard:** Let me put it this way: would you be gracious enough to accept that the Scottish Government is committing some of its own budget in this area?

Matt Hancock: It is committing some, in the same way that lots of local authorities do, and I welcome all money that is put into broadband connectivity.

Q489 **Tommy Sheppard:** You view the Scottish Government as a local authority or—

Matt Hancock: No, I will say it again. I welcome that money, in the same way that local authorities, other broadband delivery authorities—the Welsh Government, for instance—also put extra money in.

Q490 **Tommy Sheppard:** Can I turn to the question of why this might be the case? I want to try to tease you out on this.

Matt Hancock: Yes.

Tommy Sheppard: As the Chair has already said, you were quoted in *The Scottish Mail on Sunday* as saying, "It's a classic example of them concentrating so much on constitutional issues that they don't concentrate on improving the lives of the people of Scotland". I presume



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by “them” and “they” you mean Scottish Ministers. Could you explain to us your thinking behind that statement? In what way does one’s political belief impede their capacity to have oversight in a public service area? Did they skip a meeting because they went to a demo or something? What happened?

Matt Hancock: You tell me, Mr Sheppard. I have—

Tommy Sheppard: I am asking for your view, not mine.

Matt Hancock: Look, I have rarely seen a delay on a contract as frustrating as this one, because the truth is that, through BDUK, we have the technical experience of rolling out these contracts in loads of different parts of the country, and the fact that this contract was delayed by four years now by the Scottish Government has left us tearing our hair out. I don't know, there is no credible explanation I have been given as to why it is so slow. That is a question that you could ask the Scottish Government.

Q491 **Chair:** We did, and they told us that it was different procurement that was being used.

Matt Hancock: It was procurement, right, okay. If they said it was procurement, the next question to ask them, which I have asked and not got a credible answer, is: how come Wales, and every English local authority who we deal with, managed to get this procurement out—in many cases, the procurement out, delivered, completed and the next procurement started—before the Scottish Government even went to open procurement? I understand your frustration at the roll-out of broadband in Scotland. I understand the frustration of many people who might be watching this, if they can get the download speeds good enough. I understand that frustration and I have had no credible explanation. I want to park that. I want to say, “That is all in the past. What I care about is getting good connectivity.” That is why, in the future, we have said, “Enough, we are going to cut the Gordian knot. We will go straight to the people at local level, who really care about it.”

Q492 **Tommy Sheppard:** With respect, that is not an answer to the question.

Matt Hancock: I have never seen anything like it in Government.

Q493 **Chair:** I have never heard of anything like this.

Matt Hancock: Yes.

Q494 **Tommy Sheppard:** Minister, that is not really an answer to the question that I asked.

Matt Hancock: It was.

Q495 **Tommy Sheppard:** No, it wasn't. I am asking you to explain how someone's political belief, in this case for a different constitutional settlement for Scotland in the future, impedes their ability to do a job of oversight in this area—or is it just the case that this is a party political



point-scoring exercise?

Matt Hancock: My observation, given that there is no credible explanation for why this delay took four years—constituents right across Scotland are seeing slower broadband because of this delay—because I have had no credible explanation, my only explanation could be that the SNP Government have spent so much time concentrating on constitutional issues, which in my mind are completely settled, instead of the hard yards of getting broadband roll-out going in Scotland. English local authorities have not been worrying about constitutional issues. *[Laughter.]* The Welsh Government have not been worrying about constitutional issues and they have got their broadband going out of the door.

Q496 **Tommy Sheppard:** You keep saying this, but can you explain to me and to the public, how does this happen? Because someone believes in an independent Scotland, how does that make them incapable of delivering broadband?

Matt Hancock: I have been a Minister in five different Departments and I have been a Minister now for coming up to six years, and I know for a fact that ministerial time is limited, and you have to concentrate on what you care about. One of the things I care about is making sure broadband roll-out gets out to the whole of the United Kingdom, which is why I am willing to put the effort into ensuring that Scotland gets the broadband it deserves and that it has been funded by the UK Government to receive.

Tommy Sheppard: You are suggesting—

Matt Hancock: I am suggesting—in fact I am explicitly saying, not just suggesting—that, given that I have not seen any other credible explanation, one possible explanation is that Scottish Ministers have spent so much time on the issue of independence, which has been settled, that they have not had the time to do the hard work of getting the broadband procurement out. That is what I think.

Q497 **Chair:** There are a number of supplementary questions coming in, but first, could I ask about this local authority thing, do I now have to accept that the council of chaos, Perth and Kinross Council, will now be responsible for the roll-out of broadband in my constituency other than the Scottish Government? I will not accept that a council that is—

Matt Hancock: Mr Wishart, you talk about not wishing to politicise this debate and then you use phrases like that. I don't know what you are referring to.

Q498 **Chair:** What we are hearing very clearly from you is that you want to bypass the Scottish Government. You think they are useless. You think they are too constitutionally obsessed, and what you want to do now is to work directly with the local authorities in order to deliver this. We around this table have great experience of some of our local authorities, some of them fine representatives and tribunes of the people, some of them not



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so good. We now have to trust their ability to deliver these programmes other than a directly elected Scottish Government, which has now delivered 93% of enabled homes in Scotland. We have got to forget all that and trust them.

Matt Hancock: Right across England, we have been able to work with local authorities effectively to deliver broadband roll-out, and that is a fact. We have managed to deliver it with local authorities effectively. We have loads of enthusiasm from local authorities to deliver it in the next round.

Chair: Thank you. I can see we are going to have a very tricky few years ahead of us in terms of partnership-related issues, but we have a number of supplementaries and we have Christine Jardine first.

Q499 **Christine Jardine:** First of all, can I disassociate myself with the Chair's remarks about local authorities in Scotland and their ability or lack of it to deliver broadband? I really would not like to be associated with that sort of criticism. I just ask this question to clarify what you are saying. Is what you are saying that if the Scottish Government had spent the money that they were given four years ago, it would have brought in more money, which could then have been invested in broadband and we would have been further ahead?

Matt Hancock: No.

Q500 **Christine Jardine:** Where, if that money had been spent four years ago, could we now be in areas of Scotland that we regard as blackspots in the Highlands and Aberdeenshire and in cities like Edinburgh and Glasgow as well?

Matt Hancock: I am saying that the delay to the roll-out of the £21 million that we put on the table in February 2014 meant that the roll-out is slower than it would have been. I am not saying that there was allocated funding that would automatically have followed that. I am saying that merely the question of, "Should we fund further?" was hard to say yes to when there was already money in the bank waiting to be spent. I am not saying there is another figure that was hanging around.

Q501 **Christine Jardine:** If we put constitutional disagreements aside, the decision to invest through local authorities in the next roll-out is based entirely on the UK Government's assessment that the Scottish Government's roll-out has been inefficient and slow?

Matt Hancock: Yes.

Q502 **Hugh Gaffney:** I am concerned about where this money is. Is it still lying in the bank four years later, not being used? Is that what you are saying?

Matt Hancock: It is allocated and it is now allocated as part of the R100.

Q503 **Deidre Brock:** Secretary of State, how do you explain the numerous English and Welsh MPs who stand up frequently in Parliament and



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complain about the lack of broadband access in their own areas?

Matt Hancock: Yes, wherever broadband roll-out is not at 100%, I entirely understand the frustrations of people who do not have good broadband.

Q504 **Deidre Brock:** This is happening within your own areas that you are directly responsible for, and yet you are criticising the Scottish Government.

Matt Hancock: Not to the same degree.

Q505 **Deidre Brock:** But you would accept that we have, what, over 60% remote and rural areas in parts of Scotland and you don't have anything similar within England, really, for example?

Matt Hancock: We do. There are areas that are highly—

Q506 **Deidre Brock:** But we are quite well known for being mountainous in Scotland, so we have those particular geographical problems to overcome. You would accept that?

Matt Hancock: We have geographical—

Deidre Brock: Nothing like to the same extent.

Matt Hancock: Hold on, I—

Deidre Brock: Sorry, yes, of course, please continue.

Matt Hancock: Did you have a question?

Deidre Brock: That was my question: do you acknowledge that there are differences in the topography of Scotland that make it more of a challenge?

Matt Hancock: There are mountains across the whole of the UK.

Q507 **Deidre Brock:** Please—we have the Highlands. Are you accepting that that is an issue?

Matt Hancock: I would say that there aren't—

Deidre Brock: Because it certainly has been an issue for witnesses.

Matt Hancock: There aren't as fine a set of mountains anywhere else in the UK and they are not as extensive, and so of course I acknowledge that. If we can try to find some points of agreement, which is what I always seek to do, as I have said, we have spent twice as much per head of UK taxpayers' money on broadband roll-out in Scotland. Of course topography matters. Of course Scotland has more mountains than the rest of the UK. Of course that is part of it. My frustration is the speed in the procurement process, not the topography.

Q508 **Deidre Brock:** But witness after witness to this Committee has commented on the fact that that is very much an issue in terms of rolling



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out broadband across Scotland. Why won't you acknowledge that?

Matt Hancock: As it is across Cumbria and across Wales, for instance. Yes, of course I acknowledge that it is an issue; it is just not a Scotland-only issue.

Q509 **Deidre Brock:** Are you saying that broadband, therefore, is not dependent on geographical coverage but purely on population? That seems to be what you are suggesting. Again, many of the experts that we have had have suggested that the geographical coverage should be taken into account, rather more than simply looking at the population, because obviously that would mean that very remote areas of Scotland would not receive coverage under your thinking—the USO, for example.

Matt Hancock: No; the USO is the same right across the whole of the UK, and we measure broadband coverage in terms of the proportion of the premises that have access to superfast broadband. Of course, the measurement of what percentage have got that access is determined by the proportion of people who have access to superfast broadband, and if there are more premises in an area, then naturally the roll-out there is more dense because that is where the people are. We measure it entirely in terms of the amount of connections that it is possible to get to the amount of premises.

Q510 **Deidre Brock:** You have said that there was a greater spend—was it more than double the amount spent per head of population in Scotland than there is in England? Would you acknowledge, therefore, that, given that the Scottish Government is having to put so much more money into this, the UK Government should recognise that there are extra costs involved and agree to put in further money itself? I mean, 3% is pretty mean, as I think the Cabinet Secretary called it.

Matt Hancock: As I said, it is a challenge because we made this allocation and then nothing happened.

Q511 **Deidre Brock:** It is only £20 million, though, Secretary?

Matt Hancock: Only £20 million? £20 million.

Q512 **Deidre Brock:** Against £570 million-odd. That is obviously what is required to get that coverage across Scotland, so how can you—

Matt Hancock: Actually, we take a slightly different approach from the Scottish Government in terms of getting to 100% of coverage. We have passed a law through this Parliament to ensure that everybody can get coverage, and that gives us the power to require an infrastructure company to deliver a universal standard to everybody. So, instead of using taxpayers' money, we are requiring the industry to do it. So we take a different approach to getting to 100% coverage.

Q513 **Deidre Brock:** Am I right in saying that the USO is an on-demand scheme? We had some interesting comments on that from Ofcom just before your arrival. It involves zero capital cost from the UK Government,



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but obviously costs could—and probably will—be passed on through providers to customers ultimately. I believe in your letter to the Cabinet Secretary on 28 March it was suggested that, while people will have the right to request access to a universal broadband connection by 2020, it is unlikely that everyone will actually be connected then. That is because the USO is not a roll-out programme but an on-demand scheme. So would you not acknowledge that the USO scheme is inferior to the R100 scheme, which promises superfast broadband to everyone in Scotland?

Matt Hancock: There are two ways of doing the same thing, which is ensuring that everybody who wants to get a connection can get one, up to a reasonable cost threshold. The truth is, whether you are spending taxpayers' money or requiring infrastructure providers to provide infrastructure, it ultimately always has to be paid for and there are different ways to skin that cat. My point is that we are determined to get decent broadband connections to everybody. Through R100 the Scottish Government has the same policy goal. My concern has been the speed of roll-out, as I said.

Chair: I think we know that.

Deidre Brock: Yes, we know.

Chair: I want to try to move on.

Q514 **Danielle Rowley:** I think you have covered many of the supplementaries I was going to ask. It is not very helpful to constituents who do not have access to superfast broadband and local businesses and those in the rural parts of Scotland, who may be listening to this and not feeling much encouragement and seeing a bit of a blame game going on. As much as I accept a lot of the points about the Scottish Government having sat on this money and delayed it, you do need to accept that there are different geographical challenges in Scotland.

Matt Hancock: I go around the country and talk to delivery bodies that are delivering broadband—including subsidised broadband—that we have a relationship with, and it is not as fractious anywhere else. It would be so much easier if it wasn't, but it is deeply frustrating that nothing has happened. I hope—*[Interruption.]* Hold on. I hope that what we can do is, with the support at official level, which is ongoing, we can get this procurement going, we can get it assigned so that a company is designated to get the roll-out going and we can get on with it and we can come together to try to get as much connectivity out as possible.

Q515 **Chair:** I want to move on but I cannot let this stand. Some of this is very inflammatory evidence that you are giving this morning, Secretary of State. I have never heard anything quite like this. Before we move on, I want you to acknowledge, if you can—if you cannot, that is fair enough—we now have 93% broadband connection in Scotland. Do you accept that or do you not?

Matt Hancock: The figures as of—



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Chair: From thinkbroadband and from Ofcom. Those are the figures yesterday from Ofcom that show that we now sit at 93% access to superfast broadband. Do you accept that?

Matt Hancock: It is better than that, Mr Wishart.

Q516 **Chair:** Good. Well, thank goodness. We have done nothing, apparently.

Matt Hancock: According to thinkbroadband, coverage of superfast—that is greater than 24 megabits per second—is 93.66%. I welcome that and I look forward to that figure going up.

Q517 **Chair:** How could you say nothing has been done, then, if we are sitting at 93.4% of connection?

Matt Hancock: Broadband is delivered in a number of different ways. There is commercial broadband, which largely is rolled out in urban and suburban areas. For instance, no subsidy goes into central Edinburgh broadband roll-out. For better or for worse, that is under the EU procurement rules; those are the rules and so that is all done commercially. Then there is the subsidised roll-out, and one subsidised roll-out contract was signed with groups of Scottish local authorities back in 2011-12.

Q518 **Chair:** This is DSSB you are talking about?

Matt Hancock: That has been rolling out and it is from that that the gain share comes back into those contracts. I want to just be clear about that. I don't think I was clear enough earlier. The clawback comes back into those contracts. Then there is the roll-out of the next stage, the phase 2, which, as you said, Mr Wishart, the Scottish Government chose to do in a different way to other local authorities, and you said it was for reasons of efficiency and I wish that were true.

The problem is, because they chose a different route of procurement, and because I think that they did not spend enough time on it—but we will leave that—that procurement has taken years to get going. I hope that now they have announced they are going to do it—they think they have got another eight or nine months to run—we can land that procurement, we can get the diggers in the ground for the final stage of the R100, and then we can get on to ultrafast as well.

Q519 **Chair:** We will get to the R100 but I want to clarify this. We are now at 93% of superfast access?

Matt Hancock: I think 93.66%.

Q520 **Chair:** Agreed. That is excellent; and that has been done in spite of the Scottish Government—is that what you are saying?

Matt Hancock: That has been done through commercial and through the first phase, which was done with groups of Scottish local authorities.

Q521 **Chair:** Could you tell me what the DSSB proportion was paid from each



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of the respective partners in that? Do you know what the figures are?

Matt Hancock: I will have to get back to you with the exact breakdown.

Q522 **Chair:** Would you recognise them as being: £170 million from the Scottish Government, £170 million from the UK Government and £104 million from British Telecom?

Matt Hancock: I will happily write to you with our understanding of the breakdown, but I would not say that those figures are miles away from the figures in my head.

Chair: Thank you for clarifying the situation. I think we understand your position about this and your frustrations, which we have heard at length this morning.

Q523 **John Lamont:** I entirely agree with your analysis of the failures of how the Scottish Government have delivered broadband in Scotland, particularly in my constituency. When Fergus Ewing appeared before this Committee a few weeks ago, he described the Scottish Government's progress on broadband as "remarkable", and that is despite the fact that in the Scottish Borders, in my own area, 11,000 properties do not currently get access to fibre broadband. I just wondered whether you agreed with the Cabinet Secretary from the Scottish Government that the Scottish Government's performance has been remarkable.

Matt Hancock: It has been a remarkable performance in the sense that, of the dozens of other local authorities and devolved Administrations that we deal with, none has proceeded as slowly as this.

Q524 **John Lamont:** I was very pleased with your announcement about the involvement of local council areas in the delivery of the next phase. Do you think that by involving the councils, rural areas like my own will be better catered for, because currently the focus appears to be on the low-hanging fruit in terms of achieving the broadband delivery?

Matt Hancock: I hope that with the active involvement of local authorities and the direct procurement to them, we will be in good shape to be able to make sure we can deliver for local people. I also hope that we can follow the procurement processes that have worked in the rest of the UK and make sure that we keep on it and keep driving the roll-out, and when the money is allocated, get it spent as quickly as possible.

Q525 **John Lamont:** When you visited the Scottish Borders, you were able to see one of the community broadband projects in Heriot. In many parts of my constituency, these community schemes are delivering broadband for households who would otherwise not be getting it. They were very upset when Fergus Ewing was very dismissive of the work that these community schemes have been able to deliver. I just wondered what the UK Government's approach was to ensure that these community broadband schemes are properly incorporated into the next phase of the roll-out.



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Matt Hancock: This is a really important point in terms of getting broadband into some of the hardest-to-reach areas. Community schemes are often some of the most important for doing that. Particularly where there are difficult topographies, as we were discussing earlier, sometimes you need a highly localised solution, such as using point-to-point wi-fi rather than the existing copper network.

I was impressed with the community schemes that I saw near Roxburgh, and I think that it is very important that the continued roll-out uses the enthusiasm of communities and the capabilities of local communities to help to deliver. I hope that we can get more community schemes going. By their nature, they tend to connect more disparate areas, but not always, and I think the more we can push on having community schemes as part of the roll-out, the better.

Q526 **John Lamont:** Good. Do you think the SNP Scottish Government are so sensitive about this because they recognise how they have let many rural communities down in terms of broadband delivery in Scotland?

Matt Hancock: I undoubtedly think that it is true that more people could have more connections if they had got on with it, as I mentioned. But, as I also said to the Chair, what I am focused on—and what we should all be focused on—is making sure that we get as many connections out there as possible, and that is why we have taken the approach we have for the future.

Q527 **Christine Jardine:** Do you share my frustration that this is becoming an argument about whether the UK Government or the Scottish Government is in the right position, rather than how we can best facilitate the roll-out of broadband and actually get it to people rather than fighting about who is better at broadband?

Matt Hancock: I have been very, very clear throughout this process that, while of course we have our frustrations with the Scottish Government's handling of this, the work together at a technical level must continue. My officials have worked with the Scottish Government to try to speed this along, and we remain open to doing that as much as possible. In a way I would love to get to the position where we can put the debate behind us. After all, there is a Labour Government in Wales and we don't have any of these problems and I am not hauled before the Welsh Select Committee. I hope that we can get to a position where what everybody is focused on is how to get as much broadband as possible rolled out across as much of Scotland as possible. I am an optimist in life, so I hope that we can get there.

Q528 **Christine Jardine:** A number of witnesses, including Which? and the Scottish Government, have suggested that 10 megabits download speed is not high enough to meet Scotland's broadband needs.

Matt Hancock: We had a big debate on this during the passage of the Digital Economy Bill, in which the universal service obligation has been enacted. Our judgment was that we need to get decent broadband out to



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everybody as soon as possible, and that is why we chose to go with the 10 megabits per second figure, because that is the Ofcom assessment of what the average household needs. On 10 megabits per second you can stream video, you can easily do emails, and it is the assessment.

However, we did put into that legislation that there will be a regular review to see whether that 10 megabits per second goes up. Now the Scottish Government has taken a different approach and chosen to go for 30 megabits per second. I wish them luck in meeting their commitment to have 30 megabits per second roll-out to every household by 2021. That is their commitment and we will look forward to seeing whether they meet that or not.

Q529 Christine Jardine: Do you think there is a risk that the 10 megabits will end up being delivered using technology, such as satellite, that is not future-proofed?

Matt Hancock: There are two answers to that question, one technical and one big-picture. The technical one is that the commitment is also to ensure that there are decent upload speeds and decent latency, which means the speed at which the signal can ping back, to ensure that the service is not just the bare minimum but is decent.

The big-picture one is we will use whatever technology is available to get everybody a decent broadband connection, but it is very clear that some technologies are better than others. This is why I am such a huge fan of full fibre as the technology, because that expands the potential bandwidth available. People's data usage is increasing at about 50% a year. It is doubling every two years, more or less, so it is very, very clear to me that we need the future-proof technology and, ultimately, that means full fibre. Only 3.6% of the UK has full fibre coverage. I think that figure is far, far too low and we have a big drive on to try to increase that.

Q530 Christine Jardine: We have had quite a political argument here today about the positions of the Scottish Government and the UK Government. Without wishing to get involved in that, would you consider that perhaps it might be better if the argument about broadband in Scotland moved on from that, and that perhaps the public seeing us—as you point out yourself, if they are able to see us today—would much rather we focused on how to do that rather than a blame game going back and forward?

Matt Hancock: Yes, I would be delighted if we could move to that position where everybody could work together at all levels. As I say, even while I have been in receipt of punchy letters from the Scottish Cabinet Secretary, who I have travelled to Edinburgh to meet, I have a good interpersonal relationship with him, and I hope he would say the same. I have always insisted that our officials continue to work together and, to give him his credit, he has always insisted that our officials continue to work together. My frustration has been this delay.



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Chair: I do not know that that has improved relationships, but anyway.

Q531 **Ged Killen:** Although you have said that you have insisted, Minister, that this relationship goes on between officials, how would you suggest that the relationship between the Scottish Government and the UK Government in this area could be improved? I have to say, if anyone is watching this they must have found the last hour extremely tedious, especially for those of us that are not in either of the two parties of government for Scotland. I have certainly found it tedious. What I am looking to hear is a commitment as to how the two Governments can deliver what we are looking for for the people of Scotland. How would you suggest that the relationship is improved, because it does not seem that that is the case right now?

Matt Hancock: Now that the current procurement has finally got going, we have sent technical teams to help, to help ensure we get value for money, and a commercial team to talk to the Scottish Government and the bidders, given that we have got experience of dealing with many, many different sets of commercial contracts. So there is official engagement going on. I think the best thing to put a line under this would be if the Scottish Government accept that there has been a delay, maybe explain why there has been a delay and then we can all move forward.

Chair: All right. I think “sigh” is a response to that when it comes to trying to reset the relationship, but anyway, we will take it as it is.

Q532 **Deidre Brock:** I want to go back to the USO and the Scottish Government’s R100 programme and ask how you see those working together. Where do they meet?

Matt Hancock: Yes. This is a challenge that we have right across the UK and is important to get right. There are subsidised roll-out programmes going on right across the UK and, at the same time, come 2020, everybody will have a legal right to demand 10 megabits per second broadband. Clearly, the further the commercial roll-out and the subsidised roll-out get before 2020, the fewer the number of people who will have under-10 megabits per second broadband and be able to call down the USO. That makes the USO cheaper to deliver and the crucial thing is because the USO is on demand the interaction should be fairly straightforward, which is that if you don’t have 10 megabits per second, and there isn’t a concrete proposal in place to get you that within a relatively short space of time, then you will be able to demand that you get that connection. The interaction is important but I think is provided for in the design of the USO.

You were asking before: why is the USO designed as on-demand rather than as a roll-out? Part of the reason is because there is already a lot of roll-out going on. The USO in a way comes from outside in because it says if you don’t have it then you can demand it, and either the roll-out will get to you or you can require 10 megabits per second.



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Q533 Deidre Brock: Is the UK Government waiting, then, until the roll-out of the R100 programme continues, basically because then you would not have to provide that USO to those people who have already been covered by the Government, and therefore, should you not be thinking about putting a bit of extra money into that R100 programme to acknowledge that?

Matt Hancock: No, because—as I was trying to explain earlier, perhaps not as clearly as I should have done—there is also the gain share from the existing contracts, as well as the R100 money, of which there is some UK Government funding, and so there is a subsidised roll-out and then the question is: what do you do for people who are not reached by the subsidised roll-out by 2020? The answer is: they will have a legal right to draw down broadband.

Deidre Brock: Okay. It is still not very clear, but anyway.

Matt Hancock: I apologise if I am not explaining this very clearly. If I am one of your constituents who has low broadband speeds, say, 5 megabits per second at the moment, then right now if you are a business you could get a business voucher and if you are not a business then you can get a voucher for a full fibre connection, but those have cash limits on them and you might be further away from the fibre than could be paid for with that voucher. Therefore, if the voucher does not work now, either the R100 programme in Scotland or another broadband roll-out programme from BDUK across the country will reach you, or if it hasn't reached you by 2020, and there is no plan in place to get to you, then you will be able to call on the USO to ensure that you get that connection. It means that we can say, with confidence, that if you don't have broadband then you will have a legal right to demand it, one way or the other, by 2020—up to a cost threshold, as there is with landlines.

Q534 Deidre Brock: Of course, the Scottish Government are committed to providing that full 100% superfast broadband coverage. Could I just ask you—

Matt Hancock: Yes, by 2021. I hope that, so long as they get the procurement sorted, so long as they are on track, that roll-out will have reached a lot of the areas by the end of 2020 but not necessarily everywhere, and who knows whether they are going to hit that target.

Deidre Brock: Then you will—okay.

Matt Hancock: The other thing I can commit to you, which might help, is that Ofcom, which is designing the precise rules of the universal service obligation, will meet Scottish Government officials to discuss the R100 roll-out and to make sure there is an interaction. I understand that those meetings have already started, but I will double check that they have, and if they haven't I will ensure that they do.

Q535 Deidre Brock: Just one very quick question on the local authority issue, because this was brought up by Ofcom in the previous session. It said



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that there was a bit of an issue around a local authority-led approach to procurement in these areas because, as it said, there is scope for cherry-picking as bidders do not necessarily bid for the most challenging local authority areas, and also may approach it with a lower-quality tech solution, so for example satellite, which is considered to be more expensive, or wireless, which I believe has to be renewed within about three years' time, and so on. What are your thoughts on that?

Matt Hancock: The roll-out going direct to local authorities is for the next round of full fibre connections, where for the voucher it has to be ultrafast or for the local full fibre network programme it has to be full fibre all the way to the premise. I hope that that is less of a concern on the technological side because it is designed precisely only to be the very best technological solutions. It is funded specifically for the ultrafast future-proof technology.

Q536 **Deidre Brock:** You do not have any concerns that there might be that cherry-picking going on?

Matt Hancock: If Ofcom has said it then we should always take it very seriously, because it is expert in this. The scheme that is being delivered directly to local authorities by its design should not have those problems, but we should always be vigilant.

Q537 **Ross Thomson:** In relation to some of the comments that have been made about language, I would gently point out that I have sat in the Scottish Parliament and have raised questions of Ministers, and had the words "Westminster" and "Tory" spat back at me, so I think that everyone should be reflecting on the language that is used. In that vein, I would say that I wrote on behalf of a constituent to Fergus Ewing just recently, because my constituent had been advised by Digital Scotland that his address was too far from the nearest upgraded cabinet to receive any high-speed internet. In the letter I received from the Cabinet Secretary, I got the usual grievance, I am afraid, and I quote the letter. It says, "I must again point out that despite responsibility for investing in and supporting broadband infrastructure being reserved to Westminster, the UK Government's contribution to the substantial investment is a mere £20.99 million, just 3.5% of the £600 million total investment. I am encouraging my colleagues at Westminster to make a more substantial contribution". I would ask the Secretary of State, how would you respond to that letter to enable me to get back to my constituent, and can you confirm that the £21 million was actually intended for phase 2?

Matt Hancock: Yes, indeed, I can confirm, first, that the Digital Scotland Superfast Broadband has been allocated £121.8 million, and that this is more than twice as much per head as in the rest of the UK. I would also like to clear up this point about jurisdiction, which is where we started because, when I talk about broadband in Scotland, on Twitter I frequently have anonymous bots, or anonymous accounts anyway, attacking me saying, "But it is a reserved matter." The point is, telecommunications is reserved. It is not in the constitutional settlement for it to be a Scottish



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Government matter. We chose to allocate the money through the Scottish Government, rather than through local authorities, and that choice has led to the issues that we talked about at the start, so it is a frustration. That is why, because it is a reserved matter, we can do it differently in the future so that, hopefully, we can deliver better for the people of Scotland.

Q538 Ross Thomson: Absolutely. Further, would you be able to confirm, Secretary of State, that the Scottish Government did not secure 95% superfast coverage by the end of 2017, still have not done that and you share the concerns of my constituents, just like the case that I raised, that this is an ongoing frustration that should be resolved as soon as possible?

Matt Hancock: Yes, I can confirm that Scotland does not, as of today, have 95% superfast coverage. It has 93.66% according to thinkbroadband, which are the independent statistics that we go by.

Q539 Ross Thomson: Can you confirm, Secretary of State, that the USO will be UK-wide? I ask this because Fergus Ewing, the Cabinet Secretary in the Scottish Government, is claiming that the UK Government are under-investing in reaching the final 5% on the basis of R100? Isn't it true that it is for the Scottish Government to fund that programme, while the UK Government works to achieve 100% coverage through the USO?

Matt Hancock: Yes, our goal is universal coverage. Hence, we have the universal service obligation that, as passed by this Parliament, covers the whole of the UK up to a cost threshold of £3,400. That is the same cost threshold as for getting a landline, which is why we put it there, which means that we estimate 99.8% of the UK will be covered by the USO. Of course, for those beyond that threshold there is the option of paying excess costs. I am glad that somebody has a connection in this room. Above that there is the option of paying the excess costs to get a subscription or to use a satellite broadband provider that we talked about. This is for the 0.2% who are above the cost threshold. The overall point is we care very much about making sure everybody across the UK can get a decent connection.

Ross Thomson: Thank you very much, Secretary of State.

Q540 Chair: I know Mr Sheppard wants to come in, but just on the USO, we listened to Ofcom—and I was listening very carefully to some of the points that it raised about the USO—and it was asked why was an on-demand scheme preferred over a roll-out scheme, which is the design that is going to be met by the Scottish Government. It did not give an answer other than to say this was a decision that was taken by Government. Could you possibly answer why did you not do what the Scottish Government are doing, which is to guarantee that everybody will get it other than to leave it to on-demand?

Matt Hancock: Yes.



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Chair: Just before you answer that, what Ofcom said—and I wrote this down very carefully—was, “The on-demand system does create concerns to Ofcom”. It thought this would aggregate demand and there would be issues about the time to deliver, particularly if it was individuals and households in areas that were not connected. There was a question—and it did not quite put it this way but my interpretation was—some people may be kicked into the long grass in order to try to secure and make sure they get this. There are concerns by Ofcom obviously about this. It does not meet the high standard of a roll-out programme. Why did you decide to do that?

Matt Hancock: Ofcom is quite proper in its answer that it is a policy decision and, therefore, it is rightly for the Government rather than for the regulator. As regulator, Ofcom is designing the technical rules to ensure its implementation. We went for an on-demand system to make sure the money is spent as effectively as possible, so it is the people who want the broadband connectivity that get it. You and I might be surprised by the fact that take-up of superfast broadband, even for those who have it available to them, is in the 30% to 40% range, not the 93% that is now available in Scotland, or 95% across the rest of the UK. Therefore, in order to ensure that the money is targeted at those who want it, it is an on-demand system.

But I would caution on this distinction that both Ms Brock and you, Chair, have brought up between the R100 programme and the USO, because the Cabinet Secretary referred to the R100 as a roll-out programme but his officials said, “There will be a demand-led element of the R100 programme through vouchers”, so both the Scottish Government and we use a part roll-out and part on-demand system. That is true both in R100 and in the way that we are planning to roll-out with the combination of BDUK subsidised roll-out and also USO.

Q541 **Chair:** We will check the evidence we have from the Cabinet Secretary, but the commitment is 100% each, reaching 100%. It is like the adverts say, “It is on the tin”, that is—

Matt Hancock: I know that is the commitment. I hope that they can reach it by their targeted date. The key point is you are drawing a distinction between the Scottish Government approach of roll-out versus the UK Government USO approach of on-demand. Both the Scottish Government and we, in the spirit of seeing likeness where there is likeness, both approaches are a roll-out programme combined with an on-demand system because we think the combination of the two is the best value for money way of getting—

Q542 **Chair:** That is why you have opted for that instead of for the roll-out programme. Thank you for those points.

Matt Hancock: You might ask the Cabinet Secretary why they have opted for a demand-led element of the R100. I imagine the answer is quite similar.



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Q543 **Tommy Sheppard:** Sorry, at the risk of possibly going round in circles, I want to ask you a supplementary relating to your answer to Mr Thomson's first question on the figures that you are currently committing for future investment. I appreciate the sum that you have said, but would you accept that that is a small proportion of the overall amount that is now being invested in broadband in Scotland, and that the Scottish Government, which is a good deal smaller than the UK Government, are actually putting in the larger part of that investment? If you were to at least acknowledge that, rather than continually chastise the Scottish Government, it would seem to me that might augur well for resetting the relationship and having a partnership in the future.

Matt Hancock: What I would say is that the UK Government have made a contribution. The Scottish Government have a contribution and, through the USO, we are requiring the infrastructure providers to help deliver broadband to everybody.

Q544 **Chair:** I think that is going to be the best we are going to get of you acknowledging the role that the Scottish Government have done in terms of financing some of this. Is that the best we are going to get out of you?

Matt Hancock: What I would love to do is get an—no, I am not going to go there.

Q545 **Chair:** £587 million-worth of Scottish Government funding, and you are not even prepared to acknowledge that they have made a contribution in an area that you have said yourself is the responsibility of the UK Government.

Matt Hancock: No, no, it is worth looking back over the transcript. I support all money that goes into broadband connectivity because I am the Digital Secretary for the UK. I care about this connectivity. I think it is a good thing.

Q546 **Chair:** Okay. All you have done is to criticise the Scottish Government, though.

Matt Hancock: Not all; no, not all. Not all but my frustration spillesh over.

Chair: Thank you for that once again.

Q547 **David Duguid:** Thank you, Secretary of State, for joining us today. I want to go right back to the start of the parliamentary session when the Committee started up. I think it was I and Mr Lamont who first raised the idea of digital broadband being the subject of inquiry. It is probably no accident that Mr Lamont and I in the Committee probably have the most rural constituencies, notwithstanding the Chair, of course. Why I personally wanted us to look into this inquiry was—as you have said a number of times today, Secretary of State—to get past whose fault this was, who blames who for what, and actually get on with solving the problem for all of our constituents. To that end, the Scottish Government have proposed setting up a USO working group to ensure alignment



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between both Governments. Would you welcome this, first of all, and how would you like that to work in a collaborative way to approaching delivering broadband in particular to the final 5%?

Matt Hancock: As I have said, I have insisted throughout this process that the engagement at official level continues. I think that we should have as much engagement as possible on this. I myself have travelled up to Edinburgh to try to ensure that we can work together as closely as possible. I try to brush off the occasional brickbats I receive from the Cabinet Secretary, indeed from the First Minister, and my attitude is just to concentrate on the people in your constituency and across Scotland who deserve better.

Q548 **Hugh Gaffney:** The UK Government have increased funding a Bill for full fibre technology, which you accept. Is full fibre the main priority or should the funding be used to support coverage to all of the final 5%?

Matt Hancock: This is a really important question. I think you have to do both. Making sure that we can get the coverage to the final 5% across the UK—including in Scotland—is incredibly important, but at the same time we have to get started on the next generation of technology.

The UK as a whole has one of the best systems of superfast broadband roll-out, but we are miles behind our competitors on the full fibre roll-out. It has gone from 2% last year to 3%, now 3.5% of premises, but we need to be far, far further ahead than that, so we have to do the two at the same time. I hope—in fact I strongly predict—that a large proportion of full fibre roll-out will be done commercially. In fact last week we had an investment conference, people looking right across the UK to roll out full fibre technology. I think it is coming. We are trying to reduce the cost of the roll-out. In fact, one of the areas that we need to work with the Scottish Government more on is making sure that the costs of the roll-out are reduced so that streetworks and wayleaves are sorted out, so that the actual roll-out can go quicker. But I am firmly of the belief that you have to do both at the same.

Q549 **Hugh Gaffney:** On that basis then, full fibre investment will largely benefit urban areas in Scotland but to improve it, as you are talking about, then can we target investment in remote rural areas? Could you widen the scope of the funding to include wireless technology and more innovative sources like the TV white space, which would penetrate through the trees, hills and buildings? It is something you mentioned earlier in your comments about more mountains in Scotland. This would help improve the process.

Matthew Hancock: Yes. We have to be careful to separate out the two, but I do think we need to do both. The full fibre roll-out programme is aimed at ultrafast connections, the future-proof connections that we were talking about earlier. At the same time, using the mobile spectrum better, whether that is TV white space or the existing spectrum allocations that are either auctioned or about to be auctioned, is important. For instance,



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we have two of the first phase of the 5G testbeds and trials programme. This is about getting 5G technology into Scotland. The Orkneys and Inverness-shire have won some of the very early funding to get 5G roll-out into some of the most rural parts of the country, so I am with you in spirit and we have delivered these through two separate programmes instead of all within one programme.

Q550 **Chair:** Just on mobile telephony, obviously there are big efforts—

Matthew Hancock: Increasingly, they are the same thing.

Chair: Yes, and we are noticing efforts once again to try to ensure that some of the bigger areas—we were disappointed when we heard, although we believe it has improved, that only 19% of the geography of Scotland was covered by 4G network, but we believe that is now up to 24%. We understand and appreciate the efforts that have been made by both Governments to ensure that investment is going to be going in so this can be improved.

Matthew Hancock: I am grateful for you talking for quite a long time because that allowed me to find my figures.

Chair: Good. I was trying to help you.

Matthew Hancock: The Ofcom “Connected Nations 2017” report shows that voice coverage of premises is 99% in Scotland, as it is in the UK. For 4G, 58% of premises across the UK can get 4G from all four mobile providers. That is 53% in Scotland, so it is a little bit lower, but not that much lower. The geographic coverage is 17% for all four MNOs, mobile network operators, and 43% across the UK. That is entirely due to topography and the huge swathes of Scotland with very, very few premises. The policy goal in terms of mobile coverage is to get good quality mobile coverage where people live and work and travel. That is an ongoing task across the whole country.

Q551 **Chair:** I do not know if you are able to tell us the type of investment that is going in from the UK Government in order to try to meet these targets.

Matthew Hancock: Yes. We do this by requiring, as a condition of licence for a mobile provider, that they have geographic coverage requirements. We had a requirement to cover 90% of the UK by the end of last year. That is now at 91% and we are in the middle of the policy design for what the requirements on the next licence auction should be.

Q552 **Chair:** Again, this is the responsibility of the UK Government but you will be aware of the Scottish Government’s 4G infill programme. I am just wondering, given we all voiced criticisms and frustration, is this perhaps the wrong type of investment too?

Matthew Hancock: I do not know of any problems with the procurement of the Scottish Government’s programme.

Q553 **Chair:** So you maybe welcome this unconditionally?



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Matthew Hancock: Yes. What I would say is that I certainly welcome investment in this area. What I would say is that with the emergency service network, which has been funded by the UK Government in order to get roll-out into remote areas so that everybody can get an emergency call, 300 of the extra 500 masts under that programme have been in Scotland. We have been focusing on making sure we get as much extra connectivity in Scotland as is needed to ensure everybody can get a mobile call to an emergency services network. Then there is a policy question of how we can make sure, once that emergency services network is built, more and more people can use it. There is a huge impact of the UK Government commitment to get coverage out to the whole country.

Q554 **David Duguid:** Just one question. The Committee has heard a lot of evidence from internet and mobile service providers about the various barriers they face in deploying infrastructure. How is the Barrier Busting Taskforce working with the Scottish Government to eliminate these?

Matthew Hancock: Yes, it is very important this work happens. This is what I was talking about, the wayleaves and the street works. That is about making sure the Barrier Busting Taskforce deals with it. It needs to deal with local authorities in England, the Welsh Government and the Scottish Government. It is very important that that happens. I can write to you with an update of how the Barrier Busting Taskforce is engaging with both local authorities and the Scottish Government.

David Duguid: That would be good. To the Committee, you mean, yes.

Matthew Hancock: I will write to everybody, if you like.

Q555 **Chair:** We are grateful. I have to say, this is one of the most extraordinary sessions we have ever had in the Scottish Affairs Committee. I will give you your concluding remarks, Minister. We will end with this. Not to acknowledge the fact we are now, as you said, 93.6% of superfast coverage in Scotland—we are years behind, apparently, even though we are now just 1.4% behind the rest of the United Kingdom, even though we have the most challenging topography, not just in the UK but probably in Europe, as has been said by thinkbroadband. We have managed to achieve this, but yet it has not been recognised: £800 million-worth of investment from the Scottish Government in an area that is not their responsibility, it goes practically unrecognised and is not even being welcomed.

Matthew Hancock: We finish as we started, Mr Chairman. I welcome all funding for support for broadband roll-out. My frustration is that tens of thousands of people across Scotland could have had better broadband for several years if the Scottish Government had got on with it. That is what I am focused on making happen.

Chair: Thank you very much, Secretary of State, in your first ever—and hopefully not your only—visit to the Scottish Affairs Committee. You have certainly interested the Committee with your evidence today anyway, so



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thank you very much.