



**OFFICIAL REPORT**  
AITHISG OIFIGEIL

# Rural Economy and Connectivity Committee

**Wednesday 20 December 2017**

**Session 5**



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**RURAL ECONOMY AND CONNECTIVITY COMMITTEE**  
**37<sup>th</sup> Meeting 2017, Session 5**

**CONVENER**

\*Edward Mountain (Highlands and Islands) (Con)

**DEPUTY CONVENER**

\*Gail Ross (Caithness, Sutherland and Ross) (SNP)

**COMMITTEE MEMBERS**

- \*Peter Chapman (North East Scotland) (Con)
- \*John Finnie (Highlands and Islands) (Green)
- \*Rhoda Grant (Highlands and Islands) (Lab)
- \*Jamie Greene (West Scotland) (Con)
- \*Richard Lyle (Uddingston and Bellshill) (SNP)
- \*Fulton MacGregor (Coatbridge and Chryston) (SNP)
- \*John Mason (Glasgow Shettleston) (SNP)
- \*Mike Rumbles (North East Scotland) (LD)
- \*Stewart Stevenson (Banffshire and Buchan Coast) (SNP)

\*attended

**THE FOLLOWING ALSO PARTICIPATED:**

- George Burgess (Scottish Government)
- Fergus Ewing (Cabinet Secretary for Rural Economy and Connectivity)
- Robbie McGhee (Scottish Government)
- Lee Shedden (Scottish Government)
- Annabel Turpie (Scottish Government)
- Humza Yousaf (Minister for Transport and the Islands)

**CLERK TO THE COMMITTEE**

Steve Farrell

**LOCATION**

The Mary Fairfax Somerville Room (CR2)



## Scottish Parliament

### Rural Economy and Connectivity Committee

Wednesday 20 December 2017

*[The Convener opened the meeting at 10:01]*

### Decision on Taking Business in Private

**The Convener (Edward Mountain):** Good morning everyone and welcome to the 37th meeting in 2017 of the Rural Economy and Connectivity Committee. I remind everyone present to ensure that their mobile phones are on silent.

Agenda item 1 is a decision on taking—*[Interruption.]* Sorry, is the sound quite right? There is an awful echo. I will push on.

Item 1 is a decision on taking item 4, which relates to draft budget scrutiny for 2018-19, in private. The committee is also asked to take in private at future meetings reports on the draft budget and on the Islands (Scotland) Bill. Do members agree to take those items in private?

**Members** *indicated agreement.*

## Draft Budget Scrutiny 2018-19

10:01

**The Convener:** Under item 2, we will take evidence from the Scottish Government on the draft budget 2018-19.

I invite members to declare any interests relevant to farming and transport. To kick things off, I declare that I am a member of a farming partnership. That is disclosed in my entry in the register of members' interests.

**Peter Chapman (North East Scotland) (Con):** Likewise, I am a partner in a farming business in Aberdeenshire.

**John Finnie (Highlands and Islands) (Green):** I am a member of the Nation Union of Rail, Maritime and Transport Workers parliamentary group and the cross-party group on rail.

**Stewart Stevenson (Banffshire and Buchan Coast) (SNP):** I have a small registered agricultural holding. I am honorary president of the Scottish Association for Public Transport and honorary vice-president of Railfuture UK.

**Rhoda Grant (Highlands and Islands) (Lab):** I am an honorary vice-president of the Friends of the Far North Line and a member of several cross-party groups—there are too many to mention.

**Gail Ross (Caithness, Sutherland and Ross) (SNP):** I am also an honorary vice-president of the Friends of the Far North Line—*[Interruption.]*

**The Convener:** I will briefly suspend the meeting while we sort out the sound system.

10:03

*Meeting suspended.*

10:15

*On resuming—*

**The Convener:** There are some problems with the sound system, but we will work through that. I remind everyone that this is the 37th meeting in 2017 of the Rural Economy and Connectivity Committee. We got through item 1 and are now on item 2.

We will take evidence from the Scottish Government on the draft budget for 2018-19. We have declared our interests. I welcome from the Scottish Government Fergus Ewing, Cabinet Secretary for Rural Economy and Connectivity; Humza Yousaf, Minister for Transport and the Islands; Lee Shedden, financial controller at Transport Scotland; George Burgess, deputy director for food, drink and trade; Robbie McGhee,

head of digital connectivity policy; and Annabel Turpie, chief operating officer for rural payments.

I am happy to allow the cabinet secretary to make an opening statement but, as we have lost 16 minutes of the allocated time for the meeting and we want to ask a considerable amount of questions, could you ensure that your opening statement is no longer than 4 minutes—and shorter than that if possible?

**The Cabinet Secretary for Rural Economy and Connectivity (Fergus Ewing):** In the interests of, as always, being helpful, I have truncated my script—in fact, you will be pleased to hear that I have taken a calligraphic machete to it, so it is foreshortened.

Our overarching aim is to grow the rural economy and to support wider connectivity through an integrated approach to inclusive economic growth. We will do that through a large number of measures: delivering a reformed common agricultural policy; enabling all to access superfast broadband by 2021; enabling and encouraging sustainable development, enterprise and investment in the rural economy; building on success in our world-class food and drink and forestry sectors; repopulating and empowering rural, coastal and island communities; investing in low-carbon transport; promoting active travel; providing vital transport links; delivering better journey times; reducing emissions; and providing greater quality, accessibility and affordability in public transport. Those measures are all against a backdrop of a 2 per cent, or £60 million, reduction in the £2.8 billion rural economy and connectivity portfolio budget.

I highlight three areas that the committee may be interested in. First, we will continue to support the growth of our food and drink industry through funding for the delivery of the ambition 2030 strategy.

On digital connectivity, I am delighted to reconfirm the announcement that the Scottish Government will invest £600 million to extend superfast broadband access to every home and business across Scotland by the end of 2021. I covered that yesterday, so I have eliminated the vast swathes of text in my opening remarks on that issue.

On physical connectivity, we will improve journey times and connections, cut emissions, improve quality, accessibility and affordability, and double the amount of investment in active travel to £80 million a year.

We have increased the budget for bus services and concessionary fares from £254 million to £269 million. That includes £10 million of new funding for loans to tackle bus fleet emissions, to improve air quality, to maintain the budget to support bus

services, to encourage green buses and to continue our commitment to free bus travel.

We will invest in the maintenance and operation of Scotland's trunk roads and motorways, to maintain the safety and serviceability of the network. We are committed to a large number of major infrastructure projects. Again, I have eliminated the detail in my opening remarks. Perhaps my colleague, Mr Yousaf, can touch on that if he is asked about that in questions. It is safe to say that I am very pleased that this year we will continue the design and development work in dualling the A9 and A96, and commence construction in dualling the A9 from Luncarty to Birnam.

We will continue to support ferry services on the Clyde and Hebrides, Gourock to Dunoon and northern isles routes, protect the road equivalent tariff on the Clyde and Hebrides ferry services, and reduce passenger and car fares on ferry services to Orkney and Shetland.

We will continue our significant investment in railways. Again, I will spare you the detail in the interests of time.

That opening statement was well short of 4 minutes. I am happy to answer questions.

**The Convener:** Thank you very much, cabinet secretary. I remind everyone that the committee has conducted some pre-publication budget scrutiny on the food and drink sector, so we will follow up that work with questions for the cabinet secretary. We will also be discussing other areas of the budget: European Union support and related services, rural services, the Forestry Commission, digital connectivity and, of course, transport.

I am very grateful that the Minister for Transport and the Islands has agreed to forgo his opening statement to allow us to move straight to questions.

**Mike Rumbles (North East Scotland) (LD):** My question is overarching. I have gone through the draft Scottish budget for 2018-19 and looked at table 2, on page 186, on total managed expenditure, which comes under the heading "Portfolio Spending Plans" in annex B. I am puzzled that, out of all the Government departments—health, finance, education, justice, economy and so on—the only one that suffers a decrease in actual spend, according to table 2, is the rural economy and connectivity department. Can you explain why it is the only department that is suffering a cash loss?

**Fergus Ewing:** I thought that your question was going to be about food and drink, but it veered off that issue. Is your question about the rural budget as opposed to—

**The Convener:** It is an overarching question on the budget. The questions will come in a variety of orders. Can you answer that first question?

**Fergus Ewing:** I genuinely did not understand the question. Are you asking why the rural budget is, according to Mr Rumbles, being treated differently from the budgets for other directorates, such as education, employment and so on? I do not know.

**Mike Rumbles:** Since receiving the budget document, I have spent the weekend looking right through it. I assume that all the ministers have pored over it as well. If you have not got the document in front of you, I will try to help. My question refers to the portfolio spending plans of all Government departments, which are in table 2, under annex B, on page 186. According to the table, the rural economy and connectivity department is the only one that has a reduction in total managed expenditure, from £2,866 million last year to £2,806 million this year—a reduction of £60 million. It is a genuine question.

**Fergus Ewing:** As I said in my truncated opening statement, our budget has had an overall reduction of 2 per cent. The treatment of other directorates is a matter for Mr Mackay. I am responsible for my portfolio budget, and I am here to answer questions about that.

**Mike Rumbles:** I am asking a question about your portfolio budget. There is a discussion among cabinet secretaries on their departments. Your department is the only one that has suffered a cut. Relative to other departments, can you explain why that is the case?

**Fergus Ewing:** That is a question for Mr Mackay. I am here to answer questions about the REC budget, and I will do that.

**The Convener:** I am sure that the cabinet secretary will have seen the Scottish Parliament information centre briefing, which highlights that issue. We will leave it there. I am sorry, but I do not think that you will get more of an answer to your question, Mr Rumbles.

**Mike Rumbles:** I am sure that I will not.

**Peter Chapman:** My question is on the overall food and drink budget. We have a bold ambition to double the value of Scotland's food and drink industry to £30 billion by 2030, which is only 12 years away. I support that very ambitious target. However, 5 per cent growth year on year is necessary to achieve that target. The target is certainly ambitious, but is it realistic?

James Withers, the chief executive officer of Scotland Food & Drink, said:

"it would be helpful to have greater clarity about the areas of funding and the scale of investment."—[*Official*

*Report, Rural Economy and Connectivity Committee, 15 November 2017; c 2.]*

Does the cabinet secretary have a clear view of the strategic direction of the spending priorities to support the ambition 2030 strategy?

**Fergus Ewing:** Yes, we do. For our strategic vision, we work with the private sector to achieve the high aspirations that are set out, as Mr Chapman said, in ambition 2030. Of course, most of the growth will result from private sector investment. There is the tremendous success of our food and drink sector in, for example, our whisky, gin, salmon, potato, soft fruit, sea fish and shellfish sectors. All those sectors have entrepreneurial businesses that, for the most part, create their own growth, but on some occasions that is helped by the public sector. However, that success will largely be delivered by the private sector, with the public sector providing support. Our role is to focus on areas where the use of public money can provide added value.

I can think of five or six excellent examples of how the investment of taxpayers' money in the food and drink sector is already producing extra value. However, the main answer to the question of how the ambitious target will be delivered is that it will largely be delivered by our remarkably successful food and drink sector, and by individual businesses and people within it. Increasingly, the tourism sector is related to that as well.

**Peter Chapman:** I thank the cabinet secretary for that report. However, I go back to the quote from James Withers, who said:

"it would be helpful to have greater clarity about the areas of funding and the scale of investment."—[*Official Report, Rural Economy and Connectivity Committee, 15 November 2017; c 2.]*

The investment comes under various headings and it is somewhat of a minefield for companies to find the best way forward to gain that support to grow their business and achieve the ambitious target. Can the cabinet secretary comment on what seems to be a fairly tortuous process to find a way through the various support schemes? Could it be made simpler?

**Fergus Ewing:** It is inherently complex, but I do not see it as a minefield; rather, I see it as a successful partnership of the Scottish Government, Scotland Food & Drink and individual companies working together. I can give some examples. Some of the public money is used in marketing for the connect local service from Scottish Development International, which has 11 in-market specialists who work in locations around the world—from California through to Singapore and Japan—as part of the 2017 to 2020 programme. Those 11 people, whom I met recently, work with others and their efforts have

helped to deliver a £50 million growth in exports. They have sold oatcakes to California, for example, and cheese to France, which is not something that we would have thought likely, given France's pre-eminence in the production of high-quality cheeses.

Scottish businesses are succeeding all over the globe and we have invested in 11 individuals, who are basically super salespeople, to promote Scottish produce all over the world—getting Scottish cheese into American supermarkets, for example. That is a very successful example of spending to accumulate.

Another example is the biennial showcasing Scotland event, which took place in Gleneagles hotel just a couple of months back and which brings together buyers from around the world and Scotland-based companies. I attended the recent event and saw 100 buyers from 17 key markets meeting 150 of our suppliers; and there were over 3,000 speed-dating sessions between Scottish companies and international buyers. I spoke to about 20 or 30 of those buyers at a reception at Gleneagles and found that they were all bowled over by the high quality of Scottish produce. Our clean, pure atmosphere and water—the provenance of our food and drink—was a huge selling point in comparison with other parts of the globe. The benefits from the event two years ago—it is just one event in one hotel—were worth £33 million and the benefits from this year's event are estimated to be worth £50 million.

10:30

Those are just two examples. I could go on to talk about procurement and the food for life programme in schools. I visited East Ayrshire recently, and the amount of money that East Ayrshire Council spends procuring food from local farmers—like you, Mr Chapman, only in Ayrshire—is superb; it is supplying high-quality, nutritious, locally produced food to pupils. Eleven local authorities participate in the programme, and we are investing to get the other 21 to do so.

Overall, the proportion of food from Scotland that the public sector procures has gone from 39 to 48 per cent over the past 10 years. Across the piece, we work closely with Scotland Food & Drink—indeed, I see James Withers more than I see many members of my family; we could not work more closely and effectively. I do not think that there is a “minefield”. I think that there is an ocean of opportunity, which Scottish businesses are grasping, with our help.

**Peter Chapman:** A final point—

**The Convener:** Sorry. I thank the cabinet secretary for that very full answer. We are very

pushed for time in this meeting and we lost time at the beginning. That was quite a long answer—

**Fergus Ewing:** They were good examples, though.

**The Convener:** Cabinet secretary, with the greatest respect, when I am talking I would appreciate it if you let me conclude. That was a very long answer and I ask you, please, to keep your answers as short as possible.

**Peter Chapman:** My question is short. Could and should more of the money be channelled through Scotland Food & Drink? Is that a way forward?

**Fergus Ewing:** We are already in partnership with Scotland Food & Drink and I think that the plans that we have strike a good balance.

**Gail Ross:** Cabinet secretary, you outlined—really quite succinctly—how the Scottish Government works with different companies to promote the food and drink sector. The Scottish Fiscal Commission forecasts economic growth of less than 1 per cent. As Peter Chapman said, if we are to achieve our ambitious plans by 2030, we will need a growth rate of around 5 per cent per annum. Is the Scottish Government providing enough funding to achieve that?

**Fergus Ewing:** We are playing our part with the resources that we have in a tight budget settlement.

We are seeing remarkable progress towards meeting our forestry target of planting 10,000 hectares per annum; we are close to achieving our target and will do so fairly soon, and the rate of increase is way over 5 per cent. I am just back from the fishing negotiations, and I can say from memory that the total value of the quotas for the fishing fleets was around £400 million—we gained a £44 million increase in that regard, which is a 10 per cent increase, is it not?

In our farming sector, I am struck by the entrepreneurship of farmers and the success and efficacy of co-ops. The Scottish Agricultural Organisation Society is working to support farmers in that regard. I am struck by the drive of the new blood, including Mr Chapman's son—if I may say so—who recently won a distinguished award at the AgriScot event. Good luck to him. There is a whole cohort of new-generation farmers, who are doing extremely well. They are taking advantage of opportunities, using new technology and farming in a greener fashion, and they are able to achieve a growth rate of more than 5 per cent.

It is primarily the businesses in the sector and not the Government that will drive growth. The Government is there to oil the wheels, to give support, to provide European maritime and fisheries fund money for our ports and harbours,



and to provide food and marketing grants, all of which are predicated on the continuation of the funding that we have come to expect from the CAP. The big question, again, is Brexit and whether that funding will be available to Scotland, particularly the islands and rural Scotland, which have been the main beneficiaries of the less favoured area support scheme—in relation to which I was delighted to be able to maintain support at 100 per cent rather than accept a cut to 80 per cent of the existing level.

**John Mason (Glasgow Shettleston) (SNP):** You used the phrase “oil the wheels”. When we spoke to witnesses from the food and drink sector, they talked about transport and the importance of being able to move their high-quality products around.

The A9 and the A96 have been mentioned, which are major roads with major investment. Does the Government plan to do much work on the more intermediate roads, such as the A85 Perth to Crianlarich, the A82 Glasgow to Fort William and Inverness and the A830 Fort William to Mallaig? Will those roads get investment?

**The Minister for Transport and the Islands (Humza Yousaf):** Working with stakeholders in the food and drink industry is hugely important. Some of the roads that John Mason mentioned are good examples. There have been a lot of calls for us to invest more in the A77 and the A75, with a particular focus on the ports at Cairnryan, because a lot of food and drink cargo travels on those arterial routes. As a Government, we listen to stakeholders and take action where we can. John Mason mentioned the A82. He might be familiar with the Tarbert to Inverarnan scheme. The hauliers in the freight industry told us that we need to make that road wider, because there are a lot of tight spots where heavy goods vehicles might clip their mirrors. We took that on board and agreed to widen the road, at a cost to the Government. That is an example of how we listen to the food and drink industry and other hauliers of cargo and intervene when we can.

On the roads that John Mason mentioned, we are going through a process. The national transport strategy, of which the member is aware, will feed into the strategic transport projects review, which is the main document on future investment in our road infrastructure. We will of course explore the roads that he mentioned, but whether they get future investment will depend on spending priorities, budget constraints and a range of other factors.

**John Mason:** Will you prioritise roads that are crucial to the food and drink industry? We have huge ambitions for growing exports, which we all support. The A82 between Tarbert and the top of

Loch Lomond is a sticking point. If the industry identifies priorities, will you listen to it?

**Humza Yousaf:** That is certainly a factor, but bear in mind that we as a Government have an ambition to move cargo and freight, such as timber and food and drink, from road to rail. The cabinet secretary is doing a power of work on that. We are on the cusp of some exceptionally exciting game changers in that respect. Of course we would take the industry's views into account, but we try to look for a holistic solution that does not just focus on the road but involves moving freight to road to rail.

**Fulton MacGregor (Coatbridge and Chryston) (SNP):** When we took evidence from two panels recently there was a bit of discussion about devolved tax measures. Will there be a full review of the business rates system—if that is on the radar—and will there be an extension of the small business bonus scheme?

**Fergus Ewing:** This is not my particular area, but I understand that there has recently been a review. The Barclay review, which was carried out by Ken Barclay, the distinguished former banker, Nora Senior and Professor Russel Griggs, made a series of recommendations, the vast majority of which the Cabinet Secretary for Finance and the Constitution, Derek Mackay, announced that he is taking forward. I am very pleased that that is the case. I know that the work that is being taken forward involves a review of specific matters that perhaps do not hit the headlines. For example, there will be a review of the way in which the renewable hydro field is rated to avoid deterring small hydro schemes, in the light of high increases in the rateable values in hydro following revaluation. I mention that merely as an example. I know that I had better not go on for too long—I never do that, convener.

**Fulton MacGregor:** I have a quick supplementary on the Community Empowerment (Scotland) Act 2015. Are there any thoughts about whether we could do more to support the roll-out of that?

**Fergus Ewing:** I am sorry—I did not quite catch what you asked.

**Fulton MacGregor:** I was asking about the Community Empowerment (Scotland) Act 2015. Can we do any more to offer rates relief for local groups? The whole theme of my question is the tax issue.

**Fergus Ewing:** I am advised that the Community Empowerment (Scotland) Act 2015, with which I had no involvement, allows councils to create and fund their own local relief schemes to meet local needs and circumstances. To date, Aberdeen, Aberdeenshire and Perth and Kinross have utilised such powers to support local businesses, so I suppose that other local

authorities could perhaps look to what has been done in those three to see whether there are lessons to be learned. That is one aspect of the 2015 act. I am afraid that, because it is not in my portfolio, I am not particularly well versed in the detail of it.

**Richard Lyle (Uddingston and Bellshill) (SNP):** Good morning, cabinet secretary. Given the disaster that is Brexit, many thousands of overseas workers are now leaving these islands. To grow our food and drink industry, we need workers, so how can the Scottish Government support companies to have the workforces that they need? How can we support them in upskilling and reskilling their workforces in order to ensure that our food and drink industry grows?

**Fergus Ewing:** We provide support for training and education in a number of ways. Much of it is done through the orthodox system of universities, colleges and apprenticeships, including our headline target for the creation of apprenticeships. A lot is also done in the various sectors of the rural economy, and much of it is done by industry. For example, farming has co-ops, such as Ringlink, that provide excellent schemes. I have visited one that provides internships and training for young people to bring them into farming so that it gets new entrants, which is very important.

Mr Lyle is absolutely right to highlight a thematic problem that faces the whole rural economy, which is reliance on people who have chosen to make their lives in Scotland from Romania, Latvia, Estonia, Lithuania or Poland, for example. They are very welcome in Scotland, and the First Minister has just made absolutely clear our position that we want to be a welcoming country and that people who have made such choices should feel welcome here.

The whole Brexit experience has put a serious question mark over that. For example, I have learned from senior representatives of the fruit-picking sector that, already, they think that they have lost perhaps 10 per cent of people they formerly would have expected to work but who are not coming back—and that is before the season begins. The same reliance is the case across the whole rural sector—for example, in tourism and fish processing. In abattoirs, 95 per cent of official veterinarians come from the EU, and we cannot operate a quality meat sector without effective slaughterhouses. In the farming sector, that was certainly the mood at AgriScot, which I attended recently.

The desire is to cut the politics and to get answers and clarity—and to get them very quickly indeed. If that does not happen, businesses may simply be unable to operate in the rural and tourism economies. It is a very serious problem, but I sincerely hope that the Prime Minister will

turn her thoughts to it and tackle it. I know from discussions that George Eustice and Michael Gove are themselves painfully aware of it. It is a problem that everybody can see and to which everybody needs a solution more quickly. We are talking about a matter of weeks, if we think ahead to the seasons for potato and fruit picking, for example.

**Richard Lyle:** Thank you for that. My first job was as a grocery manager—I was in it for roughly 14 years. What steps can be taken to make the food and drink sector an attractive career of choice? Are you committed—I am sure that you are—to supporting the work of Skills Development Scotland to increase the diversity of the workforce? How effectively can all that be prioritised with current funds?

10:45

**Fergus Ewing:** We have a wide variety of measures. Plainly, some jobs are on low pay—we have to be quite candid about that—which is precisely why the Scottish Government introduced the living wage. I am encouraged by the steps that some major employers have taken. It is perhaps invidious to single one out, but recently I visited Aldi, which told me that it has a minimum level of pay for its staff, which it believes to be quite good in relation to others. That is an example that others can follow, and then people progress from that, up the pay scale. That covers one area.

In order to make careers attractive, we need to raise awareness of the possibilities that exist in the rural economy. We need to have mentoring schemes and to provide more learning opportunities through modern apprenticeships. I know from my travels that more apprenticeships are being delivered. The agricultural champion, Henry Graham, has produced an excellent set of recommendations, which I commend to the committee for its deliberations. The four agricultural champions have produced practical solutions and sensible suggestions that I hope are not being neglected, because they are very worthy of consideration. Mr Graham spent a lot of time looking at the area. He has worked closely with the rural economy to come up with a number of practical suggestions that I believe should be progressed in our future plans.

**Jamie Greene (West Scotland) (Con):** I want to start by looking at the budget that is relevant to the cabinet secretary's brief. For the benefit of the panel, I am referring to the rural services spending section on page 155 of the draft budget. The rural services budget is supposed to support sustainable rural development that delivers economic, environmental and community benefits, but it has been cut by 25 per cent. I appreciate the comments that the cabinet secretary made about

the Government's overall budget reduction, but the budgets for agricultural and horticultural advice and support and animal health have been cut drastically, and the budget for food industry support has gone down. How does that fit in with the Government's 2030 ambition?

**Fergus Ewing:** The overall budget reductions are as I have said they are. I have already made it clear that the achievement of our ambitions will be delivered largely by businesses. That is how an economy works. Government is not there to fund everything; it is there to assist and to provide essential public services that everybody relies on. It is not there to create economic growth on its own. When I was in business, I never got any help from Government. I did not expect any and, frankly, the less I saw of Government, the better. Quite a lot of businesses operate in that way—they get on with the business. The people in those businesses work extremely hard every day, around the clock, to deliver success in the rural economy. I do not think that there is an equation of the kind that Mr Greene suggests.

As far as the technical question is concerned, one of my officials would like to answer it.

**Lee Shedden (Scottish Government):** The issue here is that there is a large degree of variability between spending plans across different years, and the draft budget simply reflects the reprioritisation that takes place and the changing nature of the plans. The cut in the food and drink budget relates to capital that was not being spent. There is a capital pot in the wider REC budget that is available to support food and drink, should it be needed. That is the reason for that cut, but there are many variations across the budget lines.

**Annabel Turpie (Scottish Government):** With regard to the animal health budget, work is under way to scope a replacement for the ageing IBM computer system—

**The Convener:** Could you put that on hold, Annabel, because we will come back to the animal health budget? I want us to focus on food and drink for the time being.

**Annabel Turpie:** Apologies.

**The Convener:** Jamie, would you like to follow up on your initial question?

**Jamie Greene:** I appreciate what the cabinet secretary said—business has a vital part to play in creating economic growth. However, our job is to scrutinise the budget and how the Government will support the food and drink industry through the plans that have been set out. It seems to me that a 25 per cent cut in the rural services budget will not go any way towards supporting the industry. That was the rationale behind my question.

In a similar vein, the cabinet secretary mentioned the plans for export growth and taking brand Scotland overseas, but there is no real change in the level of funding for SDI in the budget. Will that not hinder rather than help the ambition to grow the work of SDI?

**Fergus Ewing:** I am not responsible for SDI but I do know that it always focuses on where expenditure can deliver the most success. The eleven in-market specialists have demonstrably produced enormously successful results for Scotland and Scottish business. George Burgess might be in a position to give further technical detail in answer to the fair question from Mr Greene.

**George Burgess (Scottish Government):** The element that you have picked out in rural services is only one small element of the wider food budget. The support through the food processing, marketing and co-operation scheme sits elsewhere in the budget and so there is no need for capital to be allocated here as adequate capital is available elsewhere in the budget.

On SDI, as the cabinet secretary has said, having the in-market specialists has already been very successful—that is protected. My responsibilities also include trade and, through the enterprise budget, there is additional funding for a doubling of SDI's presence in Europe. Some of that will be in support of food and drink across Europe, our most critical market.

**Jamie Greene:** To clarify for the benefit of the committee, you mentioned that that particular budget is only a small part of the overall food budget.

**George Burgess:** Yes.

**Jamie Greene:** Could you give us an overview of the overall budget and whether it has gone up or down compared with last year? If you do not have the information to hand, you are welcome to send it in writing.

**George Burgess:** I can certainly provide details of how the budgets break down. A number of other budgets in the portfolio support food and drink industries, at least in part.

**Jamie Greene:** That would be appreciated.

**The Convener:** It would be very helpful if that could be submitted in writing.

**Mike Rumbles:** I will ask the officials this, as the minister was not able to elucidate the £60 million fall in the budget. If the panel is sending information to the committee on whether the food and drink industry budget has had cuts, could that be expanded to show what has happened with the budget going from £2,866 million to £2,806 million? Where is the £60 million cut taking place?

That is a fundamental question. If officials could write to the committee with that information, that would be very helpful.

**The Convener:** That is a valid point. Considering the tight timetable, the response needs to be almost immediate to enable the committee to complete its report on time. Before we leave food and drink and move on to other areas in the budget—

**Fergus Ewing:** I can give some of the answer to the question now. I have six bullet points which I can read out, if you wish, or I can write to you.

**The Convener:** Considering the timescales, and not only for this meeting, it would be very helpful to have a written response as soon as possible.

Before we leave this subject, the Scottish food and drink industry has built on the successes of some key players such as the whisky industry and those in salmon production and other areas of production. There are some other areas of production where adding value could lift them to the next stage. Where have you allowed for that within the budget and what promotion will you be carrying out to non-key sectors to try to help them to deliver the 2030 target that we are looking for?

**Fergus Ewing:** That is a very fair question. There are two answers. One is to provide assistance to small businesses that are being successful to help them to make the step up in scale. For example, where a business has gone from being a small local business to supplying a supermarket 365 days a year, that involves expanding the business and business skills. Therefore, we are introducing a scheme that will encourage, help, mentor and assist those businesses to make that leap. I have discussed that in many meetings with most of the major supermarkets.

That is a form of business support in our food and drink budget that will help to produce tomorrow's Barr's, Walkers and Graham's. Many of our food and drink businesses started off as family businesses some generations ago and made that step up. We want to encourage others to do that. Supermarkets come in for a lot of flak, but they provide help to smaller suppliers by promoting them to help them grow.

Let me take the example of shellfish. Scottish shellfish are delicious and our shellfish products are enjoyed all over the world—exports to Europe are particularly important, but also exports further afield. There are constraints on growth in that sector. I heard about that at the recent annual meeting of shellfish producers. Better marketing would assist.

Similarly, the Scottish pelagic sector is highly successful, but the Norwegians have dominated certain markets, such as Japan. Although it is not included in the current year's spend, there are opportunities to break into and establish a presence in major international markets in the pelagic sector. Mr Stevenson will be well aware of that.

In the drinks sector, artisan gin distillers, for example, have come on in leaps and bounds over recent years. Some of those producers want to make the step up. Similarly, there are lots of small businesses in real ales, beers and ciders that have a presence on the shelves of major retailers and want to take that next step.

That was a very good question, convener. There are many businesses in Scotland and, if they get the right support and advice and put in the effort, some of them could make the step up to become major players, which would be terrific.

**Peter Chapman:** We have heard lots about cuts to various budgets, but one budget line has increased spectacularly—the LEADER fund, which has gone up 127 per cent from £10.1 million to £22.9 million next year. That appears to be very good news. However, why is there so much extra money in the LEADER fund and what outcomes will we get from that extra spend?

**Fergus Ewing:** Mr Chapman is quite right to say that the estimated spend has increased. That is a facet of the LEADER programme, which has a slow start, with spend peaking around years 4 and 5. Projects tend to be to establish community facilities, for example—the first two or three years are the planning stage, which is followed by the implementation stage. It is in the nature of the programme—and the previous programme—for the spending peak to come around year 4 or year 5.

The uncertainty around Brexit has led to three responses to funding being committed. Local action groups have either accelerated spend, paused spend or carried on as usual. As a consequence, the spend has been realigned to reflect the differences in commitments and forecast spend. I hope that that explains the matter.

**Peter Chapman:** What impact can we expect the extra spend to deliver?

**Fergus Ewing:** LEADER actions can result in several things, including community action on climate change, enhanced rural services including transport initiatives, enhanced natural cultural heritage, tourism, leisure, support for food and drink initiatives, co-operation with other local action groups and exchange of learning and knowledge. There is a wide variety of projects. We will see achievements in all those areas.

11:00

**The Convener:** The administration costs of payments and inspections have increased. The level 4 information gives the split between staff costs and depreciation—it shows a 16.4 per cent increase in staff costs and gives reasons for that, including “establishing ... sustainable IT support”. How much of the 16.4 per cent increase is down to the CAP information technology system?

**Fergus Ewing:** I will pass that question to Annabel Turpie.

**Annabel Turpie:** I will write to the committee on that—or rather, I will get Eddie Turnbull to write to you—because I do not have the figures. I can tell the committee that the increase covers a range of things across the rural payments and inspections division and the science and advice for Scottish agriculture division. It is to fund fully the pay bill for nearly 1,000 agricultural staff across Scotland and in RPID and SASA, to progress the national development plan for crofting and to implement the agricultural holdings provisions in the Land Reform (Scotland) Act 2016. The increase it is not all related to IT.

**The Convener:** Thank you. I was asking about the CAP IT and not the other aspects that you mentioned.

**Annabel Turpie:** Yes.

**The Convener:** Depreciation costs have increased by within points of 78 per cent. Will you explain how much of the increase, in cash terms, relates to the writing down of the IT systems?

**Fergus Ewing:** I think that Annabel will answer that, too.

**Annabel Turpie:** The difference in depreciation from 2017-18 to 2018-19 is an additional £10 million on the futures IT side.

**The Convener:** So £10 million is the depreciation on the CAP IT system.

**Annabel Turpie:** Yes. You asked about the increase in administration costs. There is an additional £10 million from last year, which is about depreciation on IT spend, including the additional spend last year and this year, as Eddie Turnbull said in a previous committee meeting.

**The Convener:** Stewart Stevenson was waving frantically. I will bring him in.

**Stewart Stevenson:** I wanted to seek confirmation that depreciation is a non-cash item.

**Annabel Turpie:** Yes—that is absolutely right. That is normal accounting practice and does not take money away from front-line services, such as nurses and teachers. Mr Shedden might say more about that.

**The Convener:** I absolutely understand that depreciation is a non-cash item, but it is accounted for in budgets to facilitate the replacement of equipment in future years. Will you also give me an idea of the depreciation in relation to the stud farm? I visited the farm and it is an excellent facility.

**Annabel Turpie:** I do not have that information in front of me. We can come back to you with that.

**Rhoda Grant:** The veterinary surveillance budget has fallen by 19.3 per cent. Will services be cut, in particular in rural and remote areas, which have had cuts in the past?

**Fergus Ewing:** Annabel Turpie will look for the detail, but the headline answer is that we work closely with Scotland’s Rural College and the Moredun Research Institute. I visited Moredun recently and have worked with SRUC, and I have encouraged and facilitated co-operation between the two. SRUC is now co-located with Moredun, as a tenant of Moredun. That is, no doubt, to the financial advantage of both institutions, in that they will be able to realise savings by sharing a substantial building, part of which was empty. I have not got the figures from SRUC and Moredun yet, but I assume that there will be a substantial saving compared with the other options that SRUC considered, which I think included a new build at a university campus.

We work closely with SRUC and Moredun to ensure that the veterinary surveillance programme is delivered effectively and that the partnership between the two organisations will deliver efficiencies as well as improve the effectiveness of the overall programme.

**Rhoda Grant:** Will there be no cuts in service?

**Fergus Ewing:** We always seek greater efficiencies in how we operate, especially in these straitened times.

**Rhoda Grant:** That does not really answer my question. I am not feeling particularly reassured.

Spending on the public good advisory service is also to fall and some planned schemes have not come to fruition. Which have not come to fruition and why are they being dropped?

**Fergus Ewing:** We were considering implementing two schemes, but we decided on reflection that they would not necessarily represent the best value for money. We decided not to pursue them—it was some time ago, and I cannot recall which they were. I can write to the committee to explain that if you wish, convener.

**Rhoda Grant:** That would be useful.

**Annabel Turpie:** The matter was discussed with stakeholders. The decision was not made internally, but in conjunction with stakeholders and

having considered the efficiency and effectiveness of the programmes.

**Richard Lyle:** What is your view of the budget funding to support emissions reduction in the agricultural sector? Do you think, given that agriculture and related land use form the third-largest source of emissions, that it is sufficient?

**Fergus Ewing:** The funding is sufficient. The best way of cutting emissions is to get buy-in by farmers. For example, nitrate vulnerable zones were introduced some time ago and there was a lot of controversy about that. More recently, they were introduced in the south-west, which also led to teething pains. However, there is now widespread buy-in and acceptance that the gains to the environment are worthwhile and necessary for reducing water pollution and so on. That is one example.

Another current example is the use of soil testing and other technological advances—and my goodness me! What technological advances one sees at events such as AgriScot. The testing on its own does not achieve anything other than an analysis of the acidic content of the soil, but that information can be used to determine how best to deploy fertiliser and to avoid its overuse. That is very good for the environment because we do not put in fertiliser and chemicals beyond what is required.

I saw a presentation from a company called Bartlett's at an event that I attended with the Royal Bank of Scotland. That company demonstrated how the soil quality of individual fields is analysed in order to get the best yield of potatoes.

The point that I am making is that getting buy-in by farmers to thinking that what is good for the environment is good business practice is the ideal. The approach that we have taken has been to use the carrot rather than the stick, although we keep our approaches under review.

The funding is therefore sufficient to tackle water and air quality, biodiversity and emissions reduction.

**Richard Lyle:** I have another two questions on—

**The Convener:** I am sorry to interrupt, but John Finnie would like to ask a supplementary before you move on, if you have finished with your first question.

**Richard Lyle:** Yes. I have two more questions, but I will give way to my colleague.

**John Finnie:** Cabinet secretary, I note that you concluded by saying that you would keep the issue under review.

There is a clear reduction in funding for peatland restoration to support emissions reduction in

agriculture. Another area that has been touched on is the public good advisory service, which has also seen a reduction. We are also advised that what will happen about the climate change initiatives is yet to be determined. When will that be made known?

**Fergus Ewing:** I am not trying to duck the question when I say that some of those areas are dealt with directly by Roseanna Cunningham because they fall largely within her portfolio. I am inclined to defend farmers, because there is good news from farmers regarding the steps that they are taking in partnership with the Government. For example, it is worthy of note that the 2015 statistics show that agricultural emissions are down by more than 25 per cent from the 1990 baseline level. In terms of emissions reduction, not only are we heading in the right direction, but Scotland leads the way for the rest of the UK.

However, I am happy to pursue in a letter the points that Mr Finnie has raised, because peatland restoration and environmental advice are not matters that I deal with daily. I would prefer to make sure that Ms Cunningham has sight of the questions on those matters in order that we can give the committee the highest quality of response.

**Richard Lyle:** The cabinet secretary will remember that the committee has been imploring him to plant more trees. Will the increased budget for woodland grants allow the planting targets to be met?

**Fergus Ewing:** Yes—I think that we are moving towards achieving our target. The increase in funding to £46 million for woodland grants includes increases in the forestry grant scheme woodland creation budget to £40 million in 2018-19. We anticipate that that will be sufficient to deliver 9,500 hectares of new planting. I believe that Forest Enterprise plans further hectareage in addition to that.

We are therefore moving very substantially upward from previous years when, sadly, we did not achieve the targets. That movement is as a result not only of increased grants, but of the Mackinnon review and the benefits that we are seeing from increased investment in the timber transport fund. That fund is mostly for road transport, but there are also some exciting opportunities in rail freight for timber.

The improvement is also a result of having galvanised the sector through forestry summits and close engagement with Confor, the Scottish Timber Trade Association, the United Kingdom Forest Products Association and other commercial players to encourage further investment in forestry.

Improvement is also a result of our work with local authorities in areas where forestry is particularly important. I have met individual local authorities to discuss the matter with them and to work with them to decide on the best places for new plantings, because it is essential that we have the right trees in the right places and that good silvicultural practice is observed for native and non-native coniferous and broad-leaf species. Those matters are primarily for foresters to determine, working with local authority partners. Such partnerships are being worked on at my direct behest by John Dougan of the Forestry Commission and by Scottish Borders Council, Dumfries and Galloway Council and many other local authorities.

There are many subjects that I have not mentioned, including research and nurseries. The work involves a collective effort across the forestry sector. It includes the sheep and trees initiative, which involves giving advice to farmers and has been a terrifically successful funding scheme. There is also work that SRUC is doing. There is a broad and detailed tapestry of work, but the results show very much that we are heading towards achieving our target sooner rather than later.

**Richard Lyle:** You have been asked this question previously during discussion of the Forestry and Land Management (Scotland) Bill. Do you believe that the Forestry Commission Scotland can continue to deliver all its requirements and responsibilities in the face of some budget reductions?

**Fergus Ewing:** Yes. I am confident in the ability of the workforce in the Forestry Commission to ensure that it can fulfil all its functions. I am confident because I have met and spoken to most of them and have visited all the conservancies, as well as Silvan house. I have been struck by their commitment around the country to what they regard as a calling and not just as a job, and by the complex and professional nature of what they do. We are determined that that will continue after the devolution process is complete.

**Peter Chapman:** I guess that one of the biggest contributors, if not the biggest, to the new non-domestic rates for shootings and deer forests will be the Forestry Commission. Have you calculated what the rates bill will be for the Forestry Commission and has that been factored into the budget?

**Fergus Ewing:** Yes—we are working on that matter. From memory, the estimated total liability of Forest Enterprise is about £1 million per annum, which is a very substantial amount of money.

11:15

We take the view that the Forestry Commission's role in deer management should result in recognition that it should not be liable to pay rates: land may have a rateable value, but there should be rates relief. The legislation includes a specific section that refers to deer management. I think that it was envisaged that the imposition of rates would be on actual sporting use of land in Scotland, and not on forestry. That is the view that we take. Therefore, we are having discussions with relevant parties thereanent.

One of the recommendations in the Barclay review was not that farmers be rated but that farming be assessed for rating. We rejected that recommendation; we did not think that it was appropriate, so we did not go ahead with it. It is important to mention that.

**The Convener:** Can I just follow up on that, cabinet secretary? I am aware that the Forestry Commission has various deer ladders around Scotland that are used in conjunction with deer management, which are all subject to rating and which it pays rates on. On the basis that you are suggesting that it may be getting rates relief on the stalking, will you be applying for rates relief on the deer ladders, although the fact that rates are payable has been accepted in the past?

**Fergus Ewing:** There is a distinction between forestry land that is used for shooting—and which should be subject to the law—on one hand, and forestry land that is not used for shooting on the other hand. The broad point is that afforested land where no shooting is conducted and no shooting is let—I say that because the Forestry Commission does let out some of its estate for sporting use—but where there is deer management should not be subject to rates. That is our view and we are having discussions about it with the relevant authorities.

You raise the deer larder aspect, which is slightly different. Obviously, where there is a liability for rates, public bodies must pay them. At the moment, it appears to me that there is a strong argument that the approach that the assessors are taking is one that we need to probe and question. Meetings are being conducted in order to finalise those discussions.

Of course, the assessors are entirely independent of the Scottish Government and it may well be that the normal way of things is that appeals have to be entered against the proposed valuations—the rateable values as entered in the valuation roll.

**Peter Chapman:** I am quite confused by that answer. Farming businesses the length and breadth of Scotland have had their businesses assessed for rates for shooting, whether or not

they shoot on that land, so why should it be different for afforested area that is not used for shooting? As I say, arable farmers and other farmers who do not shoot and get no shooting income have been assessed for these rates.

**Fergus Ewing:** Those are fair questions, but I think that they are really for the assessors in Scotland and I recommend that the committee pursue them with the assessors.

My earlier point was that there was a recommendation in the Barclay review that farming land, as farming land, should be rated and we rejected that recommendation. However, I appreciate that the assessors have taken the view that there needs to be an assessment for the purposes of computing a rateable value of some agricultural land that could be used for shooting. That decision—as I understand it, and I hope that I am not misrepresenting anybody—was taken by the assessors, who are independent of Government. Out of fairness to them, I think that Mr Chapman's questions should be addressed to them.

**The Convener:** Thank you, cabinet secretary. I will take you back to trees, if I may. I think that the committee has always expressed an opinion that the increased planting of trees is good and to be encouraged. To reach the planting targets that you aspire to—which I think the committee supports—the draft budget for next year and the year after would have to be considerably higher than it is. Are you concerned that it is not higher? I would just like it to be recorded that you are going to meet your planting targets.

**Fergus Ewing:** In which year?

**The Convener:** Next year, and the year after.

**Fergus Ewing:** We are moving towards achieving the target. I have given the estimate of 9,500 hectares next year and I believe that Forest Enterprise expects to bridge the gap between that and the target of 10,000 hectares. Again, I can provide more detail on that, with supplementary information from Simon Hodge of Forest Enterprise. The point that I was making was that, sadly, we fell far short of reaching our targets in the past, and I have been candid about that. Good progress has been made across the board. We are close to achieving our target, and I hope that we reach it. At the moment, I am not going to say that we will, but I am confident that we will.

If Jo O'Hara were here, she would say, as she has said to me, that the real constraint is not the availability of investment but the availability of land that is suitable for forestry. That has been the practical constraint, which is precisely why I have invested a lot of time and energy in reaching out to all involved to work in partnership, particularly with local authorities, which have a big role to play. In

areas such as the south of Scotland, where forestry is so important, I am encouraging local authorities to work closely together with us—far more closely than we have worked before—in coming to a workable plan that is suitable for local authorities and for the affected communities. After all, local authorities and councillors represent their local areas and, arguably, know those better than anybody.

Our approach is designed to meet the targets, and I am fairly confident that we are just about to do so. I fully intend to drive forward the good measures that we have introduced, such as the increase in grant money, the increased timber transport fund, the streamlining of the procedures through the Mackinnon report and the growth of restocking by nurseries. There is also the importance of the excellent work that is done at the research station at Roslin, which I visited last week, and which will continue as part of a separate agency of the Forestry Commission UK.

As you know, convener, it is a big picture and there are lots of pieces in the jigsaw, but I am reasonably confident that we will achieve our targets, that the funding is sufficient to enable us so to do and that we are driving forward across the board with the sector to reach our objectives.

**The Convener:** Without prejudging what the Parliament decides on the Forestry and Land Management (Scotland) Bill, we know that the bill has a financial implication of about £8 million, and you told the committee that one of the first things that would need to happen with the new organisation would be the introduction of a new computer system. Can you enlighten me as to how much that system will cost and where it appears in the budget, if that is going to happen in the short term? Where in the budget is the £8 million for the rebranding and reorganisation of the Forestry Commission?

**Fergus Ewing:** Those figures are in the financial memorandum to the bill and they have not been finalised. As I think I explained to the committee on a previous occasion, the rebranding and IT costs are being examined. I am sure that you will remember that I was advised that the computer system in the Forestry Commission as a whole needed to be replaced anyway as part of the replacement of outmoded equipment. We have increased the overall Forestry Commission budget by £2.4 million, and I am confident that, with the prudent stewardship of Simon Hodge and Jo O'Hara, working closely with Scottish Government officials, we will manage to live within our means.

**The Convener:** I am not sure how to respond to that, because you are suggesting that the figure of £8 million for the rebranding and the computer system, the costs of which you have not worked out yet, will be covered by a £2.4 million increase



in the Forestry Commission budget. I am sorry, but I do not see how that works. If you are unable to tie down those figures, we are happy to receive the information in writing after the meeting.

**Fergus Ewing:** I will certainly do that but, just to complete the explanation, the costs that we require for IT and rebranding have not yet been fully estimated, as we are not at the stage at which we can do that.

Further, as I said before, I want to ensure that the costs are kept to a minimum. Putting it crudely, I want the money to be spent on planting trees; I do not want more money than is necessary being spent on rebranding, for example. That clear instruction has been given, but we are not yet at the stage of getting estimates; we are still at the ascertaining stage. After all, the law has not been passed by the Scottish Parliament yet, so it would be rather surprising if a 100 per cent plan were formulated before the bill had gone through the legislative process. We are dealing with the issue in relation to the Forestry and Land Management (Scotland) Bill rather than the budget for that reason. We are not in the accounting phase, as it were; we are still at the stage at which we are planning the measures.

Having had detailed discussions in meetings with the leaders of the Forestry Commission and Forest Enterprise, I am confident that they will keep within their budgets.

**The Convener:** Prudence would suggest that you have an allowance in there even if you do not use it all.

**Stewart Stevenson:** I want to ask a number of questions about areas relating to connecting Scotland, focusing on areas that were not fully covered in yesterday's statement.

One of the great successes of the digital Scotland superfast broadband programme has been the higher than expected take-up of commercial services, which has led to an increase in the amount that will be available through gainshare. Of course, in the coming year, gainshare will be an increasing proportion of the expenditure that continues to roll out the DSSB programme. Does the cabinet secretary have anything to say about how much we might gain from gainshare? We can see in the document what the Government is spending but, as more of the money will come from gainshare in the coming year, it would be helpful to know what that might be.

**Fergus Ewing:** I can say that, thus far, £17.9 million of gainshare funding has been generated across both contracts—the one in the Highlands and Islands, which went first, and the one in the rest of Scotland. That will enable the delivery of fibre access to around 23,000 additional premises

across Scotland during 2018. As I said in the chamber yesterday, every local authority in Scotland will see a benefit from that.

Gainshare, as a concept, was created in the contracts by reference to the anticipated additional custom that would be gained by BT, the contractor under the contract. There was an assumption that 20 per cent—I think—of people who had access as a result of the contract would sign up with BT. However, the number exceeded that and, therefore, BT gained commercially from that. As a result of forward planning, a gainshare mechanism was included in the contract, which meant that BT would pay back an additional amount for the additional customers that it got beyond the 20 per cent.

The contract was well planned and well thought through. We worked closely with local authorities in its development. If I may say so, the procurement process that we used differed from those in other parts of the United Kingdom and delivered benefits of scale by having two contracts rather than contracts for every local authority, which I think was the approach that was taken by Mr Hancock in England. The performance of DSSB in delivering superfast broadband to more than 800,000 homes and businesses has been a good example of public procurement working and practice, and has delivered more benefits than were planned, so I am grateful for the opportunity to briefly comment on that.

**Stewart Stevenson:** Are the 23,000 connections that will be funded by gainshare contributing to the reduction that has led to the 285,000 figure that I think applies to the reaching 100 per cent programme—the remaining 5 per cent, in other words—or is it simply the case that BT will be paying, through gainshare, for 23,000 connections in the existing programme?

**Fergus Ewing:** That is a good question, and I think that the answer is that the more successful the DSSB contracts that were implemented are, the less there is to do. By definition, the R100 programme involves reaching 100 per cent, and the closer that you get to 100 per cent, the less there is to do. Therefore, the benefits of DSSB are manifest.

I point out that it is possible only now to move to R100 because, in defining the scope of the contract, one has to identify which homes and businesses in Scotland do not have access, which means analysing data on a humungous scale. It involves analysing not only the data under the two DSSB contracts but the planned commercial interventions. The specification for the R100 contract therefore means that we have to look at both what we have done in the public sector and what is planned to be done in the private sector, so Mr Stevenson is right. The process might be as

interesting as watching paint dry but, nonetheless, it has been pretty successful in terms of public procurement.

11:30

**Stewart Stevenson:** As an individual who looks to benefit from the R100 programme, I think that it is much more exciting than watching paint dry. A quick calculation suggests that the gainshare programme moves us about 1 percentage point towards the targets that we seek, which is terribly encouraging. Do we have a view as to how the gainshare money will be distributed among the various local authorities? Is that a subject that we have not yet made decisions on?

**Fergus Ewing:** In principle, the gainshare investment will be deployed in those local authority areas where there is the lowest level of coverage—that is the approach that we are taking. The areas that have the lowest speed coverage include Aberdeenshire, Angus, Dumfries and Galloway, Perth and Kinross, the Scottish Borders, Stirling and the Highlands and Islands. It is therefore the rural areas, by and large, that will benefit most, as they will do under R100. The preponderance of spend is for the north and the south rather than the centre in the three regional lots for R100. No doubt I will be grilled on that several times in my frequent appearances before this committee.

**Stewart Stevenson:** Finally, do we have a profile of the expenditure over the next four financial years up to the completion point for the R100 programme in 2021?

**Fergus Ewing:** We do not, because we cannot get that yet. That is because we are going to procurement and have not got the bids. Until we know what the bids are, we cannot plan the spend. We are not at that stage, so we do not have the figures yet. However, what I would say—this is crucial—is that the R100 procurement has been planned and designed to maximise the chance of competition. Had we gone too early, we would have got only BT. Why would anyone bid if BT was in control of the specification under the DSSB contract? If we had lotted Scotland as one unit, perhaps only one company would have been able to supply a bid. That is why we have divided the country into three lots.

The evidence from down south suggests that, when there is competition in procurement and more than one bidder, the bidders tend to sharpen their pencil and the taxpayer tends to get the best value. A lot of thought has gone into the procurement process by experts to ensure that we get competitive bids. We do not know at the moment what the bids will be and, logically, it is only when we get the bids in that we will be able to

deal with the profile of the spending. We have created an allowance for each area, but we cannot predict the outcome of the tender process. As I explained yesterday, we hope that the process will be completed by early 2019. It is an extremely complicated process and competitive dialogue is necessary to avoid non-compliant bids being received.

That all means that it is essential to get the procurement process right, as those who remember the procurement process for this building will know only too well.

**The Convener:** I seek a point of clarification, cabinet secretary. Stewart Stevenson asked you how the gainshare will be assigned to local authorities and you said that it would be deployed in certain areas. Does that mean that you will be deploying it or that it will be assigned to the local authorities in those areas? Can you clarify that for me, please?

**Fergus Ewing:** I think that I have said that the principle would be to focus investment on maximising superfast coverage in areas with the lowest speed coverage.

Perhaps Robbie McGhee can provide more detail.

**Robbie McGhee (Scottish Government):** In effect, the gainshare funding will be deployed through existing contractual mechanisms. The prioritisation that the cabinet secretary spoke about has been agreed with all the contributing partners, including local authorities, and it has focused BT's modelling in particular areas. However, the funding will not go to local authorities for them to then deploy it; it is reinvested through existing contractual mechanisms.

**The Convener:** Thank you, Robbie—that clarifies that point.

**Rhoda Grant:** Stewart Stevenson asked how much we will receive in gainshare, but you did not give him that figure. You said how many properties would benefit but you did not give the monetary figure. Perhaps you could provide in writing information on how that is worked out and the figure, if possible.

**Fergus Ewing:** I think that I said that £17.9 million has been generated so far across the contracts, and that that will give fibre access to 23,000 additional premises across Scotland during 2018.

I ask Robbie McGhee whether we have any more information on that.

**Robbie McGhee:** That is the amount of gainshare funding that has been generated thus far. There are trigger points in the contract that will

result in further gainshare being released. The two figures that the cabinet secretary has quoted reflect the initial activity in 2018 funded by gainshare.

**Rhoda Grant:** So we do not have an additional figure to go alongside the figure that was released in the budget.

**Robbie McGhee:** No, we do not have that.

**Rhoda Grant:** I also want to ask about the voucher system that was announced in yesterday's statement, although you might want to write to us on this as well. Again, this is probably lower down in the budget figures, but it would be interesting to know how much has been allocated to that. I would also like to know what the value of the voucher system will be and whether it will fulfil the Government's responsibility under R100 to those it is available to.

**Fergus Ewing:** I will answer generally and will pass on to Robbie McGhee for any details that I have omitted. The first and most important answer is that our aim is to reach as many as possible of the R100 properties by fibre. Therefore, our aim in processing the competitive dialogue with bidders is to encourage the absolute maximum number of homes and businesses to be provided with access to fibre by provision of backhaul rather than other methods. Therefore, by definition, only once we see the outcome of the procurement process will we be able to ascertain what the remainder of the residue is, as it were—those who are left who will not be able to access through fibre. The first objective is to maximise the number of those who can access by fibre, and only once that process is completed early in 2019 can we make a definitive plan for the rest. However, we have briefly outlined the components of that plan.

Does that cover it, Robbie?

**Robbie McGhee:** Yes. Clearly, we expect that the £600 million that has been announced will drive extensive fibre coverage in rural areas, and we hope that that will minimise the need for any subsequent phases. If we can achieve competition through the procurement, that will increase the chance of that happening. At the moment, we are scoping out what a voucher scheme would look like, how it would best be operated and issues to do with how it could be made most user friendly and accessible for the general public, such as how vouchers could be aggregated and that kind of thing. We are working through all that, but very much in the hope that it might not need to be utilised as fully as one might imagine, given the scale of the investment that is going through the initial procurement.

**Jamie Greene:** I will follow on from the point that Mr McGhee has just made. What liaison do you have with the Department for Digital, Culture,

Media and Sport? There is already a UK-wide voucher scheme for people who are unable to access fibre cabinets. Will the new voucher scheme be additional to the UK scheme or part of that scheme?

**Robbie McGhee:** We administer the scheme that you refer to—the better broadband scheme—on behalf of the UK Government, and it has recently been extended until the end of 2018. Obviously, part of the work that we are doing on the voucher scheme involves working with DCMS to learn from its experience and to plan on that basis. I guess that, ideally, the better broadband scheme would be extended beyond the end of 2018, as it is a single and co-ordinated access point for people. We have on-going engagement with DCMS in that regard.

**Jamie Greene:** So the voucher scheme that has been announced is basically the extension of an existing scheme.

**Robbie McGhee:** No, it would be a stand-alone scheme. If it was needed in Scotland it would be funded by the Scottish Government, but as I say we are just looking to make sure that people's experience of accessing vouchers is as seamless as possible.

**Jamie Greene:** Thank you. Moving on to the budget, can the cabinet secretary explain why there is a reduction of about £80 million in the digital strategy capital budget, and what the £34 million that is in the budget for next year will be spent on?

**Fergus Ewing:** That relates to the profile of spend; the reduction reflects the updated delivery timelines for the R100 programme. Procurement began earlier this month with the *Official Journal of the European Union* notice and it is expected to last one year. Obviously, at one level—a high level—the major spend follows the procurement completion. The procurement process involves an element of professional costs—which are not inconsiderable—but the actual spend on laying fibre in the ground happens after the procurement is over and will commence in early 2019.

I want to stress that gainshare will see new deployment in every local authority area in Scotland across 2018, avoiding any significant gap between DSSB and R100 deployment. In addition, there will be spend on the mobile infill programme; we will invest up to £25 million, including £10 million of European regional development funding, to deliver the 4G infill programme. That will help to deliver a number of masts across rural Scotland to deal with not spots in areas where we do not expect the market to provide the answer—in other words, areas where nothing will happen unless there is public sector intervention.

The 4G infill programme was launched in August, procurement will start in January, a supplier is expected to be in place by May and I expect that masts—or the preparatory work for them—will be delivered by quarter 4. I am pleased to have an opportunity to say that it is not all about broadband but also about mobile, because there are far too many areas of Scotland in which too many people are suffering from not spots. Our mobile action plan—the first in the UK—has helped by streamlining planning permissions to enable the swifter processing of applications for the erection of new mobile masts.

**Jamie Greene:** If I may clarify that, is the £34 million in the draft budget funding DSSB, mobile or R100? I am a bit confused by that answer.

**Robbie McGhee:** It is a combination of all three—it enables all three to proceed in the course of the year. As the cabinet secretary outlined, there is an ebb and flow around capital. In 2017-18, the DSSB programme maximised spend. In this financial year, it is moving more towards deployment through gainshare. In the course of 2018-19, the capital budget will cover the 4G infill programme that has been mentioned, but there will be minimal costs of R100 deployment, given the length of the procurement process that has just been embarked upon.

**Fergus Ewing:** It is important to bear it in mind that there is also lots of commercial activity. In the chamber yesterday, I mentioned the companies involved in commercial provision of broadband that will go ahead in 2018. It is going ahead apace, according to many of the main players, all of whom I have met.

**Jamie Greene:** I am pleased to hear that.

I will move on to R100. The figure of £600 million was mentioned in the comprehensive statement that the cabinet secretary made in the chamber yesterday. Can you confirm that £579 million of that is coming directly from the Scottish Government's capital investment budgets?

**Fergus Ewing:** Yes, all of the funding is coming from the Scottish Government; that is, broadly, £579 million, with £21 million coming from the UK Government, which is 3.5 per cent. On several occasions, most recently at a meeting in Edinburgh, I have invited Matt Hancock, my UK counterpart, to increase that somewhat measly contribution, particularly since broadband is a reserved matter—that was confirmed recently in the UK industrial strategy; I think that is a verbatim quote—so the UK should be paying for it, although it refuses to do so.

I do not know whether things will change, given that it has emerged in this morning's news that the UK's plan to reach a voluntary contract with BT has fallen apart. I think that the UK Government is

going back to the drawing board, and I hope that, now that its primary plan has fallen apart, it will revisit its plan to limit the aspirations of the connections in England to 10 megabits per second instead of 30 megabits.

11:45

**Jamie Greene:** I will bring us back to Scotland, if I may—

**The Convener:** This will have to be your last question, Jamie.

**Jamie Greene:** Thank you, convener. Does the fact that there is no R100 money in this year's draft budget mean that the £579 million will be spread across the next three years' budgets? Given the reduction in the overall—

**Fergus Ewing:** I am sorry—what will be spread?

**Jamie Greene:** The £579 million. Will that money appear in the next three years' budgets? That seems to be the only way in which it will appear, given that it is not mentioned in this year's budget.

**Fergus Ewing:** As I have explained, we are doing various things this year, but the R100 spend will be concentrated largely in 2019, 2020 and 2021, with the aim of completing the procurement project by the end of 2021. The vast majority of the £600 million will therefore be spread across those three financial years.

**Jamie Greene:** Thank you for the clarification.

**The Convener:** Thank you. I turn now to the minister, whose time is upon him. The first question is from John Finnie.

**John Finnie:** My question is about active travel—and, indeed, about words, which are very important, even in budget documents. The programme for government was very clear about doubling investment in walking and cycling to £80 million, and that commitment was very welcome. However, the cabinet secretary's budget statement referred to active and sustainable travel. Should we read any difference into that? What other modes of transport will be covered by the £80 million and how will the funds be distributed?

**Humza Yousaf:** I received some social media contributions from active travel stakeholders on this and, as there might be some confusion on the matter, I welcome the member's question as a chance to clarify things.

It is probably worth my separating active travel and sustainable travel, so that I can talk about them individually. Active travel is what the member and I would generally call cycling and walking, while sustainable travel refers to those things that

make our travel more sustainable without necessarily being active travel. The most obvious example in that respect would be the funding for electric vehicles.

I looked at the tables in question as the member was speaking, and I see that on the active travel side the funding comes from a number of different sources in the budget. The support for sustainable and active travel provides the big part, but if he looks through the budget, he will see references to the cycling, walking and safer streets budget and the future transport fund. Just to clarify, the additional £80 million will absolutely be for active travel—

**John Finnie:** And it will not be used for charging points.

**Humza Yousaf:** No, that is part of the sustainable travel money. That will come largely from the future transport fund, which is being increased by more than 100 per cent. I hope that that provides some clarification.

**John Finnie:** Are you able to say anything about how the money will be distributed?

**Humza Yousaf:** I can give you some information on that. We are working with stakeholders to find the best way of distributing these funds. Of course, we have had the now infamous Mike Rumbles amendment on increasing cycling training rates for children—an amendment, I should say, that we welcomed and voted for. We are taking all that into account.

However, to answer the member's question, I think that it is fair to say that a large proportion of the funding will be for capital projects, such as segregated cycling infrastructure, footpaths and so on, and we will also continue to use some existing mechanisms, such as the community links and community links plus schemes, which are 50 per cent match funded with local authorities. There are other funds and mechanisms, but we will give you more detail on those in due course.

**John Finnie:** I will move on to the subject of rail. I note that the draft budget shows a significant shift in funding from rail franchise payments to rail infrastructure payments. What are the reasons for the change, and what implications might it have for future rail service provision?

**Humza Yousaf:** We were very alert to that question coming up, given that it is a very distinct and obvious difference.

The reason for most of that change comes from fixed track access charges. The member might already be aware of this, but it is worth putting it on the record. Fixed track access charges are determined by the Office of Rail and Road, which will look at Network Rail's income and other

revenue streams over a control period and then determine the fixed track access charge.

Fixed track access charges are complicated but, if they come from the franchise, they come from resource. If they are paid directly to Network Rail, they come in as capital. That can be difficult because fixed track access charges can vary year on year, so there is variability in the resource and capital budgets. In order to try to remove some of that instability or inconsistency, all that we are doing is paying those fixed track access charges from capital as opposed to resource. There is therefore some consistency and less variability year on year.

The member asked whether that will have any effect on rail provision. The answer is no, because those fixed track access charges are still being paid to Network Rail for future rail provision, whether they are paid from resource or capital.

I am just checking that with Lee Shedden and he is nodding. The question is technical more than anything else, but the answer is that that change will not affect rail provision.

**John Finnie:** You mentioned Network Rail. The draft budget highlights significant changes to the funding and accounting of Network Rail projects that will come into effect in 2019-20. What impact might that have on the future financing of Scottish rail projects and the role of the Scottish ministers in financing Network Rail operations in Scotland?

**Humza Yousaf:** The member will probably be aware that we have had quite robust discussions with the UK Government and Her Majesty's Treasury about the funding for control period 6, 2019 to 2024. I know that the member has commented on the issue and I thank him for that.

There are a couple of elements to those discussions, one of which is the level of funding. The disagreement on that has been well rehearsed, so I will not go into it other than to put on the record once again how disappointed we are at the level of that cut. That discussion is on-going, so I will park that to one side.

The other element is about how that funding will be distributed. The member will be aware that, in previous control periods, Network Rail has been funded through its borrowing capacity. That has been shifted to grant funding, so we have direct control over the release of those funds. I welcome that. Having more flexibility in that funding is helpful.

Arrangements will have to be put in place to manage that change and they will have to be very much in line with the public finance manual in ensuring that there is appropriate accountability in governance by and of Network Rail. The level of that funding is, as I have said, a matter of

discussion. There is a difference between the borrowing capacity, which is how Network Rail was originally funded, and grant funding. There are some benefits to that but there is still disagreement about the level of the funding.

**John Finnie:** With regard to the specific difference in the anticipated level of funding, can you say what implications that could have? Is there something that was going to happen that will not go ahead as things stand, although we hope that the situation can be resolved? It can sometimes focus minds if we say, "We were going to do this but we are no longer able to."

**Humza Yousaf:** We have a flexible pipeline approach to control period 6, which means that we do not have a prescriptive list of things that we will do. However, there are some things that we absolutely have to do in control period 6. For example, the east coast main line needs considerable investment; it is already at capacity. Part of that are the stations at East Linton and Reston, which we are committed to bringing forward in control period 6. We are determined to do that, but does it make the job more challenging? If we have a £600 million cut, of course it does.

Every project that we have determined to do during control period 6 or which is in the pipeline could be under threat. That is a dangerous position to be in.

I have given as much reassurance as I can to members who have an interest in stations or particular lines, and I will continue to give that reassurance, but I cannot magic money out of thin air. If £600 million is taken out of what the industry tells us that it needs for maintenance, operations, renewals and enhancements, that will have an impact. That cannot be absorbed without any impact at all.

**Richard Lyle:** During the past year, there has been a lot of misinformation about concessionary fares and bus services. People thought that they were going to lose their ticket. I note that the budget has gone back up, but can you confirm that?

At the start of the meeting, the comment was made that the REC budget had gone down. Is that not mainly due to the fact that the motorways and trunk roads budget line has gone down from £967 million to £819 million—a fall of £147 million—because the Queensferry crossing has been completed, the Aberdeen western peripheral route is nearly completed and the Kincaig to Dalraddy section of the A9 dualling project has been completed? Is that realignment not the reason why the REC budget has fallen?

**Humza Yousaf:** To answer the last question first, you are right. That is part of the reason why

the budget line has fallen. Projects have been completed and we obviously do not have to spend as much on a project such as the Queensferry crossing or the AWPR as it comes to an end.

On your question about concessionary travel, you will be aware of the consultation that closed recently. It attracted a number of responses—it was well responded to—which we are analysing. However, you are absolutely right to say that there is an increase in the budget for buses, which includes funding for concessionary travel, the bus service operators grant and, as the cabinet secretary mentioned in his opening statement, additional money to help green the fleet, which will help us achieve our low-emission targets.

**Richard Lyle:** So it is good news for everybody.

**Humza Yousaf:** There is good news for everyone. In particular, if somebody has a concessionary card, they will absolutely keep it—no ifs, no buts, no maybes.

**Richard Lyle:** I should say that I have one, which I seldom use.

**Humza Yousaf:** I was not going to say that you should declare an interest in asking that question; nonetheless, I am pleased you gave that clarification.

**The Convener:** We will leave the bus pass there.

**John Mason:** There has been some speculation that Prestwick airport might be getting near a sale. Can you give us an update? Will we continue to have to meet its losses out of our budget?

**Humza Yousaf:** I cannot give an update on that. My colleague Keith Brown leads on Prestwick airport. The last time that I was asked the question, I mentioned that the discussions are very much on-going. We recognise that Prestwick is not a typical airport. We continue to examine all business opportunities and how we maximise the assets. However, right from when the Government took over Prestwick airport, it has always been our intention to ensure that we could pass it back into private hands. We are working on that. The senior management team at the airport has been tasked with taking that forward.

I am sorry that I do not have an update. I could ask my colleague Keith Brown for further information—indeed, the committee could ask for that.

**John Mason:** If there is any information in writing that you or he could give, that would be appreciated.

I understand that the retained losses in the most recent accounts are £26.5 million. Do we still expect the purchaser eventually to pay us back

that £26.5 million—or whatever the cumulative losses are—or will that be written off? That affects the budget.

**Humza Yousaf:** Of course it affects the budget—you are absolutely right. We want to try to get the best deal possible for the taxpayer. Therefore, writing off the losses would not be the preferred way forward. However, if we are entering into a commercial negotiation with a private sector company, we need to have the space to have that discussion. No doubt there will be to-ing and fro-ing, but that would not be the Government's preferred position without a shadow of a doubt.

Again, I can ask my colleague Keith Brown or my officials to provide more information on Prestwick airport.

**The Convener:** When you answer that question, it would be helpful for the committee to see what money from the budget has been put aside for investment in Prestwick airport during the coming year. My concern is that, in the airport's accounts, there is an opening valuation and a closing valuation but the closing valuation does not reflect any investment in the airport over the year. If that could be clarified from an accountancy point of view, John Mason and the rest of the committee would appreciate that.

**Jamie Greene:** I will move on to ferries. Will the minister explain why loans to Caledonian Maritime Assets Ltd have increased 400 per cent to £59 million?

**Humza Yousaf:** As you may be aware, we are in negotiations with RBS, which owns three vessels that operate on the NorthLink route. In order to spend to save over the term of the lease, we are entering negotiations to purchase those three vessels. That will save us money over the leasing period. The vast majority of the loan to Caledonian Maritime Assets Ltd is for that purpose. There is also some money in there for future vessel procurement. I cannot go into the exact figure because the negotiations with RBS are live and so are going to and fro. However, the vast majority of that money is for the procurement of the three RBS vessels.

12:00

**Jamie Greene:** I see.

Finally, can the minister explain the decision not to include any funding in the budget for internal ferries in Orkney and Shetland? That does not meet the commitment made by his colleague, Mr Keith Brown, on the fair funding settlement for ferries in that part of the world, notwithstanding the situation with local authorities.

**Humza Yousaf:** There are two points that I would correct in Mr Greene's comments. First, it

was Derek Mackay not Keith Brown who made the statement on fair funding. Secondly, the commitment was to enter into constructive dialogue and to continue dialogue on fair funding for ferries. I challenge the member right here and now to present any documentation stating that it was ever the case that we would automatically assume responsibility for the internal ferries, which continue to be the responsibility of Orkney Islands Council and Shetland Islands Council. The commitment has always been to enter into constructive dialogue.

Following the last meeting that Derek Mackay and I had with the leaders of Orkney Islands Council and Shetland Islands Council, the council leaders went to the local press to say that it had been incredibly constructive. The leader of Shetland Islands Council said—I will paraphrase slightly—that he was the most optimistic he had ever been in relation to the issue. I understand that they will be disappointed that internal ferry services are not included in the budget, but to those who care so passionately about the issue, I say that there is a window of opportunity. Would the member vote for a budget that had resource or capital for internal ferries for Orkney and Shetland?

**The Convener:** Before Jamie Greene continues, Mike Rumbles wants to follow that up.

**Mike Rumbles:** The motion that was agreed to unanimously on 6 December called on the Scottish Government to set out to Parliament how it intends to honour its commitment in relation to Orkney and Shetland internal ferry services.

I spent some time going through the budget, but obviously that was a waste of time because you have just confirmed to Jamie Greene that there is nothing in the budget for internal ferry services for Orkney and Shetland. Can I confirm that there is nothing in the budget for that?

**Humza Yousaf:** Yes, I can clarify that there is no budget provision for internal ferries for Orkney and Shetland, which remain the responsibility of Orkney and Shetland. However, there is a window of opportunity and I would put the same question to Mr Rumbles as I put to Mr Greene: if that money is in the final budget in February, will he and his colleagues support that budget?

**Mike Rumbles:** To be fair, minister, we are asking you the questions.

**Stewart Stevenson:** So that is a no.

**Humza Yousaf:** You can refuse to answer the question, Mr Rumbles.

**The Convener:** In fairness, rather than witnesses coming here and asking the committee questions, the minister should have a go at answering Mr Rumbles's question.

**Humza Yousaf:** I already answered the question when I said that there is no budgetary provision.

**Mike Rumbles:** What does the minister consider that Parliament agreed to unanimously on 6 December if not that? I am talking about Liam McArthur's motion.

**Humza Yousaf:** Sorry?

**Mike Rumbles:** The motion that was lodged by Liam McArthur was agreed to unanimously on 6 December. The fundamental point is that everyone else who agreed to the motion considered it to be a commitment by the Scottish Government to lay out its plans for the internal ferries. However, you are now saying that you do not intend to do that.

**Humza Yousaf:** No.

**The Convener:** Hold on. There is a lot of chat coming from around the room. Please can we limit such noise so that I can hear the minister's answer?

**Humza Yousaf:** The motion is on the record for people to see. We supported the motion and, as the Parliament has asked, the minister, the cabinet secretary and I will lay out how we will meet the fair funding principle.

That is a commitment to a dialogue on fair funding. That involves a number of principles, such as getting the true value and true cost of ferry services. We are absolutely committed to having such constructive dialogue, which is ongoing. The leaders of the council have said that that is going well.

There has never been a commitment to automatically assume responsibility, nor has a council approached us to assume responsibility for its ferry services.

That is my interpretation of the motion that was agreed to.

**The Convener:** I am sorry, Mike, but I do not think that you will get more of an answer. I will let Jamie Greene back in, then Richard Lyle.

**Jamie Greene:** I do not want to labour the point about motions that were agreed to, but is this not primarily about funding for ferries? The problem is that the councils have issued a statement saying that they simply do not have enough money to operate the services. Given that both councils have had their budget cut in the proposed budget, how does that marry up with fair funding?

**Humza Yousaf:** It is not true that they have had their budget cut. Local government has been treated well in the draft budget, and Orkney Islands Council and Shetland Islands Council both receive special islands needs allowance on top of what they receive in the local government block

grant. They are not the only local authorities that continue to pay for internal ferry services; a number of other local authorities do so, too. I am more than happy to continue the constructive dialogue with James Stockan from Orkney Islands Council and Cecil Smith, the leader of Shetland Islands Council. There is a window of opportunity between the draft budget and the finalised budget. If that money is put in the budget, will members vote for it? Neither of the members who I asked that question said that they would do so.

**Richard Lyle:** There is a window of opportunity for people to sit down with you to talk about funding. You are always telling us that your door is always open. Are you giving a firm commitment that, if people come and chap your door to ask for additional funding for ferry services—which I believe are quite high-quality services—you will look at that and that you will possibly be able to sustain that money?

**Humza Yousaf:** Ultimately, the decision would be for the Cabinet Secretary for Finance and the Constitution. He has said clearly that if members want to engage positively and constructively on this issue and if they put suggestions on the table, he will certainly consider them. He has not ruled that out. That is an open invitation for members to engage constructively with Derek Mackay on this issue, but they have not done that so far; nobody has said yet whether they would vote for a budget that had internal ferry funding in it. There is still a window of opportunity and I hope that members will seize that opportunity.

**The Convener:** Thank you. That brings us neatly to the end of our questions. I advise the minister and the cabinet secretary that a number of questions that have come out of today's meeting will need to be dealt with very promptly in order to allow the committee to consider its report. The clerks will contact your offices verbally today and in writing shortly thereafter to confirm the list of questions. I implore you to make sure that the questions are responded to over the recess so that we can work on our report to the timetable that the Parliament has set us. I thank the witnesses and their assistants for giving evidence today.

12:09

*Meeting suspended.*



12:10

*On resuming—*

## Subordinate Legislation

### Razor Clams (Prohibition on Fishing and Landing) (Scotland) Order 2017 (SSI 2017/419)

**The Convener:** Item 3 is consideration of a negative instrument concerning the fishing and landing of razor clams. Rhoda Grant and I have asked the Scottish Government for further information, which has been provided and, indeed, published. Separately from that, the Scottish Government has provided further information on the related scientific trial.

No motions to annul have been received, but I believe that Mr Finnie would like to make a comment.

**John Finnie:** Yes. My position is consistent with the one that was set out by the Scottish Green Party in April this year, when we were critical of the Scottish Government's decision to launch a trial of electrofishing for razor clams. Although we do not support the Government's proposal, the convener is right—we can do the arithmetic and we will not take the issue further.

One of the concerns about electrofishing is that it can leave other marine life vulnerable to predators. Just as dredging causes difficulties, so does electrofishing. I am alert to the comment in the committee's paper on the order that the measures that the Government introduced to limit unlicensed activity

"have had limited success because enforcement of the EU electrofishing ban is very difficult, as vessels need to be caught with gear deployed."

I am grateful to have had the opportunity to put that on the record.

**The Convener:** In the light of what John Finnie has said, I make the comment that, according to the information that the Government has provided, we are talking about a pilot project. Therefore, I make the recommendation that we do not comment on the order but, instead, write separately to the cabinet secretary to ask him to provide further information on the matter and to report back to the committee after the first year of the trial, and possibly after the second year. In that way, we will be able to work out whether the approach that is taken in the order is the right way to proceed. That is my recommendation; I hope that the committee agrees with me.

Does the committee agree not to make any recommendation on the order but to write to the cabinet secretary about it?

**Members indicated agreement.**

12:13

*Meeting continued in private until 12:27.*



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