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Rt. Hon. Pete Wishart MP
Chair, Scottish Affairs Committee
House of Commons
London
SW1A 0AA

3 May 2018

Dear Pete

INQUIRY: DIGITAL CONNECTIVITY IN SCOTLAND

Thank you for asking me to give evidence before the Scottish Affairs Committee last month in the above inquiry. I very much welcomed the opportunity to set out all that the Scottish Government is doing to provide Scotland with world class digital connectivity.

During that session, I made clear that I was determined to re-set the Scottish Government's relationship with the UK Government around broadband delivery. It was therefore disappointing, that, during his evidence session on 1 May, Matt Hancock repeated misleading and incorrect assertions about broadband delivery in Scotland and gave no indication that the UK Government was willing to provide a more commensurate level of funding to help deliver our goal of 100% superfast broadband access across Scotland.

Much more seriously, he provided patently incorrect information on the funding arrangements relating to the Scottish Government's R100 programme, which I am writing to you to correct.

In his evidence, Mr Hancock stated that a "large chunk" of the £600 million committed to the R100 programme by the Scottish Government is actually recycled UK Government funding generated by Gainshare clauses in the Digital Scotland Superfast Broadband (DSSB) contracts and that the Scottish Government had "gone to great lengths to badge money that has come from the UK Government" as our own.

The claim that Gainshare funding is part of our funding manifestly untrue. To be clear, there are two confirmed funders of the R100 programme – the UK Government, which has committed £20.99 million (3% of the total); and the Scottish Government, which has committed £579.01 million.

None of the Scottish Government's £579.01 million contribution is in any way related to the Gainshare clauses in the DSSB contracts. The Gainshare funding that has been generated so far has been recycled through the contracts, resulting in new DSSB-led deployment in every Scottish local authority area during 2018.

This funding has been accelerated by BT in recognition of the fact that take-up has already exceeded expectations. However, the remainder of the Gainshare funding will only start to be repaid two years after the contracts end in 2019.

For the avoidance of any doubt, Gainshare funding does not form part of the £600 million committed by the Scottish Government to the R100 programme.

Mr Hancock also misrepresented the position around the UK Government's allocation of £20.99 million, repeatedly accusing the Scottish Government of inaction. This too is simply untrue.

The UK Government allocated this funding at a point when the various small-scale broadband projects in England were coming to an end and ready to launch new procurements. In Scotland, the situation was very different.

As outlined in our written submission to the Committee, we designed the DSSB programme, with local authority partners, to avoid the need for successive small-scale procurements. At the point when we were allocated the funds, the DSSB programme still had several years to run and the precise coverage to be delivered had yet to be finalised.

Had we launched another procurement at that point, before the DSSB coverage footprint was known, the uncertainty over the target premises would have made it impossible for any supplier other than BT to bid; and the whole process would have been at risk of legal challenge on that basis. This was discussed and agreed at the time with BDUK officials.

We also explored the possibility of adding the £20.99 million to the DSSB contracts but, this option was in fact removed by the UK Government, which allowed a UK-wide state aid agreement with the EU to lapse in 2015. It took a year for them to negotiate a new agreement with the EU, the terms of which precluded any further investment in the DSSB (and all other BDUK framework) contracts.

These circumstances are fully understood by UK Government officials and the overall approach taken was agreed at the time.

Nevertheless, I am determined to secure a fairer deal for Scotland and persuade UK Ministers of the unanswerable case for additional UK Government investment in the R100 programme and wider digital connectivity initiatives, reflecting the unique geographic challenges that we face

In the meantime, I trust this correcting of misleading and inaccurate evidence is helpful. I am happy for my letter to be published as part of the evidence in the inquiry. It is very important to me to set out the facts accurately. I am copying this letter to Mr Hancock and hope that he may now be provided with an opportunity to correct the record.


FERGUS EWING