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Dear Maureen

Thank you for your letter of 23 March 2012 kindly enclosing an advance copy of the ICI Committee's report on Broadband Infrastructure in Scotland, and advising me that the report would be published on 26 March. I strongly welcome the publication of the ICI Committee's report on Broadband Infrastructure in Scotland, which I regard as an important contribution to the ongoing work across Scotland to ensure that our country has the digital infrastructure fit for the digital age. The Scottish Government's detailed response to each of the Committee's key findings and recommendations is annexed to this letter.

I should also like to say up front that I was pleased to note that your report rightly recognises the substantial Scottish public sector investment, totalling over £250 million, to ensure the whole of Scotland has access to improved digital connectivity. I am also pleased that the report recognises the importance of *Scotland's Digital Future - Infrastructure Action Plan*, which sets out our targets. I believe aiming for world class digital connectivity by 2020, with substantial improvements in digital access by 2015, is an extremely ambitious but achievable approach that will deliver for the whole of Scotland and in particular our remote and rural areas.

I hope that the ICI Committee will find the Scottish Government's formal response to its report on Broadband Infrastructure in Scotland both helpful and reassuring. I welcome the Committee's intention to continue to take a close interest in monitoring the implementation and delivery of the Scottish Government's Digital Infrastructure Action Plan. And as I indicated to the Committee when I gave evidence to its Broadband Inquiry on 22 February, I shall be happy to provide the ICI Committee, and the Parliament more widely, with regular updates over the course of the Parliamentary session.



ALEX NEIL

Scottish Government Response to ICI Committee's Recommendations

ANNEX A.

ICI Committee's report on Broadband Infrastructure in Scotland - Recommendations	Scottish Government Response
Scottish Government's Strategy (paragraphs 10-19)	
16. The Committee welcomes the Scottish Government's commitment to delivering a step change in people's ability to access the internet. It considers the Action Plan to be an important part of the drive to meet that objective.	The Scottish Government welcomes the Committee's endorsement of our commitment to delivering a step change by 2015 and achieving world-class by 2020.
17. The Committee also welcomes the Government's planned public investment to support the implementation and delivery of the Action Plan. The Committee considers that this public investment should be used strategically, with the aim of maximising private investment potential, and should only be used to develop infrastructure where there is no potential for the market to act.	Agree – this is the approach outlined in our <i>Infrastructure Action Plan</i> .
18. It is not clear to the Committee, however, how and with what level of public investment the Scottish Government intends to underpin activity in the 'grey areas' where the market may yet decide to act. It is also concerned that, if this approach is unsuccessful in certain areas, there is a risk that they might be bypassed by both private sector investment and the Scottish Government's supported infrastructure. The Committee therefore requests further explanation of how this particular aspect of the Action Plan will operate in practice, including details of what action will be taken should private sector investment fail to materialise in respect of any 'grey areas'.	The Scottish Government acknowledges that this is a risk. However, the Scottish Government is clear that its <i>Infrastructure Action Plan's</i> targets are for <u>all</u> of Scotland, and that the current Highlands and Islands and forthcoming Rest of Scotland procurements will achieve these targets. However, the exact extent of roll-out into "grey areas" will not be known until the procurements themselves are complete. The procurements are being designed to achieve the Scottish Government's targets and ensuring our targets are met is a key Scottish Government objective. Our forthcoming public state aid consultation will confirm the EU 'white areas' that will receive public sector investment.
19. The Committee also urges the Scottish Government to continue to press BDUK for confirmation of whether additional UK Government funding will be made available to support digital infrastructure development in Scotland. The Committee also seeks further information on the extent to which further funding options may arise through the EU's Digital Agenda for Europe and requests details of what action the Scottish Government is taking to assess these opportunities.	<p>Agree – the Scottish Government has been in active discussion with the UK Government on this specific issue for some time. The Cabinet Secretary for Infrastructure and Capital Investment met with Jeremy Hunt, Secretary of State for Culture, Olympics, Media and Sport, on 17 April and explained why its initial funding allocation (of £68.8 million) to Scotland does not fully reflect Scotland's unique challenges. Further analysis and discussion with the UK Government is now taking place to produce an agreed evidence base.</p> <p>With particular regard to Programme 2 of our <i>Infrastructure Action Plan</i>, the Scottish Government is exploring alternative financing models, such as revenue financing and profit sharing. The Scottish Government is also exploring other potential funding sources, including local authorities, the European Commission's Connecting Europe Facility and other EU funding through future programmes.</p>

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	Notwithstanding, the Scottish Government is clear that the majority of next generation broadband roll-out should be market-led, and that public funding will collectively leverage a significant amount of private sector investment.
Scottish Government targets (paragraphs 20-36)	
31. The Committee is particularly concerned that many rural areas in Scotland will continue to experience poorer access to broadband relative to more urban areas, making those rural parts of Scotland less attractive for businesses to operate from.	The Scottish Government shares the Committee's concern on this important issue and that is why our <i>Infrastructure Action Plan</i> is clear that the 10-15% least likely to benefit from further developing the core or backbone national infrastructure will receive early connectivity improvements. This is also why the Scottish Government has committed to put in place a seed fund to facilitate the delivery of innovative local solutions. The seed fund will be designed with the needs of rural communities and citizens at its forefront.
32. Broadband connectivity has become a necessity in both social and economic terms to the vast majority of individuals, households and businesses and current trends suggest that demands for improvements can only become more prevalent. The Committee therefore questions whether the targets set by the Scottish Government in the Action Plan provide sufficient clarity and ambition. It notes that other European countries, many of which share similar challenges to Scotland in terms of rurality and topography, have set out very clearly the high standards they aim to achieve.	<p>By specifying a target speed of 40-80 Mbps for 2015, the Scottish Government will ensure that the core or backbone infrastructure will utilise technologies, such as fibre, that will be future proofed for decades to come and provide the platform for achieving our world class ambition.</p> <p>This target provides a clear signal of the step change the Scottish Government believes is required. The critical issue is to ensure that the infrastructure invested in is capable of significant growth in demand and as well as significant increases in speed.</p> <p>The Scottish Government's ambition is to deliver world-class digital access through a future-proofed approach that will enable Scotland to keep pace with and surpass international benchmarks. The Scottish Government's level of ambition surpasses that set by both the UK Government and the EU, and provides a clear vision of the digital infrastructure it believes will best serve Scotland's future digital needs.</p>
33. Whilst the Committee accepts that, given the speed at which digital technology is developing, it is difficult at this stage to predict with certainty what types of technology will be available and what broadband speeds will be possible across Scotland, it recommends further refining of the 2020 target.	The Scottish Government fully recognises that what constitutes "world-class" today is unlikely to be "world-class" in 2020. We will ensure that investments made in infrastructure in Programme 1 will be future-proofed – i.e. capable of being upgraded to meet the demands of the future.
34. The Committee welcomes the Scottish Government's commitment to bring forward, before the end of 2012, a full plan outlining the delivery of "world-class" digital infrastructure by 2020. This clearly represents an opportunity for the Scottish Government to provide additional clarity about its target for 2020. Greater clarity would not only benefit the digital infrastructure industry, but would also offer communities and businesses across Scotland greater knowledge about the level of broadband service that they could	Agree – the Scottish Government is developing a full plan outlining the options for delivering its world-class ambition by the end of 2012. This will provide the clarity sought.

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anticipate being available in their areas in the future.	
35. In drawing up the full plan, the Committee recommends that the 2020 target could usefully be enhanced to include the aspirational objective to deliver a world-class digital infrastructure throughout Scotland (i.e. to 100% of the population), recognising of course that a mix of technologies will be required to achieve this.	The Committee's recommendation is noted. The Scottish Government is clear that its world-class targets apply to all parts of Scotland. More precise definition of our world-class targets will be articulated by the end of 2012.
36. The Committee is also concerned that the Scottish Government's proposed timetable for awarding the procurement contract (i.e. within the first half of 2013) may not allow sufficient time in which to carry out the infrastructure development necessary to meet the 2015 target. The Committee would be concerned – for social and economic reasons – if the initial 2015 target is not met, and it will monitor this activity closely.	<p>The Scottish Government believes that its procurement and delivery timescales for the 2015 target are achievable, and is on track to enter procurement in September 2012, and award the contract in the first half of 2013.</p> <p>The Procurement Plan will include a greater level of detail on the proposed timeline. This will be published following the recent local government elections, at the specific request of COSLA.</p>
Aggregation <i>versus</i> localism (paragraphs 37-54)	
49. The challenge for the Scottish Government will be to ensure that the correct balance is achieved so that there is sufficient cohesion across the strategy, but that there is also enough flexibility to ensure local communities get the service that is right for them.	<p>Agree – the Scottish Government's current and ongoing engagement with local authorities and COSLA will ensure local priorities and local needs are fully recognised within the Procurement Plan.</p> <p>Programme 3 of the <i>Infrastructure Action Plan</i> is clear that the 10-15% least likely to benefit from further developing the core or backbone national infrastructure will receive early connectivity improvements. This will be delivered through a seed fund, details of which will be set out shortly. To ensure that this fund is designed with the needs of rural communities and citizens at its forefront, we will seek to take advantage of the expertise of COSLA, local authorities and other relevant rural stakeholders as we take forward this commitment.</p> <p>Moving forward, it may be that local authorities are better placed to provide direct support to communities to develop local proposals to meet local needs. The Scottish Government will work with its local government partners to understand specific needs.</p>
50. The Committee acknowledges the proactive work that has been undertaken to develop local broadband plans. Such local initiatives are important and, through their engagement with local people and businesses, have proved successful in developing tailored plans that will meet the specific needs of their communities. Co-ordination from the Scottish Government and COSLA will be crucial in ensuring that the valuable work that has already	Agree - the Scottish Government recognise the excellent – and often significant amount of – work that many local authorities have already undertaken in developing local broadband plans. Some are well advanced in terms of understanding their requirements and that will make it easier for the Scottish Government to proceed to procurement and implementation – tapping into local knowledge and expertise.

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<p>been undertaken by local groups is not lost and the projects can be delivered as intended.</p>	<p>In order to build upon this work – at the same time, driving pace and value for money at a national level – the Scottish Government believes it is critical that a partnership approach with local authorities is pursued. This will ensure that the right balance between both the national objectives and local needs is struck and delivered. It is the Scottish Government's expectation that it can integrate local authorities' existing plans into the national approach.</p> <p>Both COSLA and local government representatives are on the Scottish Government's Programme Board and its Political Oversight Group. The Scottish Government has also seconded local government expertise to its Commercial Delivery Team.</p>
<p>51. The Committee recommends that the Scottish Government, in developing its procurement specification, includes a requirement to undertake programmes of community engagement to identify specific local needs in areas where digital infrastructure improvements are to be undertaken. The Committee welcomes the indication given by the Cabinet Secretary that the procurement exercise will consider how higher levels of community benefit can be obtained from the infrastructure delivered through public investment.</p>	<p>Agree – the Scottish Government fully intends to ensure its Procurement Plan will support community engagement and benefits. It will be a fundamental principle of both the Highlands and Islands Enterprise and the rest of Scotland procurements that the infrastructure delivered will be fully open-access and conducive for use by community broadband projects.</p>
<p>52. The Committee also recommends that the Government and its partners should introduce clear guidelines and establish standards for service delivery to be adopted across Scotland so as to avoid a patchwork of broadband services. The Committee recommends that this action is taken forward urgently in order that progress towards achieving the 2015 target is not jeopardised.</p>	<p>Agree - it is an expectation that the services delivered by the Highlands and Islands and Rest of Scotland procurements will be comparable to services in non-intervention areas.</p> <p>In terms of public sector networks, the Scottish Public Service Network (SPSN) aims to reduce costs and increase interoperability throughout the public sector in Scotland.</p>
<p>53. In addition, the Committee seeks details of how the Government and its partners will ensure that areas where broadband activity is at a less advanced stage will not fall through the net and to give assurances that these areas will receive the support and guidance they need to deliver the necessary digital infrastructure improvements.</p>	<p>Programme 3 of the <i>Infrastructure Action Plan</i> is clear that the 10-15% least likely to benefit from further developing the core or backbone national infrastructure will receive early connectivity improvements. This will be delivered through a seed fund, details of which will be set out shortly.</p>
<p>54. Also, the Committee invites the Scottish Government to respond to the suggestion that a progressive procurement package is required to allow local areas to join the process at different stages, when their circumstances allow it. The Committee is interested in the Government's response to whether such an approach could minimise the knock-on effect of holding up the overall procurement process, where a single area encounters delays.</p>	<p>The Committee's suggestion is noted. The Scottish Government is considering all appropriate routes to procurement in the development of its Procurement Plan. However, the Scottish Government does not anticipate that this will be the approach taken – it is anticipated that its single procurement will lead to a progressive roll-out, but not to a progressive procurement package.</p>

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Types of infrastructure (paragraphs 55-70)	
65. The Committee welcomes the Scottish Government's intention to adopt a mixed-technology approach, incorporating fixed and mobile broadband platforms, and for the network to be open-access. The Committee believes that this approach is best suited to Scotland given its particular topography.	Agree – the Scottish Government recognises that mix of technologies will be required to deliver both the 2015 and 2020 targets. This is why its Procurement Plan will specify a technology-neutral approach with a mix of solutions that will fulfil our targets. It is a fundamental principle of both the Highlands and Islands Enterprise and the rest of Scotland procurements that the infrastructure delivered will be fully open-access.
66. The Committee agrees with the Scottish Government's approach of taking a technology-neutral approach to the procurement strategy, but awaits the announcement of the detailed specifications and funding plans. In particular, the Committee will be interested to review these plans to consider the Government's proposed model of public/private investment.	The Scottish Government's funding plans to deliver the targets set out in the <i>Infrastructure Action Plan</i> will be announced in due course.
67. The Committee also recommends that as part of the outcomes from the procurement exercises under Programme 1 of the Action Plan, a comprehensive delivery plan should be published. This should include – for each area – a timetable for the delivery of infrastructure as well as details of the technology solution to be applied.	A detailed delivery plan is an integral part of the Highlands and Islands and Rest of Scotland procurements. Detailed delivery plans will be finalised when the procurements themselves are complete.
68. The Committee recognises that Scotland has a shortage of 2G and 3G coverage. The Committee hopes that the BDUK's Mobile Infrastructure Project (MIP) will eradicate the substantial number of not-spots in Scotland and that it will also provide a platform for 4G coverage.	Agree – the Scottish Government has made representations to the UK Government for closer engagement in development and governance of the Mobile Infrastructure Project (MIP). The Scottish Government also responded formally to Ofcom's second 4G spectrum auction consultation in these terms on 29 March, making the case for the early and wide delivery of 4G services in Scotland.
69. The Committee believes that it is also important that Scotland fully benefits from the 4G auction. The Committee urges Ofcom to ensure that the winning operator(s) will be required to meet the same challenging coverage targets for the Scottish population as they will for the UK population. The Committee, therefore, provides its full backing to the Scottish Government's position and will notify Ofcom accordingly.	<p>The Scottish Government welcomes the Committee's full support on this issue and has responded formally to Ofcom's second 4G spectrum auction consultation in exactly these terms.</p> <p>The annex to the Scottish Government's formal response to Ofcom's second 4G spectrum auction consultation can be found at - http://stakeholders.ofcom.org.uk/binaries/consultations/award-800mhz/responses/The_Scottish_Government.pdf</p>
70. The Committee is concerned about the suggestion that the MIP and 4G auction are not sufficiently co-ordinated and could result in public subsidy being allocated to areas that could be covered by the 4G auction. The Committee intends to seek details from BDUK about how it intends to allocate the MIP funding and, specifically, whether its map of not-spots takes into account the uplift likely to be achieved by the later 4G auction. The	Agree – a key concern for the Scottish Government is the overall impact of the range of interventions, funding and regulatory, broadband and mobile, on connectivity in rural areas in Scotland. The Scottish Government has expressed its concern to the UK Government that there is not yet a sufficiently coherent overall approach (across not just MIP and 4G but also the rural broadband programme), and that some of the more remote areas of

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Committee urges the Scottish Government to continue to press for greater involvement in the MIP and 4G auction processes in order to ensure that Scotland's interests are taken into account during these discussions.	Scotland might be passed by. We are seeking agreement with the Department for Culture, Media and Sport on the overall impact of these interventions, and an assessment of whether they will really meet the Scottish Government and the UK Government's collective ambitions.
Innovation and new technologies (paragraphs 71-81)	
77. The Committee welcomes the Scottish Government's commitment to encouraging the development of innovative solutions and its aim of involving local communities in this process.	The Scottish Government welcomes this supportive comment.
78. The Scottish Government, together with COSLA and individual local authorities, must ensure that all local communities, not just those that are already active in developing broadband plans, have the chance to benefit from the seed fund.	<p>Agree – planned engagement with local authorities and COSLA will ensure local priorities and local needs are fully recognised within the Procurement Plan.</p> <p>Programme 3 of the <i>Infrastructure Action Plan</i> is clear that the 10-15% least likely to benefit from further developing the core or backbone national infrastructure will receive early connectivity improvements. This will be delivered through a seed fund, details of which will be set out shortly.</p> <p>To ensure that the fund is designed with the needs of rural communities and citizens at its forefront, we will seek to take advantage of the expertise of COSLA and other relevant rural stakeholders as we take forward this commitment.</p> <p>Moving forward, it may be that local authorities are better placed to provide direct support to communities to develop local proposals to meet local needs. We will work with our local government partners to understand specific needs</p>
79. The Committee also considers that the Government's approach to encouraging innovation should more proactively seek to utilise the vast expertise and experience of the industry. For example, this could involve the facilitation of contact between companies and local community groups where relevant and where shared interest are identified.	Agree – this is the approach outlined in the <i>Infrastructure Action Plan</i> . The Scottish Government is already engaging with industry to draw on its experience and expertise and will continue to do so as we develop Programmes 2 and 3. We have also – under Programme 3 – started to engage with a range of stakeholders including industry experts on the delivery of innovative local solutions through the seed fund.
80. The Committee recommends that the Scottish Government and COSLA work with operators and industry professionals to remove any barriers to innovation posed by the regulatory and planning frameworks.	Agree – the SG is supportive of this in principle and will work with relevant bodies to identify and address potential barriers to innovation.
81. The Committee also urges the Scottish Government to work with infrastructure owners and providers to identify any under-utilised infrastructure, such as that identified by ACSEF, which has potential to make	Agree – it is a fundamental component of the Procurement Plan that opportunities for the re-use of existing infrastructure, where appropriate, can be exploited.

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a contribution to the development of Scotland's network.	
Take-up and engagement (paragraphs 82-100)	
96. The Committee welcomes the Scottish Government's plan to work to increase take-up and engagement with digital services in Scotland. This reflects evidence received by the Committee that establishing digital infrastructure was only part of the picture, and that people needed to be encouraged to use broadband. The Committee recognises that increasing broadband take-up will help to make more areas commercially viable, attracting service providers and driving competition, all of which should benefit the consumer.	Research into barriers to participation has been completed and although further research is required, work to identify effective ways of reducing barriers to participation has begun. This is being undertaken in partnership with other public sector bodies and the third and private sectors through the Digital Participation Action Group.
97. The Committee recommends that in taking this forward, effort is targeted at those groups and geographical areas where take-up is particularly low, such as the over-55 age group, SMEs, and parts of Glasgow. Clearly, it would be beneficial for these activities to be co-ordinated so that activity to target, for example, businesses in Glasgow could also include work targeting other demographic groups in the same area at the same time. As mentioned earlier in this report, the Committee recommends that this action is taken forward urgently in order that progress towards achieving the 2015 target is not jeopardised.	<p>Agree - digital participation officials and officials working on infrastructure and business workstreams have been brought together under one Directorate within the Scottish Government to take advantage of economies of scale and deliver the greatest impact for the lowest outlay. We are also liaising with relevant UK projects, bodies such as the Post Office and the Digital Participation sub committee of the British Irish Council and will aim to co ordinate activity with other bodies where it makes sense to do so.</p> <p>The Scottish Government has - in partnership with Highlands and Islands Enterprise and Business Gateway - already launched an ICT business engagement and support programme in the Highlands and Islands targeted at upskilling SMEs in the area. An equivalent programme for the rest of Scotland will launch shortly.</p>
98. The Committee heard evidence about work by the Communications Consumer Panel and the Royal Society of Edinburgh in the field of broadband take-up and recommends that the Scottish Government taps into this expertise and knowledge when it is developing its own work.	Agree – links have already been made with a range of organisations, including the Royal Society of Edinburgh, which have an interest and expertise in this area. We are drawing on these resources on a one to one basis or through their participation in the Digital Participation Action Group.
99. The Committee recognises the key role that local community groups will have in leading awareness-raising and driving take-up in their areas. Such local action and buy-in will be crucial. The Committee recommends that the Scottish Government, COSLA and local authorities incorporate this objective in the other work that they will be doing in relation to the development of local broadband plans and encouraging innovation.	Agree – through the Digital Participation Action Group we are working with projects such as Digital Fife to develop and communicate best practice and to facilitate knowledge exchange. Reports, relevant committee meetings, requests for information etc. are being communicated via a range of fora including the local government on line knowledge hub which can be accessed by all local authorities and other relevant private and third sector bodies.
100. The Committee adds its support to the Government's Digital Participation Charter, which seems to be an effective method for driving take-	The Digital Participation Charter is being taken forward by the Digital Participation Action Group which was formed in November 2011 following the

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up. The Committee urges the Government to continue to maintain a strong leadership role in this process, which the clear governance structure outlined in the Action Plan should support.	Gov Camp facilitated by Microsoft. The Action Group now has 42 members ranging from individual charities such as Children First to Microsoft, Cisco and BT. The Scottish Government is working closely with the Action Group.
Conclusion (paragraphs 101-103)	
101. As discussed earlier in this report, the Committee welcomes the Scottish Government's commitment to delivering a step change in people's ability to access the internet. The Action Plan is an important part of the drive to meet that objective.	The Scottish Government welcomes this statement.
102. It will be crucial [...] that the Scottish Government, in collaboration with its local authority partners, gets the implementation and delivery of the Action Plan right.	The Scottish Government welcomes this statement.
103. The implementation and delivery of the proposals outlined in the Action Plan will require careful evaluation as the procurement phase and project development begins. The Committee intends to take a keen interest in monitoring these processes and welcomes the Cabinet Secretary for Infrastructure and Capital Investment's offer of providing regular written and oral updates over the course of the Parliamentary session	<p>Agree – the Scottish Government welcomes the Committee's ongoing interest in its work on digital infrastructure and its intention to continue to take a close interest in monitoring the implementation and delivery of the Scottish Government's <i>Digital Infrastructure Action Plan</i>.</p> <p>The Scottish Government is keen to keep the Committee - and, via the Committee, the entire Parliament - informed of progress.</p>