



The Scottish Parliament  
Pàrlamaid na h-Alba

## Official Report

# EUROPEAN AND EXTERNAL RELATIONS COMMITTEE

Thursday 25 June 2015

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**Thursday 25 June 2015**

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**EUROPEAN AND EXTERNAL RELATIONS COMMITTEE**  
**12<sup>th</sup> Meeting 2015, Session 4**

**CONVENER**

\*Christina McKelvie (Hamilton, Larkhall and Stonehouse) (SNP)

**DEPUTY CONVENER**

\*Hanzala Malik (Glasgow) (Lab)

**COMMITTEE MEMBERS**

\*Roderick Campbell (North East Fife) (SNP)

\*Willie Coffey (Kilmarnock and Irvine Valley) (SNP)

\*Adam Ingram (Carrick, Cumnock and Doon Valley) (SNP)

\*Jamie McGrigor (Highlands and Islands) (Con)

\*Anne McTaggart (Glasgow) (Lab)

\*attended

**THE FOLLOWING ALSO PARTICIPATED:**

Keith Brown (Cabinet Secretary for Infrastructure, Investment and Cities)

Fiona Hyslop (Cabinet Secretary for Culture, Europe and External Affairs)

Colin Imrie (Scottish Government)

Shane Rankin (Scottish Government)

**CLERK TO THE COMMITTEE**

Katy Orr

**LOCATION**

The Mary Fairfax Somerville Room (CR2)



# Scottish Parliament

## European and External Relations Committee

*Thursday 25 June 2015*

*[The Convener opened the meeting at 09:00]*

### United Kingdom's Future Relationship with the European Union and Connecting Scotland Inquiry

**The Convener (Christina McKelvie):** Good morning and welcome to the 12th meeting in 2015 of the European and External Relations Committee. It is our last meeting before we rise for the summer recess. As usual, I request that mobile phones be switched off or turned to silent. As members will see, we have a very full agenda, so we will move on swiftly.

Agenda item 1 is an evidence-taking session on the United Kingdom's future relationship with the European Union and our connecting Scotland inquiry. I am delighted to welcome back to the committee Fiona Hyslop, the Cabinet Secretary for Culture, Europe and External Affairs, and, from the Scottish Government, Colin Imrie, deputy director and the head of European relations. I believe that the cabinet secretary wishes to make a brief opening statement.

**The Cabinet Secretary for Culture, Europe and External Affairs (Fiona Hyslop):** Good morning, convener, and thank you for the invitation to speak to you. I am aware that, since my previous appearance, the committee has continued with the second strand of its connecting Scotland inquiry and has been taking evidence on the UK's relationship with the EU in response to the UK's announcement of an in/out referendum on EU membership. I will take this opportunity to outline the Government's position on some of the points that the committee considered during its session on EU reform and the EU referendum.

First, the Scottish Government believes that the European Union Referendum Bill, which is currently being debated at Westminster, falls short of meeting the required standards. Although we welcome the UK Government's decision not to hold a referendum on the same day as next year's Scottish Parliament elections, we are disappointed that, despite the best efforts of MPs, the franchise will not be extended to 16 and 17-year-olds. That is especially disappointing given that that group of people showed beyond doubt that they were able

to take part in the independence referendum debate as mature and conscientious citizens. They deserve their say in their future.

Secondly, given the strong case for extending the vote in the EU referendum to the 171,000 EU citizens who have chosen to make Scotland their home, it is wrong that the bill contains no provision for that to happen. Moreover, the Scottish Government will continue to argue that double majority voting should apply to this referendum. It cannot be right that even if Scotland were to vote in favour of remaining in the EU it could still be dragged out against its will. That is why the Scottish Government is committed to explaining why Scotland and the UK should remain in the EU and will argue the positive case for the UK's and Scotland's continued membership.

The Prime Minister wants to renegotiate the terms of the UK's EU membership before the referendum. It is vital that Scotland's voice is heard in that process and that Scotland's interests are protected, and we shall pursue the matter with the UK Government. It is still too early to tell exactly what the Prime Minister wants or, indeed, whether his proposals will require treaty change, although that might become clearer during the European Council meeting that begins today. In areas where there is common cause—for example, better regulation—we will support the UK, but it could be difficult for us to accept proposals to change immigration rules given the benefits of immigration to our country.

In my view, the real risk to the UK's membership of the EU lies in the renegotiation process between the UK and member states being defined in terms of winners and losers. That could polarise opinion and focus minds only on what the Prime Minister achieves, ignoring the benefits that the EU delivers right now. The whole point of having a more effective European Union is that everyone should gain from it. In my view, compromise should not mean concession.

I have said before that the EU is not perfect and that some areas need to be reformed. Indeed, last August, we published "Scotland's Agenda for EU Reform", which highlights how EU institutions must prioritise policies that are responsive to and that reflect its citizens' concerns. We believe that reform that would be beneficial to all member states can take place within the existing treaty framework, including more autonomy for member states to tackle pressing issues such as public health or the completion of the single market in services. We also make the case for regulatory reform to address the stock of EU legislation that imposes unnecessary burdens on enterprise and citizens.

As for other issues, the committee will know that I am greatly concerned by the humanitarian crisis

in the Mediterranean. We will encourage the UK Government to play its part in implementing the priority actions proposed under the EU agenda on migration. We recognise our obligations to refugees and continue to press the UK Government to participate fully in proposed EU action, including relocation and resettlement. I also put on record that the Scottish Government is committed to the European convention on human rights and will robustly and unequivocally oppose any proposals that weaken its protection.

On the connecting Scotland inquiry, I welcome the evidence showing the great variety of Scottish organisations that are engaging internationally for the benefit of our local communities and their partners worldwide. The Government recognises and values highly their contribution to Scotland's positive global reputation. The international framework, which we discussed at my previous appearance before the committee, and our internationalisation agenda demonstrate the Government's commitment to supporting Scottish organisations in their international engagement, and we will continue our dialogue with stakeholders on how that can best be done.

I am happy to answer the committee's questions.

**The Convener:** Thank you, cabinet secretary. Much like our agenda, a lot has been packed into that short statement.

I note that the top two agenda items at the European Council meeting that starts today are migration, including the crisis in the Mediterranean, and the Greek situation. Is there scope for suggesting that those two very important issues might be much more important than some of the other agenda items that have been suggested?

**Fiona Hyslop:** One concern, which I think is reasonable, is that British politicians tend to see their priorities as the main ones and do not recognise that there are other European and global issues that might take precedence and that our focus might not always be their focus. Clearly, the Greek situation is of paramount importance. It is being discussed and, I hope, resolved.

In "Scotland's Agenda for EU Reform", which was published last August, we argued that the Mediterranean situation should inform the EU's approach to certain issues; however, the EU has still not come to terms with it. Its agenda on migration is very important, but we need to look at the reports that are coming out of the European council, particularly from the Italians. The Parliament and the committee have been very sensitive to the pressure on the Italians and have recognised that the issue is Europe wide.

It is understandable and right that the two items that you have mentioned should dominate the agenda. Reports suggest that David Cameron will be looking to negotiate a revised situation over this evening's informal dinner, but until we hear what has happened we will not know what is being asked or said. Nevertheless, you are quite right to point out that the fact that that particular issue might be important to David Cameron and the UK does not mean that it is top of the agenda for other European countries.

**The Convener:** Last week, we commemorated and celebrated refugee week, and one of the guest speakers at the reception in the Parliament was a survivor of what has been happening in the Mediterranean, who lost people in a really horrific incident last year. His story was compelling, not just because of the tragedies that he had been through but because of the humanity that he had been shown both in Italy and when he arrived in this country. The Scottish Government has said that it is interested in relocation and resettlement, but do you think that, under the United Nations convention for refugees, we—not just as a Government or as a country, but as part of the human race—have a responsibility to hold out a hand to people who are in need and not to conflate that with an artificial debate about migration and immigration being bad things?

**Fiona Hyslop:** A lot of the debate on and the issues around human rights in the UK have tended to focus on what might be perceived as negative or technical and legal areas, whereas the whole point of human rights and the European convention on human rights is ensuring that the best standards of humanitarian response are available on a global scale.

There are a number of dimensions to such issues, one of which is our response on a humanitarian level. I am heartened by the collective cross-party response in the Parliament, in recent debates and questions, which recognises that focus and emphasis. There has to be an immediate response to what is happening in the Mediterranean as of now, but it is nothing new. Tens of thousands of people are estimated to have died in the Mediterranean over a period of decades.

The causes of the issues must be resolved, but they will not be resolved immediately. Some of them are the consequences of what is happening in war-torn countries; some of them are, and will increasingly be, to do with what is happening in the north of Africa, particularly in relation to climate change over the long term. That is another reason why we must act collectively in the European Union and more widely to tackle climate change. Long-term pressures will give rise to issues of migration from that source in addition to the

economic and asylum issues of people fleeing areas of conflict. The responsibility for some of the conflict there can be cast on the United Kingdom over recent decades, given how it has behaved in various wars and other activities. That is a collective responsibility for a whole load of issues in different areas.

There is a danger that we treat the immediate short-term issue of humanitarian rescue as an either/or matter—we either do that or we try to tackle the long-term strategic issues—when we can do both and it is a requirement that we do both. That is another argument for the EU doing such things collectively. The fact that Italy is the first port of call for people seeking to come to Europe does not mean that it must bear complete responsibility. It is really important that that is reiterated.

**Anne McTaggart (Glasgow) (Lab):** As you will know, the committee has taken evidence from various sources. One of the sources that particularly concerns me is the college sector. It has stated to the committee that it has yet to feel the benefit of the international framework. What strategies have you put in place to overcome that?

**Fiona Hyslop:** Both in my current role and when I was the Cabinet Secretary for Education and Lifelong Learning, I have encouraged the colleges to think more collectively about what they do internationally. The former First Minister Henry McLeish was involved with Scotland's Colleges International in working out collectively what the main opportunities are and what colleges can do.

I have supported some of our colleges' activities in China, in particular. With the new regionalisation, rather than work individually, colleges might find it easier to work more strategically in that regard. We are always open to discussion with them. Indeed, our colleagues in the lifelong learning part of the Scottish Government will be working with them with a focus on education in international areas.

Colin Imrie might wish to add something about what the Scottish Government provides for colleges working internationally.

**Colin Imrie (Scottish Government):** It is important that we work with the college sector to see what we can do. Through Scotland Europa and other organisations, a lot of work is done on European engagement, which is the area that I know most about.

In a broader sense, having a collective approach to that engagement would make the work in that area stronger. Through the Brussels office, we are keen to work with the college sector to see what we can do on engagement in the real opportunities that exist particularly in the vocational area now that programmes such as

Erasmus have been opened out to that area and to see how colleges can take that forward.

**Fiona Hyslop:** Turning to some of the more obvious opportunities, one of the strengths of the Scottish education system is the Scottish credit and qualifications system, which is one of the few systems in the world that has both vocational and academic elements. Our colleges' expertise and experience in vocational education is sought and is of interest elsewhere. With that collective approach, we have models that work and that other countries are interested in, although, for a lot of things, countries have to identify their own asks and their own approaches.

09:15

**Roderick Campbell (North East Fife) (SNP):** Good morning, cabinet secretary. I had doubted whether there was much common ground to be found with the UK Government on renegotiations, but when I looked at the priority areas in "Scotland's Agenda for EU Reform", which was prepared last August, I was struck by the notion that there might be some common ground in the area of regulatory reform. Will you expand on where you think there might be any common ground with the UK Government?

**Fiona Hyslop:** You are right to identify regulation as one of the key areas that we could and should be able to work on. Our Government has made a big push on better regulation domestically and internationally. For example, we passed the Regulatory Reform (Scotland) Act 2014, which sets out some of our approaches. We certainly have a lot to contribute to the EU's regulatory fitness and performance—or REFIT—programme, which, to be fair, I should point out that the UK Government has already significantly contributed to.

It is important to work out what practical reforms would improve the regulatory framework in Scotland and, indeed, the UK. We are calling for proportionate regulation and greater adherence to the principle of proportionality to make burdensome and complex legislation that is not necessary to achieve the given objectives a thing of the past. Moreover, where EU legislation provides for sanctions and penalties for non-compliance with its provisions, greater flexibility is required to ensure that those sanctions and penalties are aligned with the level of risk that is posed by non-compliance.

With regard to consistent regulation, we need to prevent competence creep in respect of the European treaties and consider where it is more appropriate to have regulations rather than directives. That is quite important, as it could in and of itself help to relieve some of the burdens.

The greater use of regulations that create a framework of principles instead of directives that impose detailed rules could, where appropriate, be helpful. We are also calling for accountable, transparent and more targeted regulation.

Those things, which are in fact part of the REFIT agenda, could assist and, importantly, could be achieved without treaty change. They are practical things that can be done. There could be convergence between what the UK Government is trying to achieve and what we want in this area and reforms that member states are already working towards. No matter whether we call that a renegotiation or a continuance of the reform package, we can have a shared agenda on those things. As I said at the outset, how such matters are presented by David Cameron in his renegotiation might be different from what might be seen or presented by member states, but we can play a good role in leading on that, and I think that we could reach consensus in that area.

**Roderick Campbell:** I do not know whether the Scottish Government has a view at all on the timetable for the eventual referendum. Is there a timetable for on-going dialogue with the UK Government on what is going on beyond the joint ministerial committee meetings?

**Fiona Hyslop:** We have asked for a more formal forum to discuss the on-going issues around negotiation and have made it quite clear that we should be a part of that. I think that Wales and Northern Ireland would also be interested in that, because it is clear that the consequences of certain issues will have an impact on and import for the devolved Administrations. Indeed, the proposal was suggested by our First Minister at last Friday's British-Irish Council meeting.

The problem with relying just on JMCs is that they do not meet that often or that regularly. The previous meeting was held last week, and it was attended by the Minister for Europe and International Development, Humza Yousaf, who again proposed that there be a better mechanism for knowing about the on-going issues that might emerge even from the meetings that are being held today and tomorrow.

As for timescales, I suspect that the Prime Minister will choose a date when he is likely to get what, from his perspective, will be the best result, but we would need a crystal ball to forecast that. Nevertheless, I think that there is a window; it would, for a variety of reasons, be extremely unwise for everyone if a referendum on EU membership was held during the UK's presidency of the European Council.

In that respect, there is, as I have said, a window for negotiations to take place. However, we are already seeing the pressures that exist and

other countries focusing on other matters. In the 2016-17 period that we are coming to, other member states will be having their own domestic elections, and that might close the window for the reasonable negotiation period in which the Prime Minister can have discussions with other countries. The autumn of 2016 is therefore looking increasingly more likely, but this issue is just not within our gift.

Along with other Westminster colleagues in different parties, we have already brought some influence to bear with regard to the decision that the referendum should not be held on the same day as the Scottish elections. The Electoral Commission has looked at the last time that there was a referendum on constitutional issues and our experience of holding local elections and Parliament elections together, and it has given a very good objective response on what should be done and when it should not be done.

As you would expect, we are preparing for different scenarios. We would encourage the UK Government to engage more with the Scottish Government, not just on the technicalities of timing and so on but on content. Europe is moving apace on a whole variety of issues and if we focus only on the areas of potential renegotiation, there is a danger that Scotland and the UK will be left behind on a whole other agenda. I therefore recommend that engagement take place on the long-term strategic issues in the EU as well as on the Prime Minister's negotiating position.

**Hanzala Malik (Glasgow) (Lab):** The committee will be collecting a lot of evidence—and rightly so—and, importantly, will be giving an opportunity for many Scots to understand what is being asked of us. How can we quickly collate all that information? Will someone be looking at all the information from all the committees in order to put together the proposals for Scotland's aspirations and how they should be represented, not only in the UK Government but at the European Commission? As you will appreciate, this is a very serious issue. Will there be someone in charge who will collate all the information from all the committees and maximise it to ensure that we are well represented?

**Fiona Hyslop:** From a Parliament point of view, you might be as well to direct your question to the convener or the Presiding Officer. That said, you make an important point. I can tell you what the Government is doing. We have a regular meeting round at which the minister for Europe meets all the other ministers who have an interest in European issues—which, by and large, means everyone—to ensure that we have what we might call a rolling anticipation of issues that we should be either feeding into or responding to. We can respond to what we hear from the UK with regard



to its priorities for negotiation, and we can feed that into the Cabinet for it to take a collective view. For example, human rights have been a prime area of concern. Given that Michael Gove has yet to announce his views and proposals on human rights, the issue might come back again. To date, it has been a key focus across Government, because it affects social justice and our own justice portfolios.

As for the Parliament, I would like all of its different committees to identify issues in their portfolios that relate to the future of Europe. In any case, the committees should already be doing that, given that the Parliament was set up in such a way to encourage that kind of approach. The EU is of huge importance to us with regard to not just economic issues but the future of the leadership that Scotland and the UK can have in a number of areas. Climate change is an obvious issue, but I realise that that is for another committee, not this one. As an experienced MSP, I know about the pressures on committees, even those such as your own that do not have much legislation to deal with, and I know that, going into the final year of the session, other committees will have a big burden of legislation. However, that should not preclude their holding evidence sessions at different points.

How committees collate this information is a matter for them, but I am happy to work with them on it. As Rod Campbell has pointed out, we do not know the timetable for this exercise, but perhaps we should set ourselves key milestones for when we as a Parliament will want collectively to review where we are. We have recently had a number of debates on the international framework, the European agenda and EU reform perspectives, and there is the committee's own programme of what it expects to deal with. Through the convener and clerks, we could work reasonably well together to anticipate when—say, in the autumn or at Christmas time—we might want to revisit where things stand.

**Hanzala Malik:** You have more or less met my hope and aspiration on this matter. I agree that the time factor is important. We do not know how the negotiations are going to go with the UK and the European Union; we need to make sure that all the good advice that we get from our citizens is available at very short notice, and we need to talk to each other and keep the information up to date as it comes in.

I appreciate the pressures that are on everyone and all the committees but, given the importance of this issue, I hope that, between the Scottish Government and our committees, we can ensure that all the information that comes in is collated almost immediately so that we have it on the shelf. That means that, if there is any pressure to turn

things round quickly, we will be almost in position, and it will be just a matter of dusting the information down. I would like to be in such a position, and I hope that you agree and that you will explore that possibility.

**Fiona Hyslop:** That would be best practice anyway. I am happy to discuss with the convener how best we can do that.

**Jamie McGrigor (Highlands and Islands) (Con):** The UK Government has indicated that it is going to

“pursue reform of the European Union for the benefit of all member states”,

and that it wants to

“build on exempting the UK’s smallest businesses from new EU regulations and on the EU trade deal with the USA; ... preserve the integrity of the Single Market, by insisting on protections for those countries that have their own currencies”

and

“expand the Single Market, breaking down the remaining barriers to trade and ensuring that new sectors are opened up to British firms.”

Does the cabinet secretary agree with those aims?

**Fiona Hyslop:** I have just gone through the issues particularly with regard to REFIT, some of which will benefit small businesses. As I have said, much of the reform agenda is already happening, but I suppose that the issue is what will be evidenced as new in the negotiation. Is that the real test, or is the general direction of travel that we are actually improving things?

The committee might not be aware of this, but Scotland is already making its contribution by looking at the habitats directive and how we can strip it back to enable progress without the burdens that have been put on businesses and organisations in the past. As I have said to Rod Campbell, the REFIT better regulation agenda is an area where we can find common ground, and our experience on regulatory reform and what we are doing in that area could help. What we do not have, however, are practical examples. We have an idea of the general area that the Prime Minister wants to work in, but we do not have any detail on the specific things that he wants to change.

As for opening up areas for business, one of the big areas of interest to this Parliament and Government is the digital single market, given the significant opportunities that it will have for Scotland. However, there are issues that we have to be aware of in relation to the creative industries and what the impact on film and broadcasting might be. The first presentation of the European Commission’s digital single market proposals was made to the Committee on Culture and Education,

at which I led the delegation and gave the initial response on behalf of the UK Government.

Those are areas where, if you are asking whether we are engaged and interested, the answer is yes. I have given you two examples where, in practical terms, Scotland is already plugged in and engaged, and we certainly want to see progress on that. I do not think that there is a conflict in that respect.

09:30

**Jamie McGrigor:** What would the Scottish Government's position be on national Parliaments being able to work together to block unwanted legislation, which is something that the UK Government has suggested, especially in relation to countries that have their own currencies? Do you agree with the aim of preserving

"the integrity of the Single Market, by insisting on protection for those countries"

with single currencies?

**Fiona Hyslop:** Because of what is happening in Greece in particular, much of the focus has obviously been on the eurozone and countries that have the euro, but in the nine countries that do not have the euro, there is significant interest in how their interests are being dealt with. The debate over the balance of power and where power should lie is not a new one; indeed, it is a matter of regular debate in Europe, with tensions—or expressions of that debate—last arising in relation to the extent to which the European Parliament has any locus with regard to checks and balances on the European Council.

The Prime Minister is seeking further movement in relation to national Parliaments, but he is not the first person to raise that issue; the Dutch have at various times and in various ways raised the issue with regard to what might happen. Since 2009, of course, we have had a system for flagging up areas of national concern. I think that what David Cameron is proposing—again, we have no details and would need a bit more information—is some kind of red card that would act as a veto.

Although we already have a yellow card and an orange card system that national Parliaments can use to flag up issues and concerns—and although it is important for such a system to exist—the yellow card has been used only twice since 2009, the first time to object to the Monti II proposals in relation to the right to strike, which the Commission subsequently dropped, and the second time to flag up the European prosecution issue in relation to the establishment of a European public prosecutor's office. Indeed, this Parliament and its committees had real concerns about the proposal, so it was flagged up.

I cannot give you an example of the orange card system, because it has not been used. The fact that previous opportunities for national Parliaments to flag up issues and to intervene have not been used very much raises the interesting question whether we need a red card at all. In the two cases in which the system has been used—the right to strike and a European public prosecutor's office—it was not just the UK but the rest of the EU that had concerns, particularly on the latter point. I should say, though, that the Monti proposals were particularly relevant to us. It shows that the red card proposal might be all about making an argument to have the power to do something without necessarily needing it. After all, the weaker warning card system has never been used or has not been used often. That might give you my understanding of the issue.

Your second point was in relation to the currency issue, which I addressed first.

**Jamie McGrigor:** Indeed. Thank you. Do I have time to ask one more small question, convener?

**The Convener:** If you are very quick.

**Jamie McGrigor:** One of the difficulties that Scotland faces because of the fall in the euro is that our agricultural subsidies are going to be worth a lot less this year than they would otherwise have been compared with other years. Does the cabinet secretary understand the difficulties that that will have for Scottish farming?

**Fiona Hyslop:** As far as subsidies are concerned, it is important that, in general, we have a buoyant European economy. Some of that buoyancy relies on what is happening in the eurozone, but a lot of it also relies on what is happening with growth, investment and expansion in the economy more widely, so it is in our interests to have a buoyant European economy more generally.

Although a lot of Scotland's exports are agricultural or very much depend on our work in agriculture, we do not work in isolation or say that the state of Scottish agriculture will always rely just on the value of the euro. We have to pursue other areas. For example, with regard to its wider connecting Scotland agenda, the committee might be interested in the First Minister's announcement of the creation of an innovation investment hub location for the Scottish Government in Dublin, and agriculture will be one of the areas of co-operation in that respect. In many ways, we are clearly competitors with Ireland when it comes to agriculture, but on a global scale there is an opportunity for us to collaborate on, say, promotion. That sort of work relies not on the value of the euro but on developing good relationships.

A good example of co-operation between Scotland and Ireland is the access 6 programme and its collaborative work with food and drink companies, particularly the small to medium-sized enterprises that are important to growth in that area, on accessing European money and funding. We cannot rely just on the value of the euro to determine the strength of our system, but you will have heard it argued that we have one of the lowest percentages of agricultural subsidies in Europe. That is nothing to do with the value of the euro; it is just because we are not an independent country. Of course, it would have been a different matter had the country voted differently at the referendum, but I am not going to go there, because we have had that question resolved and I accept it. The point is that there are different pressures and dynamics.

**Adam Ingram (Carrick, Cumnock and Doon Valley) (SNP):** I would like to explore the First Minister's proposal that a forum should be identified that would allow the devolved Governments to have a direct input into the negotiations. How was that received by the UK Government?

**Fiona Hyslop:** My understanding is that we have not really had a response. I was not at the British-Irish Council, so I was not party to the discussions that took place, but I think that there is a view that the relationship with the EU is a reserved matter and that the UK therefore does not have to consult. I find that very odd, because of course it will have an impact. We have just had a big discussion about agriculture and we have discussed business. Those are issues that are devolved to Scotland and there are a lot of responsibilities involved in handling them, never mind the migration issues that could have an impact domestically in Scotland on services that rely on well-qualified and skilled workers. It is not simply the case that the relationship with the EU is technically a reserved matter. It has already been recognised that there are clearly issues that we need to be involved in.

Let me give an example. We, as well as Wales and Northern Ireland, were invited by the UK Government to take part in the balance of competences review, because it was recognised by the UK Government and at the JMC Europe that everyone needs to understand the impact and import of any changes to the balance of competences, which is what David Cameron is trying to do in relation to the negotiations. Having been invited to provide evidence, which we duly did—that also informed our own reform agenda, which we published in August last year—and having been invited to take part in the discussions, all of a sudden we were uninvited.

It is not just a case of trying to influence things for our own agenda; it would be sensible to have that co-operation and involvement, whether through more regular contact within the JMC Europe structure or in a different forum. I suspect that, because some of the discussion is on business and some is on other areas, we could just expand the bilaterals that we have. For example, the finance ministers meet on a bilateral and sometimes quadrilateral basis. We also need to consider whether that can be done in relation to Europe. We are doing it on the welfare issues relating to the Scotland Bill, so why should we not see developments on European aspects in a similar vein? That would allow dialogue between the relevant ministers, and any support from the committee in that area would be helpful. It is not just a case of wanting to be involved because we want to make a political argument; it is common sense to do that.

**Adam Ingram:** There is a bit of an irony in the UK Government going to Europe and trying to unpick a union when it is such a vociferous defender of the UK as it stands. It seems to have a little Englander attitude, and it is taking an Anglocentric approach that needs to be adjusted to take into account the four nations of the UK. The approach seems to be very much driven by Conservative Party politics as opposed to the national interest, as it were.

In the Scottish Government's view, is there any scope for the devolution of powers from Europe to Scotland and the Scottish Parliament? I am thinking about the fishing industry, for example, on which we are arguing for a more regional approach. We could have a distinctive voice in any negotiation with Europe—if it was a serious negotiation, of course. Some allege that what we are seeing now is more a political exercise on behalf of the UK Tory Government to satisfy its back benchers and to say, "We are taking on Europe." The UK Government will announce that it has achieved this, that and the next thing when it comes back, but that will not amount to a hill of beans. Is there a real agenda to be pursued of repatriating some powers to Scotland in order to improve governance?

**Fiona Hyslop:** That is a very interesting analysis. We are quite clear that there is a real agenda for reform that we want to pursue and with which we can engage. It must be a sensible reform that could achieve real results, in part on regulation issues.

You make a good point about regionalisation, which we think should happen with fisheries policy. To an extent there has been some progress with fisheries policy, but we could and should make more progress. There is a danger that, in pursuing a very narrow political agenda—

the negotiation covered 10 areas, and is now down to five—it becomes so narrow that we miss out on some of the progress that we could be making in other areas. Other parts of the European Union may want to engage on that agenda.

On the political point, I suppose that the issue is the strength that the Prime Minister may or may not have in trying to engage with other countries. If other countries perceive—as you highlight in your remarks—that the move is all about appeasing back benchers in the Prime Minister's party rather than taking the country on a journey of change, that will completely weaken our negotiating position.

We want real negotiation in important areas. For example, why are we not pursuing more of a social Europe? That relates to how we improve opportunities. There have been some big successes in the past around workers' rights, equality issues and a variety of other areas. On climate change, again, the UK has been very strong. We have supported the UK in the European Council, but, if we are diverted towards talking only about a narrow agenda for negotiation that does not impact on the environment or on social issues such as jobs, we could be missing a trick.

I am being quite circumspect in my remarks about the politics of what David Cameron is doing, but that is the danger in his approach. We need a voice of reason, which I think the Scottish Parliament and its committees can be, to say that there is not just a choice between reform and no reform but a chance for meaningful reform that will impact on people's everyday lives and jobs, and our organisations.

The European Union has never been stuck in aspic—it has always moved. I want us to be constructive in moving the EU forward at pace, and I think that we can do that. Increasingly, the Scottish voice is being listened to.

**The Convener:** On the back Adam Ingram's questions, I note that one of the recommendations from the Smith commission was to improve the current concordat on the co-ordination of European Union policy issues. I believe that the Cabinet Office guidance that has been issued does not allow you to share any of the outcomes of the JMC discussions until after the Council meeting. Has there been any progress on the update to that concordat via the Smith recommendations? Do you believe that the transparency that should be there is not there?

09:45

**Fiona Hyslop:** To be fair to our relations with the UK Government, the meeting was only last

week. We always give the committee feedback on the JMC Europe meetings. I used to lead on those meetings, but I have asked Humza Yousaf, as the Minister for Europe and International Development, to do so. I will attend if and when required.

On the progress that has been made, we have provided evidence over recent months of what could and should happen. To encourage colleagues—particularly in Brussels—to have a better relationship with us we have provided examples of good practice as well as examples of when things have not worked as well.

The example of my leading the UK on audiovisual issues at the Education, Youth, Culture and Sport Council is an important one. I had a chance to influence the UK's position, which I managed to adapt in a way that I thought was more conducive not only to our interests but to those of the UK. Nonetheless, I would reflect that that is the only council in which we ever seem to be able to get to lead on and speak on behalf of the UK. Practice elsewhere would be helpful.

Although there is agreement to amend the memorandum of understanding, we have yet to see anything formally. Colin Imrie might be able to provide further information on that.

**Colin Imrie:** Work has been going on for the past few months at official level to follow up the commitments that were given at the joint ministerial committee at principal level—Prime Minister and First Minister level—last December. As the cabinet secretary said, we have provided evidence. Along with our Welsh and Northern Irish colleagues, we have also been working with the UK permanent representation in Brussels to provide examples of how we can strengthen the role of the offices over there to ensure that we have more impact. However, the cabinet secretary is right—we are still waiting on the detail of progress.

**Fiona Hyslop:** And we are not the only country that is seeking to do that. On a regular basis, other countries, such as Germany or Spain, do it and see that as part of their constitutional arrangements.

**The Convener:** We have heard evidence from some of the regions across Europe on their rights and responsibilities and the practice of conferring on them the right to represent their issues from a local point of view.

**Colin Imrie:** We had a Chatham House seminar here in Edinburgh with the Europa institute, jointly held with the Flanders Government and the University of Leuven. It was a useful opportunity to look at the most sophisticated way in which regional bodies can represent their country effectively and—a crucial issue—reach agreement

in line with the negotiation timetables that exist in Europe. It has always been a fear that somehow we might block the ability of the UK to negotiate. There were representatives from the Foreign Office there, so there were some positive elements. These are the arguments that we are putting forward in conjunction with our Welsh and Northern Irish colleagues to seek to make improvements. There is some progress at the Brussels end but we still need to see what will be proposed at the UK end.

**The Convener:** The Flanders Government is an excellent example. We have had some of its representatives before the committee and I visited others while I was in New York to see its reach and the opportunities that it has in the US. It is not just within Europe—that wider scope was very interesting.

**Willie Coffey (Kilmarnock and Irvine Valley) (SNP):** It is hard to envisage the Prime Minister rushing into the referendum holding up a victory on exempting the smallest businesses from new EU regulations as a referendum breaker. For some, the big-ticket issue is migration and immigration. You mentioned that in your opening remarks, cabinet secretary. From the evidence that we have heard at the committee so far, we know that a larger number of migrants are coming to the UK from outside the EU than from within the EU. Will you outline for us the difference in thinking between the Scottish Government and the UK Government on the migration and immigration issue? Do you think that that issue will ultimately require a treaty change?

**Fiona Hyslop:** The problem is that we do not know what the Prime Minister's position is; that is the real issue. In broad terms, we understand that his concerns are not so much about migration as they are about benefits. From what we can gather, the issue is actually about restricting the rights of migrants in work to claim benefits. That is different from the broader agenda on migration, the total numbers and so on.

What is in Scotland's interests in relation to migration is to have talented, skilled and committed people come here to work and to contribute to our society. They do that; we have seen very good reports from City University London showing that there is far more economic benefit of migrants to Scotland—and the UK—than there are disbenefits; migrants are net contributors to our economy. If we no longer had those migrants, who would pick up the tab for the taxes that they are paying into our economy to pay for health, education and so on? The issue can be seen through a different lens, depending on where you are coming from.

The Prime Minister's concern relates to benefits—whether he can introduce benefit

changes and whether the changes that he wants to make would restrict the freedom of movement of migrants. If the changes were to affect freedom of movement, that would be a fundamental red line for many countries; expressions from across the EU have made that quite explicit. If, however, he wants to get into the detail of when migrants from the EU can or cannot claim benefits, that is a different territory. Benefits are different territory from crude decisions about numbers of migrants coming from the EU, although the benefits aspect might influence or change how many people came from different parts of the EU.

There are different benefits systems in different countries of the EU. Some are contributory and some are to do with residence. The issue that some countries have is the definition of what benefits are. This is not a new discussion; it was discussed in 2011 by a number of countries, including the Netherlands and Germany. It can be easier for countries that have a contributory benefits system—people get benefits after they have contributed for a certain length of time—to adapt their situation for EU migrants than it is for those countries that have a residence-based system.

I am speculating here because I have received no details from the UK Government on what it is looking at. Other countries have changed their benefits systems—Ireland changed its system a couple of years ago. That did not require treaty change, but it was a change to the benefits system. If the issue is cast as being to do with migration, you hit against the principle of freedom of movement, which is a basic tenet of the EU and its treaties. That would be a problem. However, if the Prime Minister is trying to amend and adapt the benefits system, that is a different issue. The UK system is already different from that of other countries and a lot of the change might be internal. The question would be whether it required treaty change or agreement. However, changes have been made by some countries—for example, to address discrepancies between Denmark and Sweden in how students were treated in relation to benefits at different times.

There seems to be an idea that everything is new under the sun because it comes from Britain, whereas quite often the issues have been considered at a more practical level by other countries in the past. Until we have the detail, all that I am giving you is speculation and an analysis of what has happened. Until we know what the Prime Minister will actually ask for, it is very difficult for us to give you a view.

**Willie Coffey:** Do you think that there would be time for treaty change, if that were required, within the rough timeframe that we are looking at? We think that the referendum will be in 2017.

**Fiona Hyslop:** We get mixed messages. Some messages from the UK—for example, from Philip Hammond, previously—indicated that it was the end result that mattered, whether or not it required treaty change. Then the emphasis changed and it became all about treaty change. It goes back to Adam Ingram's point. The treaty-change aspect seems to be more about managing the back benchers of the Conservative Party than achieving change. Treaty change deferred to some point in the future might be something that the Prime Minister will try to achieve.

There has also been speculation that the UK Government might have anticipated that, at some point, other countries will require treaty change for other reasons in relation to the eurozone. From some of the reports that are coming out of France and Germany on their discussions, it looks like treaty change might not be required to achieve what they want. The UK might have wanted to piggyback on what was happening anyway by opening up the treaties for other reasons. That is just speculation, but any major treaty changes that other countries might want to implement are unlikely to happen when they are running into elections, so the French and German elections in 2017 might have an impact on the timescale.

The committee is looking for evidence, but I cannot provide it because the facts and proposals are not there. However, it is something to consider and we need to keep close to the matter as we proceed.

**The Convener:** Yesterday, the European Commission had a bit of a reshuffle and appointed Jonathan Faull to a post with responsibility for analysis of, and response to, Brexit. Obviously, the European Commission is now taking very seriously the potential for lots of change. Mr Faull will work closely with Frans Timmermans, who is responsible for better regulation, which has been an issue for the committee. Has the Scottish Government been invited to take part in that group?

**Fiona Hyslop:** The one that was set up just yesterday?

**The Convener:** Yes.

**Fiona Hyslop:** I have not opened my mail yet, so I am not sure. We are obviously aware of President Juncker's appointment of the individual whom you mentioned. In our discussions, we will work with other European institutions and, primarily, the UK Government, because that is where we need to have our primary relationship to influence the matter.

**The Convener:** Will you seek to be included in that group or, at least, to be given a hearing by it?

**Fiona Hyslop:** I reserve judgment as to where it might go and why it is there. We do not have direct accountability to the European President or the European Commission. We are accountable to the Parliament and we work through our relationships.

I want to plan for there not to be a Brexit. That is what we will put more of our time and attention into. It is not only in Britain's interest but in Scotland's. That is where we place our emphasis.

There is a certain complacency. There is an anticipation that, even if it comes to a referendum, the vote will be to remain in the EU. The polls in Scotland certainly seem to show that that would be likely, but it is not possible to predict any referendum in any country at any time. If we learn anything from our recent referendum, it is that we can have quite a lot of change in polls and positioning, particularly as we go into the immediate lead-up to the referendum.

We should not be complacent in any shape or form. Those of us who want Scotland and the UK to remain part of the European Union must actively set out that positive case. We should not wait until the European Union Referendum Bill is passed or until we hear what the negotiating position is. We should make the case now because, as politicians, we should continuously justify the relationships and memberships on which we are all agreed. I hope that the Parliament will support the Government in campaigning positively to remain part of the European Union.

**The Convener:** Thank you very much. I put you under a bit of pressure there. Sorry about that.

**Adam Ingram:** I will change tack to our connecting Scotland inquiry, cabinet secretary. How are you doing on pursuing post-study work visas with the UK Government?

**Fiona Hyslop:** Humza Yousaf recently had a useful meeting with one of the senior members in the Westminster parliamentary system to ensure that it is aware of our issues. He is also meeting—I cannot remember whether it is today or tomorrow—the cross-party group that has been established on the post-study work visa. The membership of that group includes Claire Baker from Labour and, I think, Liz Smith from the Conservatives.

We have 159 names of people from institutions, universities, colleges and businesses who support the position. We think that it is an area in which, with a Scottish consensus around it that we are seeking to build, we can have influence. We are not there yet, but the establishment of the cross-party working group on the post-study work visa is an important development. I am sure that, if you sought evidence from the minister for Europe

about progress on that at the appropriate time, he would be more than willing to share that with you.

**The Convener:** I know that the Devolution (Further Powers) Committee took evidence from some university principals on the UK visas and immigration issue the other day. We should maybe communicate with that committee on the matter as well.

We will finish there. We are on time, but we have a full agenda today. Thank you very much for your evidence to the committee, cabinet secretary. We probably have some other questions that we would like to raise with you. Is it okay for us to write to you, seeking that information?

**Fiona Hyslop:** Yes, indeed. We can discuss timescales for a response.

**The Convener:** Thank you and good luck.

I suspend the meeting briefly to allow a changeover of witnesses.

10:01

*Meeting suspended.*

10:03

*On resuming—*

## European Structural and Investment Funds

**The Convener:** Welcome back to the European and External Relations Committee. Item 2 is evidence from our second cabinet secretary of the morning, and the focus of this evidence session is European structural funds. I welcome to the committee the Cabinet Secretary for Infrastructure, Investment and Cities, Keith Brown. Good morning, cabinet secretary. Supporting him this morning is Shane Rankin, who is the deputy director for European structural funds at the Scottish Government.

Cabinet secretary, I believe that you want to make an opening statement.

**The Cabinet Secretary for Infrastructure, Investment and Cities (Keith Brown):** I do. Thanks very much for the invitation to come and speak to the committee this morning. I provided the committee with an update on structural funds in advance, which I hope you found useful. I will be happy to respond to questions on that. I will start with a few remarks to put the update that I provided in context—not least because the committee has received substantial submissions on structural funds from three important and experienced stakeholders.

As the committee knows, we are in the second year of the new EU seven-year funding cycle and we have a new Commission with new priorities and new programmes. It is fair to say, from previous experience, that this is always the most difficult point in the funding cycle. The new programmes have been approved by the Commission, but the old programmes are still winding down. The old funds have been used up, the closure process is commencing and we have significant issues with the audit weaknesses that have been exposed in that process.

Organisations that previously secured structural funds are hoping that the Commission's priorities have not changed and that they will secure funds again. They often hope to sustain and evolve projects from one programme period to the next and try hard to sustain capacity until the new programmes are operational and they can secure structural funds.

Linda Stewart's submission for the University of the Highlands and Islands captures much of the complexity of this point in the cycle. Similarly, the submission from the Scottish Council for Voluntary Organisations captures the frustrations and anxieties of smaller organisations.

We have tried, wherever we can, to mitigate the impact of this transition period. We have tried to stretch funding from the old programmes as far forward as we can by recycling underspent funds and putting alternative gap funding in place, particularly for the national third sector bodies but also for local authorities that use structural funds to support third sector bodies in their localities.

What was different in this funding cycle was the economic crisis in 2008, which drove the Commission's and member states' expectations of the 2014 to 2020 structural funds. The priority for the funds has become economic growth and youth unemployment. For that reason, there is a significant funding allocation for youth unemployment in south-west Scotland. Hence, too, the expectation that the new Scottish programmes will concentrate the funds on innovation, business competitiveness and higher-level skills, and not as much as previously on tourism and physical regeneration. We recognise that those are extremely important areas, but they are not considered to be as high a priority as innovation, business competitiveness and higher-level skills when it comes to fostering economic growth across Europe and making Europe more competitive with China and the US.

What is not different in the new funding cycle is the Commission's focus on sound financial management of structural funds. It cannot avoid that. You will know as well as I do the pressures that are on the Commission to ensure that its accounts are in order and that it can account for the public expenditure that it is involved in. It is, quite correctly, closely and constantly monitored by the European Parliament and the European Court of Auditors.

The 2007 to 2013 Scottish programmes were regularly criticised by Commission auditors for having too many projects, and the interruptions to those programmes prove their point. We have therefore been determined to avoid, where we can, the same kind of audit difficulties in the new programmes.

Interruptions are triggered when organisations that are receiving funds are found to have not complied with EU regulations, the rules of the programmes, procurement regulations or state aid law, or when they cannot, after several years, trace receipts, invoices or staff time sheets. Although it is absolutely correct to expect sound management of structural funds, the disruption and difficulties for smaller organisations that have to repay funds or that have their grants cancelled after several years' work can be severe.

We have taken advantage of the requirement that we concentrate structural funds on a limited number of key themes to focus funds through the Scottish Government's policy directorates and

agencies and through local authorities, on the basis that those organisations should have match funding and the capacity to cope with regulatory compliance—which has increased in recent years—and the considerable EU audit burden that is always associated with structural funds. Those organisations also have the capacity to run procurement and challenge fund processes into which the smaller organisations that would previously have bid directly for structural funds can now bid without having to carry the audit burden and risk directly.

Our approach is yielding fewer projects but much wider use of procurement and simplified costing methods. It means, for instance, that structural funds are being used to expand a Big Lottery Fund poverty and social inclusion programme, which means that third sector bodies do not now have to apply separately for Big Lottery funding and structural funds. It means that local authorities can procure local third sector organisations to deliver employability programmes without those organisations having to be accountable to the European auditors. It also means that the business gateway can be expanded to support local growth companies in partnership with Scottish Enterprise and Highlands and Islands Enterprise.

I could go on, but I think that I have illustrated our approach and demonstrated our concern not to put smaller organisations at risk, our concern to make best use of delivery capacity and available match funding, and our concern—this is our overriding concern, and I know that it is the committee's concern—to achieve the best possible impact from the structural funds.

**The Convener:** Thank you, cabinet secretary. I am happy to go straight to questions.

**Jamie McGrigor:** I want to start with a question on the transitional funding for the Highlands and Islands. The UHI tells us that it has

“concerns that the concentration of activity and timescales does not allow for these intentions to be fully realised.”

That is a reference to the setting up of the Highlands and Islands territorial committee. UHI goes on to say

“this has led to the process often being rushed, with papers coming out very late, and information being circulated with insufficient time to agree a coordinated, regional response.”

Can you comment on that and say how it could be improved, or what the matter is?

**Keith Brown:** There is no question but that there is a tension around trying to do things as quickly as possible. We have had criticism from others that we are taking too long with some of the programmes. As I said in my opening statement,



the transition period is the most difficult part and there are undoubtedly tensions.

If Jamie McGrigor wants to write to me with specific concerns that UHI has in relation to its receiving material without having sufficient time for a response—as his question implied—I will look at those to see whether we can improve that. That is one of the tensions that are part of the transitional period.

**Jamie McGrigor:** In your letter to the committee of 18 June, you talk about the formal suspension of €144 million of social funds being down to errors. Can you tell us what those errors were and what percentage of the total programme they represented in monetary terms?

**Keith Brown:** I will bring Shane Rankin in shortly, because he was involved in the process previously, whereas I took on responsibility for this area from October.

In my understanding, there were various errors. I mentioned some of them in my opening statement—there was a lack of audit trail, with receipts not being kept, and sometimes the funds that were sought were for projects that changed after the funds had been received. The errors occurred for a number of reasons.

I will ask Shane Rankin to provide some detail and to deal with the point about the percentage of the total spend involved.

**Shane Rankin (Scottish Government):** The other principal reason for the errors was procurement failures of one kind or another. The procurement failures are typical across Europe—something like 40 per cent of errors across Europe are down to procurement failures, which become more and more challenging as the years go on.

Mr McGrigor asked specifically about the amount of money. There were two error rates: the error rate was about 3.9 per cent in the Highlands and Islands and about 8.8 per cent in the rest of Scotland. Those were the provisional error rates that were submitted to the Commission in the 2014 annual control report in December. After further work with the grant recipients, those rates have reduced to 2.3 per cent in the Highlands and Islands and 3.8 per cent or thereabouts in the lowlands.

As regards the specific funds that are at risk, somewhere in the region of €1.4 million will be recovered, and that represents the scale of the error in the programmes.

It is worth saying that, from a technical point of view, although the errors are very disturbing, there are errors and interruptions across Europe. There are about 77 interruptions on the European regional development fund side and a similar number on the ESF side. At any one time, about

half the programmes across Europe are interrupted.

**Jamie McGrigor:** In view of the fact that there were errors in the 2000 to 2006 programme and a system was set up that was meant to prevent such errors from happening, are you disappointed by the current number of errors?

10:15

**Keith Brown:** Yes. As I said, I took on responsibility for the issue from October. With an error rate as high as 4 per cent, or nearly 5 per cent in some places, the reputational damage to Scotland and to the individual organisations is substantial. The officials concerned are doing a lot of work to get the figure down below 2 per cent.

That is also important for reasons to do with the amount of clawback. By and large, the Scottish Government has to stand in when there is clawback or when moneys are not passed on from the Commission but we have already passed them on to organisations. We have to pay for that, so of course it is in our interests to work the figures down.

The fact that, as Jamie McGrigor says, the issue persisted after the previous structural funds programme is worrying, but that explains why we have introduced simplified procedures and why we have structured the process so that, by and large, the organisations that will have a managing role have the capacity to put in place audit processes. We have learned lessons from the past and we are determined that such a high error rate should not happen in future.

**Jamie McGrigor:** Have the new simplified costs been approved?

**Keith Brown:** That is the process that we are following.

**Jamie McGrigor:** The Convention of Scottish Local Authorities response says that there has been significant effort to create new simplified costs. How much of that effort was funded by technical assistance?

**Shane Rankin:** The effort is in two parts. There is the effort by Scottish Government officials and the effort by the lead partners, which are the agencies that will use the simplified costs. The technical assistance is used to fund only the managing authority, which is the civil service side. Therefore, no technical assistance was used, other than for the Scottish Government officials who were involved.

**Adam Ingram:** I have two questions—the first is general and the second is more specific. First, how will the Scottish structural fund programmes

contribute to Scotland's achievement of the five Europe 2020 targets?

**Keith Brown:** I highlighted some of that in my opening statement, not least in relation to innovation and competitiveness. We have agreed with the Commission that the funding programmes will reflect our economic strategy, which, as you will know, has shifted in focus. From 2007 to 2014, our economic strategy spoke very much about sustainable economic growth, but we have now shifted that to take account of the fact that we can have economic growth but, if it is not shared by everybody, we are not achieving what we need to achieve. There has been some synergy in relation to that.

I will mention some of the areas that I did not refer to in my opening statement. There are some exciting projects in relation to low-carbon transport, which will help with the 2020 goals and our longer-term goals on carbon emissions. We have done an excellent programme with the University of Edinburgh's centre for the study of environmental change and sustainability, which is just up the road, and various other partners. That involves working across Scotland to help to achieve that. We have £55 million of European regional development funding going into low-carbon infrastructure and sustainable economic growth.

I mentioned business competitiveness and innovation. To give the member an idea of the level of priority that is attached to that, I point out that there is £65 million under ERDF for business competitiveness, £65 million for innovation, £40 million for access to finance and £35 million for next-generation broadband investment. On sustainable growth, there is £25 million for low-carbon transport, £55 million for low-carbon infrastructure and £45 million for the resource-efficient circular economy accelerator—do not ask me to explain exactly what that means. That gives an idea of our priorities in trying to achieve the goals for 2020.

On European structural funds, there is £156 million for inclusive growth. The fact that the biggest chunk of money is going into that reflects my point about ensuring that economic prosperity is shared equally. There is also £40 million for social inclusion and combating poverty. Those are some of the things that will help us to achieve the goals, and that is the kind of priority that we attach to them.

**Adam Ingram:** I am particularly interested in the programmes on raising the employment rate and reducing poverty—those are two of the 2020 objectives that dovetail with Scottish Government strategies.

**Keith Brown:** We are seeing that with other aspects, too. We think that business competitiveness will increase employability, and I have already mentioned skills. All of that should be taken in concert with the Scottish Government's actions on the living wage. I think that we discussed this issue at the Infrastructure and Capital Investment Committee a couple of weeks ago, but if you pay people a living wage, by and large, they will spend the money that they earn, and they should earn a wage that they can live on. Paying a living wage increases economic activity, which in turn helps employability.

We are also concerned to ensure access to employability. I have discussed supported employment, which can increase access to the job market for everyone.

Such things work in concert with other aspects of Scottish Government policy, particularly procurement, for which I am responsible.

**Adam Ingram:** I have a question on the concerns that SCVO has raised about the use of public sector agencies to manage the structural funds programmes. It thinks that that poses a risk to the adoption of innovative approaches in addressing socioeconomic issues such as the ones that I have highlighted. The SCVO argues that

"Innovation and ... priority for the social economy are the most obvious casualties of such a public sector led strategy."

Would you care to comment on those criticisms?

**Keith Brown:** I have had a number of discussions with the SCVO, including a meeting with its deputy chief executive, about those concerns. A number of the concerns in its submission mirror those that it raised during the previous transition period, which, as I have mentioned, is an anxious time.

I am very alive to those concerns. I am also alive to the fact that we cannot have the same level of interruptions and money being clawed back, which is damaging to the organisation concerned, the Scottish Government and Scotland's reputation in the EU. That is a tension. The public authorities that you mention have greater capacity to undertake and sustain the audit function. We are trying to take away some of the burden.

I am very concerned about the SCVO's anxieties. We have set up the third sector forum, where it can meet Scottish Government officials directly. In addition, as I said, I have met the SCVO, as has Alex Neil. The forum's first meeting was very positive. I am more than happy to meet the SCVO and go through the issue with it again. I do not apologise for taking the action that was necessary to avoid placing a heavy audit burden

on some organisations. Indeed, performing that audit function correctly can put a quite disproportionate cost on a small organisation.

**Adam Ingram:** There has obviously been a change to the co-financing of programmes. Did that impact on—or did it cause—the problems that you have mentioned?

**Keith Brown:** Some of the public bodies that we have spoken about are better placed to access match funding, which could obviously increase the available pot of funds.

The SCVO also raised a concern about a lack of transparency in the discussions between the Scottish Government and local government. I am keen for there to be transparency, so I have asked officials to look at how we can make improvements in that regard. The SCVO is aware of that work and why we are doing it. However, it still has concerns, which we will continue to try to address. We will also continue to meet the SCVO to discuss its concerns.

Does Shane Rankin have anything further to say on co-financing?

**Shane Rankin:** The co-financing issue goes to the heart of the change. The old programmes generated around 800 projects for around £800 million. The projects were therefore small, so a disproportionate audit burden was placed on small organisations.

The move to strategic interventions with concentrated funding is a device whereby large public organisations, which typically provide the match funding to the smaller organisations in the first place, combine the funding before offering it. That simplifies the whole process. The large organisations take the audit burden rather than the smaller ones. Procurement flat rates and simplified costs are measures that simplify that audit trail. How much will be paid for what is all agreed up front. The cost methodology that causes the audit trail issue that the minister referred to is avoided if we can establish all those things. However, there are tensions in the commission's guidance and advice on those measures, and that makes establishing simplified costs quite challenging.

**Willie Coffey:** Cabinet secretary, I understand that the total value to Scotland of all the structural funds is nearly €2 billion, and that roughly half of that comes from the European Union itself. What would be the impact on Scotland and on all those programmes if the UK were to leave the European Union?

**Keith Brown:** It is worth pointing out that it would be very hard to quantify the impact, which is one of the worrying things. We receive around £900 million. Obviously, it would be very

detrimental if we were to lose a significant chunk of that money.

Organisations and the Scottish Government plan some years ahead in anticipation of receiving those funds. If there were a threat to the funds—even if that threat did not eventually materialise—people would have to take early decisions to try to anticipate its impact. If we were forced out of the EU, the damage could be substantial. A quite substantial amount of funding is already committed, and I do not think that that could be changed. However, the uncertainty that is created could be extremely damaging. Also, we are talking about programmes that impact directly on disadvantaged people's lives. Irrespective of the eventual cost in financial terms, the costs in terms of uncertainty would be hard to quantify, and the damage to programmes could be substantial.

**Willie Coffey:** Is there any commitment from, or even discussion with, the UK Government about the UK making up the shortfall if there is an exit from the European Union? If the funding from Europe suddenly ceases, either the programmes end or they continue to be funded from other sources. Has there been any discussion about that, or any commitment from the UK Government that it might make up any shortfall?

**Keith Brown:** There has been no such commitment. As the referendum gets under way, the Scottish Government will ask that question.

As a Government, we are very keen to take a positive approach in the referendum by concentrating on the benefits of our being in Europe. We are not looking to concentrate unnecessarily on the downside; we want to make our approach as positive as possible. However, you are quite right to say that we should have the best and clearest information about the effect of a no vote.

It is still the UK Government's position that it wants to stay in and reform the EU. That is the latest position, and we should work with that. However, you are right that we should understand the risks. The position will become clearer as the referendum campaign goes forward. We will ask those questions.

**Willie Coffey:** You mentioned the youth employment initiative, which is particularly important for the south-west of Scotland. Is that one of the programmes that will continue after the revisions that you outlined in your opening remarks?

**Keith Brown:** In 2012, when youth unemployment was in excess of 25 per cent, an extra programme was devised for regions with high youth unemployment. That programme allowed us to concentrate funding on measures to assist young people under 29 into work or training.

The south-west region qualified for and received that funding, which has to be committed by the end of 2015. It is worth saying that the total cost of the youth unemployment programme in south-west Scotland is around £100 million, which has to be committed by the end of this year.

**Anne McTaggart:** Good morning. I apologise if you have already covered this ground. The SCVO has said, including in its evidence to the committee, that, as a result of the reduced involvement of the third sector, marginalised groups in society are not being reached. What are we doing in Scotland to try to reach those hard-to-reach groups? How are we supporting them?

10:30

**Keith Brown:** You are right to say that we have already discussed the issue. We are not trying not to work with the SCVO; in our view, we have tried to be helpful to the SCVO. Its work is about trying to reach marginalised people, and we want to help it do that. If we can take away some of the risk and the burden around the audit function, that should help the SCVO reach more people. That is the overall aim.

Despite that, the SCVO has expressed concerns, including, as I said, its wish to know more about, and have more transparency around, the Government's discussions with local government, so that it can be sure that the issues are being addressed. We are determined to make things transparent, and we are not trying to cut the SCVO out of the process. We are trying our best to address those concerns.

I mentioned some of our programmes, including the pipelines for youth employment and the programmes for social inclusion and to combat poverty. There is a particular focus on rural programmes—if it is mentioned at all, rural poverty often comes after urban poverty. We are approaching the administration of the structural funds in a way that maximises their impact.

**Hanzala Malik:** Good morning, cabinet secretary. I have two points to raise with you today. The first is on broadband and wi-fi facilities across Scotland. There are many parts of Scotland that just do not have that service. The European Union reduced funding, so I know that there are challenges before we even kick off. I am hoping that you might be able to shed some light on whether, if organisations have received funding but have not been able to deliver, we could negotiate passing the money on to that sector in order to bridge the gap.

**Keith Brown:** We acknowledge how much work needs to be done not just on broadband but on mobile phone connectedness. This is not an

excuse for where we are, which is not satisfactory. I went to Canada for Scotland week this year, and the Canadians face exactly the same issues that we face. It is worth considering what they said about how to provide broadband effectively in many parts of Canada that do not have a large population to sustain the service. We could fit quite comfortably into any one of a number of the Canadian provinces, but they have the same issues there—the issues are not unique to Scotland. We have to improve the position here.

Mr Swinney is the lead for digital connectivity, although I also have responsibility. We are trying to maximise the funding: some comes from the EU, but the bulk of the funding on which we rely comes from the UK Government.

I take the point about whether we can use funds that have not been spent. I think that it is possible to do that with rural programmes, so the money could be put into broadband. Perhaps Shane Rankin can come in on this.

**Shane Rankin:** There has been an allocation from the current programmes for the broadband programme to support digital investment. We hope that that will be drawn down in the next six months or so.

In the new programmes, we have been somewhat limited in our capacity to use broadband infrastructure as a priority because the Commission did not view the area as a priority for the UK. However, it was persuaded that, in the rural and more remote parts of Scotland, there was definitely an argument to be made. Even more unusually, we persuaded the Commission that there should be an allocation from the rural programmes specifically for broadband. That allocation has been made, and it will continue to support the investment and roll-out of the infrastructure programme over the next six or seven years or so.

**Keith Brown:** When I was the transport minister, there was quite rightly a great deal of focus on rail and road and other infrastructure in terms of connectedness. Broadband connectedness potentially increases many people's access to healthcare and retail opportunities, which are very important to people in rural areas. It also increases people's ability to work or conduct business from home, which helps the environment. You will see—indeed, you can see it now—an increased emphasis on broadband or digital connectedness, especially in rural areas, whereas perhaps the previous focus was on road and rail. For some people, having the right road to where they are or the right railway service is less important than having that digital connectivity.

The Scottish Government is trying to make as much progress as we can. We are seeing new

developments in the hardest-to-reach areas and the increased use of things such as satellite broadband. We are trying to work on that in a joined-up way.

**Hanzala Malik:** I am pleased that that is a priority. I hope that, if any moneys are left over, they can go to support that work.

My second point is on youth employment initiatives. Only yesterday, I found out that some colleges are not as eager to promote that training as they could be. I will write to the Cabinet Secretary for Education and Lifelong Learning about that, but I will keep you in the loop as well, because part of your portfolio is about ensuring that people have decent employment. I flag that up today as a point of information. Perhaps we can address the matter again at a later stage. FE colleges can play an important role in such initiatives, and it is important that they are seen to be doing that.

**Keith Brown:** If your point is that some colleges are not maximising the opportunities that come from European funding, I would be interested in hearing about that. However, as you rightly say, the primary responsibility lies with the Cabinet Secretary for Education and Lifelong Learning.

There is support in European programmes for digital skills, which is one area in which we know that we have a lot of work to do. That takes us back to your previous question. There is a gap there. At a reception in this very room, I made the point that employers should take more cognisance of the number of veterans who leave the armed forces with those skills, even if they are not expressed in the same way as people talk about civilian skills. If you are saying that you are aware of circumstances in which the FE sector is not maximising the opportunities from European funding, I would be interested in hearing more about that.

**Roderick Campbell:** Is rural Scotland, particularly outside the Highlands and Islands, getting a fair crack of the whip from structural funds?

**Keith Brown:** There are two ways of looking at that. You could look back at how well rural areas did in the previous structural funds allocation, or you could look forward at what we are putting in place in rural areas for the next six years. The perception among the agencies that are involved is that the rural side of things has always had a high profile. I know that there are concerns—some of those are being dealt with by my colleague Richard Lochhead—but, through the LEADER programme and others, rural areas have had a high profile. It is not all strictly rural, but much of the agricultural and fisheries support also has an impact on rural communities. All local authorities

get support from structural funds, especially when they represent rural areas.

It is probably true to say that—as in other sectors—we have done a great deal but there is more that we can do. If you can give any examples of how we could do better in terms of rural provision, I would be interested in hearing them.

**Roderick Campbell:** The bureaucracy of the LEADER programme is often raised as an issue in rural areas. I do not know whether that will get any easier going forward. Do you have any comments on that?

**Keith Brown:** I will get Shane Rankin to talk about the specifics. That issue was raised with me last year in a rural area in the west of Scotland, when the point was made quite forcibly that it can be difficult for tenant farmers and others to go through all the compliance that is required.

From what I said earlier, you will gather that we are alive to the idea of trying to reduce the audit burden, and it is worth saying that that is going against the grain of what Europe is doing. The Commission is rightly coming under a lot of scrutiny. It does not get its accounts approved, and it has real challenges in dealing with the infrastructure in some of the new member states in eastern Europe, where the capacity is not the same as it is in countries that have been EU members for some time. The Commission is therefore increasing the audit function or compliance regime in those countries, and we are being caught by that. We are trying to mitigate that as best we can, but it will sometimes impact on very small organisations.

Shane Rankin may be able to say something about the LEADER programme.

**Shane Rankin:** Obviously, the previous LEADER programme was challenging. LEADER is supported by the European rural development programme rather than the ERDF and ESF programmes. One of the significant changes in the new regime is the ministers' agreement that the rural and marine structural funds programmes will be governed as one and we will seek alignment between those programmes. Therefore, there is dialogue about what LEADER and the structural funds programmes will do so that there is no confusion, overlap or competition at a local level between two funds for the same thing, which would cause difficulty. I hope that some of the bureaucratic issues in relation to LEADER will be lessened in local areas because of the governance arrangements and the alignment between the programmes.

**Roderick Campbell:** Thank you.

I have a question on the slightly different subject of the youth employment initiative in south-west Scotland. What are the expectations of that project? How will we measure its success or otherwise?

**Keith Brown:** I will let Shane Rankin speak about the technical measures. It is worth saying that although we have managed to attract substantial funding for the south-west, our record on youth unemployment has improved exceptionally from last year. I think that we have the lowest youth unemployment in the UK now. A lot of work has been done, not least through education initiatives, which Hanzala Malik mentioned. I do not know whether Shane Rankin wants to talk about the technical measures.

**Shane Rankin:** Sure. That is an interesting question that goes to the heart of the whole European Commission approach to all the programmes. They are much more target orientated and outcomes driven, and payments are based on results. Because the youth employment initiative is a shorter programme that is front-loaded to be committed by the end of 2015—it is not supposed to run to 2020—its targets are relatively simple. It is a matter of getting young people up to 29 into work. I cannot quote the exact targets, but they will be very specific and clear cut.

**The Convener:** Can you find those targets for us?

**Shane Rankin:** Yes, certainly. We will write to you.

**The Convener:** We would appreciate that.

**Keith Brown:** We will get back to you. Youth employment has changed quite substantially, as has female employment, over the past number of months. Some real progress has been made, so how the targets remain relevant is an interesting question. We will provide information on the targets that we expect to achieve and the way that things have changed over the past year because of the progress that has been made. Shall we write to the committee as a whole, convener, or to the member? Perhaps we could provide the information to you.

**The Convener:** If you provide it to the committee, that would help with our deliberations.

Willie Coffey has a quick final supplementary question.

**Willie Coffey:** I want to follow up Hanzala Malik's questions about broadband, cabinet secretary. We understood that mobile roaming charges throughout the European Union were meant to have been eliminated by this December. That fantastic move would have supported the principles behind the digital single market. We also

understand that it was not the Commission that reversed that commitment, but that somehow the member states did so. There is a lack of clarity on who exactly was responsible for that.

Can the Scottish Government do anything to find out how those circumstances came about and—I hope—lobby for the commitment to be reinstated, with a clear timetable for the elimination of mobile roaming charges? If the European Union is promoting the principles of the digital single market, it seems key that we should support that initiative. The European Union has reversed quite an important commitment.

**Keith Brown:** Yes, we can find out exactly what the circumstances were, who was responsible and when the process is expected to be completed by. A lot of change has already taken place. I was in Milan on Monday and got the usual message about the cost of calls and texts, which was substantially less than the costs that I remember in recent years.

We will find out that information and write back to the committee on how that came about, who is responsible for implementing it and when the process will be completed by. We are happy to do that.

**The Convener:** Thank you very much, cabinet secretary. Obviously, we have time constraints this morning, but we have additional questions for you. If we can write to you with them, that would be very helpful. Specifically on youth employment, we have information that the youth guarantee has been criticised and that there is a question mark about it within Europe. Some details on that matter—for example, what the targets are, whether they have been met and how many jobs are involved—would be really helpful in informing the committee's work.

Youth employment, broadband and a few other things are the main topics for the committee. We keep a close eye on them. Anything that can help to inform the process would be very gratefully received.

On behalf of the committee, I thank you very much for coming along and answering our questions.

I suspend the meeting for five minutes to allow people to get a quick comfort break.

10:45

*Meeting suspended.*

10:50

*On resuming—*

## Committee of the Regions

**The Convener:** Welcome back to the European and External Relations Committee. Agenda item 3 is consideration of a report from the Scottish Parliament's members of the Committee of the Regions. Stewart Maxwell sends his apologies. He is unable to be here to present his report because he is a member of the Devolution (Further Powers) Committee, which is meeting at the same time.

Members have the report in their papers.

**Willie Coffey:** I am grateful to our colleague Stewart Maxwell for providing the report. He informs us that one of the committees is going to begin an inquiry into the digital single market. I would be keen to keep in close touch to see what the scope of that inquiry might be and whether there is any possibility of the European and External Relations Committee feeding into the inquiry and asking it to consider particular matters.

**The Convener:** We can ask about that.

**Hanzala Malik:** I agree.

**Roderick Campbell:** I notice that, at the 110th plenary session, Cecilia Malmström made a statement about the transatlantic trade and investment partnership. That seems to have faded away. Can we inquire what involvement the Committee of the Regions is having with the TTIP debate?

**The Convener:** Yes, we can ask about that as well.

**Adam Ingram:** I am a relatively new member of the committee. I assume that our parliamentary members of the Committee of the Regions would normally come along and have a wee chat with the committee about what is going on. Is that correct? That would be helpful.

**The Convener:** There was no formal mechanism for the Committee of the Regions to communicate with the committee. The European and External Relations Committee set up the process and that is why we now get the six-monthly report. As you can see, they pack a lot into the work that they do—some of it is very topical and some of it is on-going. It is a new phenomenon and we have been developing it as we go along. However, you are right in saying that the member would usually come to the committee; that is why Stewart Maxwell sent his apologies this morning. The previous time, Patricia Ferguson provided her report, but she is in a similar situation in being on another committee that meets at the same time. That makes it difficult but, as you can

see, it is a comprehensive report and those members are happy to answer questions.

**Adam Ingram:** It would be useful if we could get a mutually agreed time for the members to come along and have a general discussion. It need not be terribly onerous, and it would be helpful to have an exchange of views.

**The Convener:** We can look at that for the new sitting period, which starts in September.

**Hanzala Malik:** Did we not agree to ask Patricia Ferguson to come back and give us a verbal report as well, even though she was not able to make it on that day?

**The Convener:** The members take turns to present the report over a six-month cycle.

**Hanzala Malik:** Nobody has given a verbal report.

**The Convener:** That is what Adam Ingram is asking for. We will try to set that up for the sitting period that starts in September.

**Hanzala Malik:** I would be happy with that.

**The Convener:** Are we happy to circulate the report to the relevant subject committees and alert the Rural Affairs, Climate Change and Environment Committee to some particular issues that have come up in the report?

**Members** *indicated agreement.*

## Scottish Government Reports

10:54

**The Convener:** Item 4 is consideration of reports from the Scottish Government. Members have a pretty substantial paper that includes updates on horizon 2020 and foreign language learning as well as our usual update on the transposition of EU directives. Are there any questions, comments or requests for clarification?

**Hanzala Malik:** I am not sure how well we are doing on the language scheme or how many more schools—if any—have joined. I am trying to get a practical hold on whether we have increased our language bank and whether other schools have joined in.

We were going to monitor secondary schools to see whether, once the children have graduated from primary school and moved on to secondary, those languages are available to them to complement what they have previously learned. We do not have detailed information on that, but perhaps we could get it at some stage.

**The Convener:** There is an implementation process paper attached. A section of the letter from Alasdair Allan states:

“Since my previous update, implementation of the 1+2 policy has gathered pace”.

We need to know what that pace has been.

**Hanzala Malik:** Yes, please.

**The Convener:** We can ask for that information.

**Anne McTaggart:** My experience on several cross-party groups suggests that the one-plus-two language policy is not working very well at all. Dr Allan highlights in the update that

“Michael Russell MSP has agreed to sponsor a Parliamentary Reception on Thursday 24 September”.

It will be important for some of our cross-party groups to get involved in that, alongside MSPs. It concerns me that we are not punching above our weight.

**The Convener:** We need some detail on that.

**Anne McTaggart:** Absolutely.

**Roderick Campbell:** On the same point, page 4 of the update states:

“Local Authorities have ... been asked to provide a strategic update to help build a picture of how provision is developing in Scottish schools since their strategies were submitted in 2014”.

It might be an idea to ask the Scottish Government to give the committee an update when those submissions have come in.

There are some positives in Dr Allan’s update. The vast increase in the number of language assistants seems to be a positive.

**The Convener:** That area was a concern, because numbers had dropped greatly. A few weeks ago, we received feedback from the British Council that it has managed to push the numbers up, too.

There are a number of positives in the update, but we need clarification on how well the Government is doing in some areas.

We will move on—very swiftly; well done everyone—to a paper—

**Jamie McGrigor:** Convener, I want to come back in with one little point that I meant to raise on the languages update.

**The Convener:** Yes, of course.

**Jamie McGrigor:** The update states:

“Interest in the LA programme continues to grow: provisional numbers for the coming academic year are an increase of 100%”.

Can we get the actual figure? An increase from one to two would be an increase of 100 per cent, if you know what I mean. It would be quite interesting to see that figure.

**The Convener:** We visited many more projects than just one—

**Jamie McGrigor:** I know.

**The Convener:** That is part of the detail that we should ask for.

**Jamie McGrigor:** Okay.



## Transatlantic Trade and Investment Partnership

10:59

**The Convener:** Item 5 is a paper on the transatlantic trade and investment partnership. We have a letter from Cecilia Malmström, with an update and a response to the committee's inquiry.

The Scottish Parliament information centre will publish a research paper for the committee for when we return on 3 September, which will provide an update on what has happened in the intervening months since the completion of our committee inquiry and since we received the letter from Cecilia Malmström.

We have yet to receive a response from the UK Government to our committee inquiry paper. I may seek the committee's support to write again to the UK Government, asking it for a response. We have had a response from the EU, so one from the UK would be helpful.

11:00

**Roderick Campbell:** I note that point. I lodged a question on discussions that might be taking place concerning Cecilia Malmström's possible meetings with representatives of the Scottish Government. I believe that I have not received an answer to that question yet. When I do, I will share it with committee members.

It will be good to have that SPICe update in September. We know that the EU Committee on International Trade will meet on 29 June to consider whether the more than 100 amendments that were to be considered by the full European Parliament this month will be discussed in September or whether some other arrangement will come to pass.

**The Convener:** That is a postponement from the meeting that took place a few weeks ago, is it not?

**Roderick Campbell:** Yes. I understand that the trade committee will meet on 29 June.

As our European representatives are at the cutting edge of the issue, it would be helpful if we could include in our work programme a session with members of the European Parliament, either by videolink or otherwise, to discuss where we are with regard to TTIP. Perhaps we could schedule that for early in the autumn.

**The Convener:** That would be valuable.

**Anne McTaggart:** I do not know whether this has been covered, but there has been an offer from Cecilia Malmström to meet the Cabinet

Secretary for Finance, Constitution and Economy, John Swinney. Has a date for that been set?

**Roderick Campbell:** That was the point of the question that I just mentioned. I wanted to focus on the current position. However, that question is, as yet, unanswered.

**Anne McTaggart:** Is it possible that Cecilia Malmström could meet the committee after her meeting with Mr Swinney?

**The Convener:** We can ask. Given that she has been good at communicating with us, I hope that, if she were in Scotland, she would take advantage of the opportunity to meet the committee either formally or informally.

**Anne McTaggart:** On the other point, I agree with Roderick Campbell that it would be a superb idea for the committee to be involved with our MEPs, whether we do that via videolink or in face-to-face meetings.

**Hanzala Malik:** We have a visit coming up.

**The Convener:** The group of us who are going to Strasbourg in October have managed to secure a sit-down with the MEPs who are out there. There will be a plenary session at the time and I think that there might be a focus on some of the issues that have been raised today.

**Adam Ingram:** Cecilia Malmström's letter says that she would be

"delighted to consider arranging a visit to Scotland".

I wondered whether we had had any further communication with her office regarding a possible meeting.

**The Convener:** I think that we should offer her accommodation here.

**Hanzala Malik:** Or in Glasgow.

**Willie Coffey:** In her letter, Cecilia Malmström says that she made a joint declaration with her US counterpart, confirming that TTIP will not

"require EU or US governments to privatise any service".

That is not quite the same as saying that they have no intention of doing so. Not requiring privatisation does not mean that, ultimately, it will not happen. That is where the public concern lies. It is not abundantly clear that the people behind the treaty have no intention of doing that. That might be to do with the semantics of the letter, but I hope that we can further tease out the issue if Cecilia Malmström comes to the committee.

**The Convener:** We can consider that and try to clarify it. However, the next sentence in the letter is about not being able to comment on

"whether there is a need for the UK Government to offer any additional protections."

That is where the issue arises for us in this Parliament. Does the UK Government have to ask for that reservation on behalf of Scotland or is that handled by our intergovernmental communications in the UK? It is not clear whether, unless the UK specifically asks for that reservation, we will be left open to some of the requirements of any policy paper or policy intention. That is the key question for me.

We can ask all those questions and invite the commissioner to Scotland so that, I hope, we can have a much more in-depth discussion on all those issues.

We will set up a meeting with members of the European Parliament as early as possible after the summer recess and we will ask further questions of, and seek clarifications from, Commissioner Malmström and invite her to attend the committee. Does that cover everybody's requests?

**Roderick Campbell:** We are also going to ask SPICe for advice.

**The Convener:** Yes, and we will chase up the UK Government's response to our inquiry report.

Are members happy with that?

**Members** *indicated agreement.*

## “Brussels Bulletin”

11:06

**The Convener:** Agenda item 6 is the “Brussels Bulletin”.

**Willie Coffey:** There is a slight change of tack for me on the “Brussels Bulletin”. On page 3, there is an important item on the dairy issue and milk prices. That issue does not affect just Scottish milk producers—throughout Europe, there is absolutely no stability in pricing for milk—but it is particularly an issue in Scotland. It is potentially seriously damaging and it threatens the industry.

The bulletin talks about the concerns and says that there is some kind of basket of “tools” available with which to try to influence the issue and bring about a wee bit of stability for our farmers and milk producers. I am keen to find out exactly what those tools are and what the intention behind deploying them might be, so that we can see whether they might assist Scottish farmers and milk producers to get a fair price for their milk and a consistent and stable price that lasts for a period of time and does not go up and down like a yo-yo, as it does at the moment.

**The Convener:** The Parliament's Rural Affairs, Climate Change and Environment Committee has just started an inquiry into milk prices in the dairy sector, so maybe the way to address the issue is to keep in close contact with our colleagues on that committee.

**Jamie McGrigor:** I was going to raise that point. Some of my constituents in the Campbeltown area in Kintyre have been getting 13p to 16p for their milk, when it costs them 24p to produce it. Most of them are members of First Milk. It is a real crisis, so I hope that something will be done quickly. Something needs to be done quickly.

**The Convener:** We should maybe look at the criteria that the Rural Affairs, Climate Change and Environment Committee has set for its inquiry and see what it involves.

**Hanzala Malik:** I am a member of the Public Petitions Committee, and there was a petition by a farmer who feels that their human rights were infringed when the pricing was set in the first place. I just want to point out that aspect. We need to be careful about how we address the issue so that there are no losers—that is important. We might want to share that with the Rural Affairs, Climate Change and Environment Committee so that, in its deliberations, it can try to ensure that we do not end up with people on the losing end. The idea is to ensure that there is a win-win for all of us and, most important, to protect our industry. We should advise the Rural Affairs, Climate

Change and Environment Committee of that fact. It might already know that but, just in case it does not, it would be nice to let it know.

**The Convener:** We should ensure that that section of the “Brussels Bulletin” is highlighted to that committee with our comments.

**Roderick Campbell:** On biodiversity, I am interested in the study by the non-governmental organisation BirdLife International, which has requested that the Commission

“start working on a targeted and effective biodiversity conservation policy”.

Could we follow through on any response to that from the Commission?

**The Convener:** Absolutely.

I draw members’ attention to the section at the back of the bulletin, which is a SPICe paper on the anti-money laundering legislation—an issue that a number of MSPs have raised with the committee. The paper is fairly detailed, and I know that the chief executive of the Parliament has been doing some work on what it means for us all. Some overzealous banks might be getting a bit ahead of themselves on some aspects of the matter. It is a detailed paper that gives us an update on the fourth anti-money laundering directive, which was adopted only a few weeks ago.

My inclination is to ensure that the chief executive of the Parliament gets a copy of the paper, which could then be distributed directly to all MSPs to ensure that they understand what the phrase “politically exposed person” means and the impact that the measures will have on their day-to-day financial transactions. Do members agree to that approach?

**Members** *indicated agreement.*

**Hanzala Malik:** I add a cautionary note. Perhaps we can do something on public awareness. I saw a television programme in which a youngster was prevented from leaving the UK because he had a large sum of money and he could not produce evidence, there and then, of where it came from. People need prior knowledge so that they can ensure that they have evidence if they are taking large sums of cash abroad for business or pleasure. It is important that we disseminate that information to the general public.

**The Convener:** I hope that individual members will help with that as well.

**Roderick Campbell:** It is a good point that we should disseminate the information to members of the Parliament so they are fully aware of the issue. I have personal experience of the issue from some time ago, but I am sure that plenty of members are not aware of it at all.

**The Convener:** You are not alone. Many members have contacted me, in my capacity as the convener, to discuss the issue. That is why we commissioned SPICe to provide the information. I know that the chief executive and the Scottish Parliamentary Corporate Body are working hard to ensure that people get the right information. It is an important paper and a great example of how something that comes from Europe has an impact on us that we do not realise it until it is right on us. Horizon scanning is always a good thing. It is a good paper and I thank SPICe for putting it together so quickly. We should keep a weather eye on the issue.

That completes our business in public, and we will now move into private. I thank everyone for coming.

11:12

*Meeting continued in private until 11:22.*



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