Connecting Rural Scotland

Rural Scotland and the communities that live and work there are a vital part of Scotland’s heritage, identity and economy. Our rural communities are home to nearly one-fifth of our population and our rural regions contributed over £32 billion to the Scottish economy in 2011, accounting for approximately 30% of total on-shore output.

Our rural areas have huge potential but too often people who live outside our urban centres are poorly served by the market and Westminster governments when it comes to delivering the sorts of services that are vital to modern society.

Independence will give Scotland the power to regulate vital services such as mobile telecoms, broadband and postal services. We will be free to examine ways to tackle high fuel costs, better integrate transport policy and remove barriers to make the most of our renewable resources.

The most important decisions about our economy and society will be taken here in Scotland by the people of Scotland. And that will give rural Scotland a bigger voice too.

There are opportunities to change so much for the better and it will be important to make the right choices. That is why we are proposing to set up a Rural Connectivity Commission – an expert body to consider the issues with the best interests of rural Scotland at heart.

With independence, we will finally have the powers to properly support the priorities of our rural communities and businesses to ensure that we can deliver the economic opportunities that everybody should be able to expect, no matter where in the country they live.

Richard Lochhead
Cabinet Secretary for Rural Affairs, Food and the Environment
The Five Key Rural Connectivity Gains:

Gain 1. Improved digital connectivity

Mobile telecoms

Development of mobile and broadband technologies have a central role to play in overcoming the challenges distance can introduce to rural life but their coverage across rural Scotland is not good enough.

Too many locations have to put up with a poor quality mobile signal or none at all. It can and should be better. In the early 2000s, while countries such as Sweden auctioned 3G telephony licences in a way that sought to maximise coverage across the country, the UK allowed mobile operators to focus on urban centres to the detriment of rural populations.

As a result, 3G roll-out has been slow and delivered patchy coverage across rural Scotland. 3G services were introduced in both the UK and Sweden in 2003. By 2004, coverage in Sweden was around 85%\(^1\); while in Scotland, even by 2010, 3G coverage was only 66%\(^2\). Ofcom recently reported that outdoor 3G coverage in Scotland is at 96.6%\(^3\) but there is still a disparity between urban and rural areas and these high figures do not reflect the reality of user experience in rural areas. For example, Ofcom data suggests that 63.6% of the Highland Council region is without a 3G signal\(^4\), whereas research commissioned by the Scottish Government indicates that the figure is around 84%\(^5\).

The 2013 4G mobile auction took more account of rural needs, but several Scottish Government proposals were ignored – for example we suggested setting coverage requirements for each local authority area, to ensure fair treatment of different parts of the country.

Using our current powers we are working to remove barriers to investment in mobile networks. We have reviewed the planning system, which has been perceived by many in the industry as restrictive. As a result, we have made legislative changes to permitted development rights that will make it easier for operators to deploy telecoms infrastructure.

In an independent Scotland we would have the power to issue future spectrum licences and could include coverage obligations that ensure maximum availability of mobile telecoms throughout Scotland as a whole, including our rural areas. This would address the digital divide that disadvantages so many of our rural communities and businesses.

Broadband

The story is similar when it comes to broadband. Unlike in other EU countries such as Spain and Finland, the UK Government has decided not to implement a regulatory broadband universal service obligation (USO). This would require a designated telecoms provider (or providers) to deliver broadband access to all fixed locations in Scotland.

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\(^{1}\) Swedish National Post and Telecom Agency, 2006: www.pts.se/upload/Faktablad/En/Factsheet_3G_Sweden.pdf


\(^{4}\) Ofcom, UK Mobile Services Map 2013: http://maps.ofcom.org.uk/mobile-services/

In the absence of a broadband USO, the Scottish Government and its public and private sector partners are investing £410 million in our Digital Scotland Superfast Broadband programme which will ensure that 85% of premises can access fibre broadband by the end of 2015 and 95% by the end of 2017. Without our intervention, coverage would only reach 66% by 2017. We have also established Community Broadband Scotland to support those communities least likely to benefit from the main programme. The £7.5 million that we have committed to CBS – including an additional £2.5 million announced in July 2014 - will enable communities to deliver their own world class broadband solutions.

We are making this investment in broadband because we recognise the importance of high quality digital connectivity for rural communities. But funding is only one lever. An independent Scotland would be able to consider more flexible approaches in areas such as regulation that, working alongside public investment, could extend digital services to all parts of the country.

Other EU nations – such as Denmark and Slovenia - have linked mobile coverage obligations to broadband policy by requiring 4G mobile operators to provide faster connectivity in specific rural areas that have low levels of access to broadband. This is something that we could consider when managing future spectrum releases. Scotland would also consider the case for a broadband USO which, alongside the significant infrastructure investment we are making, could help ensure that rural communities are able to access speeds that are available to – and used by – the majority of households across Scotland.

**Gain 2. Fairer parcel delivery charges and ownership of the Royal Mail**

In the 1980s the UK Government opened up competition in the parcel sector without requiring private sector operators to deliver services to all parts of the UK. The result has been average mark-ups on standard delivery prices of 195% in the Highlands and 508% in the Scottish Islands.\(^6\)

In recognition of this problem, the Scottish Government has worked with stakeholders to develop a statement of principles for parcel deliveries which sets out best practice as to how retailers can ensure their delivery services meet the needs of their customers. The statement - agreed by industry, government, trading standards and consumer groups - calls on businesses to avoid charging disproportionate delivery costs, provide greater transparency and provide the widest possible delivery coverage.

Independence will put the regulation of mail in Scotland into the hands of the Scottish Parliament. With these greater powers it will be possible to address the way the market functions to deliver fairer prices across all of Scotland, including its rural and remote areas.

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Following a vote for independence, the Scottish Government has also committed to begin the process of bringing the Royal Mail in Scotland back into public ownership. Privatisation presents a threat to the Universal Service Obligation for postal deliveries which is of vital importance to rural communities.

In an independent Scotland the Universal Service Obligation will be maintained, with a mail service to match, as a minimum, the level of service provision inherited from the UK on independence, currently a six days a week service for mail.

Gain 3. Fairer fuel prices and energy bills

Scotland’s rural areas face higher average costs of car travel and road haulage due to longer average travel times and relatively higher fuel prices. This increases the costs for goods and services and travel more generally.

While fuel prices are affected by fluctuations in the global market, currently around 60% of the cost of petrol and diesel is made up of taxes. As a percentage of pump price, in June 2014 taxation in the UK accounted for the highest component of diesel prices and the second-highest of unleaded petrol prices of the 28 EU Member States.

A 5p rural fuel duty derogation introduced by the UK Government in 2012 has gone some way to reducing the fuel price differential in Scotland’s islands and the UK Government has applied to the European Commission to extend the scheme to some parts of the mainland. However, it is clear that this scheme does not eliminate the price differential these communities face, which can at times be over 10p more per litre than in the central belt, even in locations where the derogation already applies.7

Independence will bring full control of taxation powers, providing the tools to tackle this issue in a way that makes sense for Scotland. With independence, this Scottish Government will examine the benefits of introducing a Fuel Duty Regulator mechanism to stabilise prices for business and consumers and how this could be made to work alongside our Scottish Energy Fund.

As well as impacting transport costs, rising fuel bills are also the main factor causing fuel poverty, which is more prevalent in rural Scotland than in other parts of the country. In an independent Scotland, this Government plans an on-going permanent cut in energy bills. With the powers of independence we will permanently remove the costs of the Warm Homes Discount and Energy Company Obligation (ECO) from household energy bills. These schemes are currently paid for by householders through their energy bills irrespective of income. We plan to transfer responsibility for these measures from energy companies to the Scottish Government. We will meet the costs from central resources and maintain investment in energy efficiency. By passing on these long-term

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7 Based on prices listed on www.petrolprices.co.uk, accessed 25 June 2014. Price of unleaded petrol per litre in Lerwick (lowest 137.9p; highest 140.9p) and Edinburgh (lowest 126.9p; highest 131.9p).
cost reductions to their consumers, companies will be able to reduce bills year on year, in contrast to the UK Government’s short term fix.

**Gain 4. Better transport links**

*Connecting places*

Transport is a key issue for rural Scotland, both for the everyday connectivity that communities and businesses require and also to support tourism, which is such an important contributor to the rural economy.

The dispersed nature and distances between many rural communities create specific transport challenges. Since 1999, successive Scottish governments have improved transport within current devolved responsibilities, illustrating the value of decision-making in Scotland. The Westminster government has overseen a massive reduction in the capital spending available for crucial infrastructure projects in our country. Despite this, the Scottish Government has prioritised investment in transport infrastructure. This includes a transformative £5 billion package of funding and investment for rail, including delivery of the Borders Railway and substantial improvements to the Highland Main Line and Aberdeen to Inverness routes, as well being the first government to commit to upgrade and dual major sections of the A9 with early work already taking place.

We are taking other progressive steps as well, such as beginning to roll out Road Equivalent Tariff fares on a number of island ferry routes. This means that passengers, cars, small commercial vehicles and coaches pay the same rate per mile, regardless of where they are travelling to or from.

*Boosting tourism*

In 2011 the sustainable tourism growth sector generated £1.1 billion in output (Gross Value Added) for Scotland’s rural economy. Increasing Scotland’s competitiveness as a destination for overseas visitors will provide another boost this sector.

The newly awarded franchise for the Caledonian Sleeper, such an important gateway to Scotland from the south, will bring further investment in the service and a greater focus on the best hospitality and produce that Scotland has to offer. This is an example of making improvements within the current rail franchise system but with independence we will be free to decide the best way to structure and support our railways, including the best ownership model for rail and track.

**And with independence we will be able to take forward the commitment to reduce Air Passenger Duty (APD) by 50%, with a view to its eventual abolition, if this government is elected as the first government of an independent Scotland.** It is estimated that APD will cost Scotland more than £200 million a year in lost tourism spend alone by 2016.
Independence will provide us with full flexibility and more choices for our transport system so we can take more decisions designed to benefit of all of the people of Scotland, no matter where they live.

Gain 5. Achieving the true potential of rural renewables

Scotland’s renewable energy resources – in particular hydro, wind, wave and tidal - are capable of powering the country several times over. In fact, our offshore renewable resources are among the largest in the EU. The Scottish Government’s policy of doing everything we can to capitalise on our competitive advantage in renewables is delivering results. In 2013, an estimated 46% of gross electricity consumption in Scotland was delivered by renewables – up from 40% in 2012 and putting us well on the way to our interim target of 50% by 2015. Scotland produces almost one third of the UK’s renewable generation. We actually generate more electricity in total than we need at home, enabling us to export 26% to the rest of the UK.

By its very nature, much of Scotland’s renewable energy resource is located in rural areas, and rural communities are sharing the benefits of this growing sector. The Scottish Government’s target for 500 MW of community and locally-owned renewables by 2020 has been valued at up to £2.4 billion over the lifetime of those projects, and these schemes will largely be in rural areas. In addition, community benefits from commercial renewables projects, mainly onshore wind, brought over £6 million to Scottish communities in the last 12 months – again mainly in rural areas.

However, without the full powers of independence, Scotland is encountering barriers to doing even better – to realise the full potential of its renewable energy wealth. For example, Orkney, Shetland and the Western Isles are together capable of supplying up to 5% of GB electricity demand by 2030. Significant upgrades to the grid are required to enable that electricity to be delivered to the mainland but GB market and regulatory barriers – controlled at Westminster – have consistently prevented the necessary investment from being made.

Realising the renewables sector’s potential growth would bring thousands of jobs and tens of millions of pounds in benefits to rural communities and ensure that Scotland’s huge renewable energy resources continue to supply low-carbon energy to consumers across Great Britain at cost-effective prices.

The right policy support in an independent Scotland – based around the continuation of the GB-wide electricity market and a fairer transmission charging regime – has the potential to have a transformational impact on the rural communities where developments take place.
This Scottish Government has made the commitment that, with independence, island and mainland coastal communities would receive 100% of all leasing revenues from activities in their adjacent waters, including those from renewables deployment. This would reverse the current situation where this income is taken by the Crown Estate Commissioners.

**Priority for action if we are the first government of an independent Scotland**

We will establish an expert, independent Rural Connectivity Commission to consider how to deliver a better deal for our rural communities and businesses while also ensuring clarity for industry and stability for investors.

The Commission will work within a new Scottish regulatory landscape intended to ensure that Scotland’s vital utilities remain sustainable and that well functioning markets operate in the long-term interests of all customers.

This work will form part of a longer-term review of the policy and regulatory options that independence will deliver on mobile telecoms, broadband, postal services, fuel duty and grid connection for our renewables industry as well as for domestic customers and small businesses.

Well-regulated competitive markets can maximise consumer welfare and boost economic growth, creating jobs and driving innovation. Independence will provide the opportunity and the powers to ensure that the requirements of rural Scotland are at the forefront of this new approach.

**KEEP IN TOUCH WITH THE DEBATE**

You can access Scotland’s Future – Your Guide to an Independent Scotland and keep up to date with the Scottish Independence Referendum and all the latest news through our Referendum website at [www.scotreferendum.com](http://www.scotreferendum.com)