



Consumer Focus Scotland's evidence to the Infrastructure and Capital Investment Committee in relation to the availability and roll-out of broadband in Scotland

November 2011

About Consumer Focus Scotland

Consumer Focus Scotland is the independent consumer champion for Scotland. We are rooted in over 30 years of work promoting the interests of consumers, particularly those who experience disadvantage in society.

Part of Consumer Focus, our structure reflects the devolved nature of the UK. Consumer Focus Scotland works on issues that affect consumers in Scotland, while at the same time feeding into and drawing on work done at a GB, UK and European level.

We work to secure a fair deal for consumers in different aspects of their lives by promoting fairer markets, greater value for money, improved customer service and more responsive public services. We represent consumers of all kinds: tenants, householders, patients, parents, energy users, solicitors' clients, postal service users or shoppers.

We aim to influence change and shape policy to reflect the needs of consumers. We do this in an informed way based on the evidence we gather through research and our unique knowledge of consumer issues.

Introduction

Consumer Focus Scotland welcomes the opportunity to submit evidence to the Infrastructure and Capital Investment Committee's call for written evidence in relation to its work on the availability and roll out of broadband in Scotland.

Our response is largely based on our recently published report '**Scotland's Digital Needs**', which provides a comprehensive overview of Scotland's digital infrastructure and the barriers which exist to digital participation, from the consumer perspective¹.

The report - a copy of which is attached to this evidence, along with a shorter summary - examines in detail the wide range of challenges which exist in building a digital infrastructure which meets the needs of consumers and in encouraging consumers to participate in digital markets. It also highlights the importance of making sure consumers' interests are represented and protected within these markets. The report is therefore highly pertinent to the scoping exercise being conducted and we would urge the committee to consider the detail of this report.

This written evidence summarises the key issues from our report, including our key recommendations to the Scottish Government in developing its plans for the roll out of next generation broadband services across Scotland.

Digital Infrastructure

Digital services are increasingly essential for consumers in Scotland, underpinning almost every aspect of being a consumer, in both public and private markets. Technology can play a powerful role in empowering consumers, giving them access to cheaper products and services through the ability to choose and purchase these online.

If consumers are to take advantage of the benefits offered by digital technologies, then a digital infrastructure that is fit for purpose must be in place. Broadband is a critical element of the digital infrastructure.

Currently, nearly all households in Scotland have very basic broadband access (speeds of up to 0.5Mb/ps). The UK Government has adopted a target of providing universal broadband for all at a speed of 2Mb/ps, to be available to the whole of the UK².

Nearly 90 percent of households in the UK can already receive broadband at this speed; however even relatively low broadband speeds are still challenging to provide in rural areas of Scotland. Research carried out by Highlands & Islands Enterprise revealed that only 72 percent of telephone lines were able to deliver this relatively low speed broadband service³.

Further evidence on the digital divide between rural and urban broadband infrastructure is revealed in Ofcom's data on fixed broadband speeds. The

¹ Scotland's Digital Needs, Consumer Focus Scotland, 2011

² Britain's Superfast Broadband Future, UK Government, 2009

³ Telecoms Connectivity in the Highlands and Islands; Analysys Mason; 2009

maximum speed of broadband connections in rural areas across the UK is less than that in urban areas – at 6.7Mb/ps versus 7.6Mb/ps⁴.

One of the reasons for this disparity is that technologies that deliver faster broadband services, such as ADSL and cable networks, are generally much more widely available in urban areas than rural areas. For example, the Virgin cable network currently only passes 14 percent of households in rural Scotland, compared with 48 percent of all households in the UK⁵.

Additionally, consumers in rural areas of Scotland often live longer distances from the local exchange than those in other parts of the UK, which can significantly reduce broadband speeds. Consumers in these areas often have less choice of service provider, as many exchanges in Scotland remain unbundled – only 48 percent have a choice, compared with 89 percent of UK households⁶.

Superfast broadband technology enables consumers to access an ever increasing range of services and markets from their own home cheaply and at a time which is convenient to them. Given the speed at which technology is developing, it is reasonable to assume that the range of services consumers can access will develop, and that these will become increasingly more reliant on fast broadband speeds.

Given the challenges presented in reaching rural parts of Scotland, it is unlikely that private investment alone will deliver superfast broadband in these areas. It is essential that ambitious public policy solutions are put in place, to ensure that the super fast broadband roll out meets the needs of *all* users in Scotland.

Scotland's Digital Future, the Scottish Government's digital strategy, outlines the Government's ambition to make next generation broadband available to all consumers in Scotland by 2020, with significant progress by 2015. While we strongly support these objectives, we believe there is scope to further define this target.

While we assume that the Scottish Government's ambition is to deliver superfast broadband to 100 percent of households, this is not explicitly stated. We would expect that a small number of households may not be able to receive fixed or mobile superfast broadband services because of Scotland's challenging geography and topography. We recommend that households falling into this category should be determined by a clearly defined set of exceptions criteria, which set out under what circumstances a household may not be able to be connected to superfast broadband.

Consumers in Scotland would also benefit from an agreed definition of the speed available from superfast broadband. It is not clear from either the UK Government or Scottish Government digital strategies what constitutes 'superfast'. Again, given Scotland's geography and topography it is highly likely that superfast broadband speeds will differ across the country. Existing evidence suggests that

⁴ UK Fixed Broadband Speeds; Ofcom; 2011

⁵ The Communications Market Report – Scotland; Ofcom; 2011

⁶ Ibid

rural parts of Scotland experience slower broadband speeds than their urban counterparts. The Scottish Government must take steps to address this disparity to ensure there is no digital divide between rural and urban areas of Scotland.

Given the ever developing nature of digital telecommunications, we would urge the Scottish Government to set superfast broadband speed targets which are as ambitious as possible, to future proof broadband services for consumers in Scotland.

Speaking at GovCamp Scotland in early November 2011, the Finance Secretary John Swinney outlined the Scottish Government's leadership role in developing a strategic national broadband plan for Scotland, while working collaboratively with providers in both public and private markets.

Consumer Focus Scotland supports the leadership role adopted by the Scottish Government and believes that a single action plan for superfast broadband delivery in Scotland must involve the UK Government, Scottish Local Authorities, Ofcom and the telecoms industry, in order to deliver clear outcomes for consumers.

Key to this plan will be setting targets and milestones to encourage the pace at which the roll out is delivered, to ensure that consumers in Scotland are not left behind while other parts of the UK upgrade and invest in their broadband infrastructure.

Digital Participation – availability and uptake

As the Scottish Government works towards its aim of securing superfast broadband for all in Scotland by 2020, simultaneous work is needed to identify the barriers which prevent consumers in Scotland from taking advantage of the undoubted benefits digital technology can bring.

The reasons why consumers do not use digital technology are complex and overlapping, and linked to a range of market, social, economic and cultural issues. These include:

- Understanding the benefits of digital services
- Being able to afford and choose the right equipment
- Having the confidence and skills to get the maximum benefit from digital technology

Ofcom's recently published Communications Market Report for Scotland documented a plateau in broadband take-up in Scotland, which at 61 percent is the lowest of all four UK nations and well below the UK average of 74 percent⁷. Particular problems exist in Glasgow where only 50 percent of consumers have broadband at home⁸.

It is not clear from existing data, however, why this is the case. While the Ofcom data show, for example, that those in Scotland on higher incomes are as likely to have broadband as their counterparts elsewhere, those on lower incomes are

⁷ The Communications Market Report – Scotland; Ofcom; 2011

⁸ Ibid

much less likely to have broadband than those on lower incomes elsewhere in the UK⁹. We recommend that the Scottish Government should conduct research to establish the extent to which different factors combine to prevent consumers from getting the maximum benefit from digital services.

This is particularly important for the Scottish Government, given the recent reports by the Christie Commission and McClelland Review which may lead to the transformation of public service delivery in Scotland, by increasing the use of digital technologies.

Consumer Focus Scotland is fully supportive of current plans to use digital technology in public services, which could increase convenience, quality and accessibility for digitally engaged consumers.

However, without further research to explore what factors prevent digital participation, some consumers will be in danger of becoming increasingly disadvantaged and isolated. Only by developing a detailed, sophisticated understanding of why consumers do not take up digital technology can an effective plan be put in place to tackle these issues.

We know that there are many programmes and initiatives in Scotland which aim to help consumers participate in the digital revolution. However, there is no clear comprehensive overview of these initiatives, which makes it difficult to assess how well these meet consumers' needs.

To inform its digital strategy, we have therefore recommended that the Scottish Government should undertake a mapping exercise to identify the existing initiatives operating in Scotland designed to promote digital participation. This should include an evaluation of the effectiveness of each individual approach.

There is also scope to develop area based programmes to tackle digital exclusion. Valuable lessons can be learned from area-based projects developed as solutions in other policy fields, which can significantly alter consumers' behaviour. One example of this is the digital TV switchover programme, which has now been successfully rolled out across the UK.

Consumer Focus Scotland has worked closely with Ofgem, Money Advice Scotland and Citizen's Advice Scotland in developing the Energy Best Deal Scotland project, which aims to reduce energy costs for vulnerable and disadvantaged consumers. The project provides area based training to frontline advisers on energy switching and energy efficiency, helping them to assist clients who are struggling with debt and increasing energy costs.

The Scottish Government has recently taken steps to develop an overarching action plan for digital participation, launching Scotland's Digital Participation Charter, signed by various public, private and thirds sector organisations. The Charter aims to focus coordinated action around digital participation. Consumer Focus Scotland welcomes this initiative and will work closely with the Scottish Government to achieve the best outcomes for consumers in Scotland.

⁹ The Communications Market Report – Scotland; Ofcom; 2011

It is essential that consumers' needs remain central to the development of Scotland's digital strategy.

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