



The Scottish Parliament
Pàrlamaid na h-Alba

Official Report

RURAL AFFAIRS, CLIMATE CHANGE AND ENVIRONMENT COMMITTEE

Wednesday 23 April 2014

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CONTENTS

	Col.
INTERESTS.....	3539
RURAL AFFAIRS AND ENVIRONMENT.....	3540

RURAL AFFAIRS, CLIMATE CHANGE AND ENVIRONMENT COMMITTEE
11th Meeting 2014, Session 4

CONVENER

*Rob Gibson (Caithness, Sutherland and Ross) (SNP)

DEPUTY CONVENER

*Graeme Dey (Angus South) (SNP)

COMMITTEE MEMBERS

*Claudia Beamish (South Scotland) (Lab)

*Nigel Don (Angus North and Mearns) (SNP)

*Alex Fergusson (Galloway and West Dumfries) (Con)

*Cara Hilton (Dunfermline) (Lab)

*Jim Hume (South Scotland) (LD)

*Angus MacDonald (Falkirk East) (SNP)

*Dave Thompson (Skye, Lochaber and Badenoch) (SNP)

*attended

THE FOLLOWING ALSO PARTICIPATED:

Amy Holmes (Department for Environment, Food and Rural Affairs)

Rt Hon Owen Paterson MP (Secretary of State for Environment, Food and Rural Affairs)

CLERK TO THE COMMITTEE

Lynn Tullis

LOCATION

The Mary Fairfax Somerville Room (CR2)

Scottish Parliament

Rural Affairs, Climate Change and Environment Committee

Wednesday 23 April 2014

[The Convener *opened the meeting at 10:00*]

Interests

The Convener (Rob Gibson): Good morning, and welcome to the 11th meeting this year of the Rural Affairs, Climate Change and Environment Committee. I ask people to switch off electronic devices, as they can affect the sound system.

Item 1 is a declaration of interests. I welcome Dave Thompson to our committee as a new member, and ask him to declare any interests.

Dave Thompson (Skye, Lochaber and Badenoch) (SNP): Thank you, convener. It is great to be a member of the committee, which is relevant to my constituency of Skye, Lochaber and Badenoch. I look forward to taking part in the deliberations. My interests are as stated in the official register of members' interests.

The Convener: Thank you.

Rural Affairs and Environment

10:01

The Convener: The main agenda item, for Dave Thompson and all the rest of us, is an evidence session covering rural affairs and environment issues with the Rt Hon Owen Paterson MP, Secretary of State for Environment, Food and Rural Affairs in the United Kingdom Government, who is on his second visit to the committee.

I welcome the secretary of state—a happy St George's day to you. We also have your various officials, in particular Amy Holmes, who is the director for better regulation, European Union and international issues in the UK Government.

Do you wish to make an opening statement, secretary of state?

Rt Hon Owen Paterson MP (Secretary of State for Environment, Food and Rural Affairs): Good morning, convener and committee, and thank you for inviting me back. I apologise for being late. We had a date fixed for a few weeks ago, but unfortunately I had a vote of great importance to the coalition Government and had to cancel at short notice. That was annoying for us all—I was looking forward to coming to see you again, because we have a number of issues to discuss.

Now that we have come to the end of the common agricultural policy negotiations, I would like to stress how closely we worked with devolved ministers. Every time that we had a Council meeting, we would meet early in the UKREP—the United Kingdom permanent representation to the European Union—offices in the European Commission building. Our officials would have prepared a note in advance, and we would have agreed outline statements.

I was absolutely punctilious in going round the devolved ministers and ensuring that they were quite happy with the UK negotiating line, and we would frequently amend the speaking note. The cabinet secretary from the Scottish Government was a regular visitor, and nearly always contributed suggestions. I stress how closely we worked. The devolved ministers were nearly always in attendance in the building, and we had opportunities to discuss matters that might come up later in the day and indeed throughout the negotiations. Just what a team effort it was has not really come out in the coverage.

The ultimate expression of that team effort came in the final nitty-gritty hours. We were in Luxembourg, which was convenient, because our offices are opposite the German offices and I

worked closely with the then German minister Ilse Aigner. A couple of issues were a real sticking point for the federal Government in Germany and the UK Government, and it was about 2 o'clock in the morning when we finally resolved those, with Ilse being on the phone to the Chancellor in Berlin. It was quite tense, because we were the two most important nations at that point and could have made or broken the deal.

Even after that, the cabinet secretary from Scotland made a special plea; I think that it was on slipper farming—

Amy Holmes (Department for Environment, Food and Rural Affairs): It was on new entrants.

Owen Paterson: Sorry—it was on new entrants. A particular Scottish issue was raised, so we met Commissioner Ciolos̄ to discuss it. I stress that, at the peak of the negotiations, we had a key Scottish issue very much at the forefront of our minds that had been brought up in the dying moments.

Our officials worked closely with Scottish officials, and they reckoned—although I would not want to put an exact number on it—that there were about 30 requests from the Scottish Government. We delivered pretty much all of those. I do not want to embarrass the cabinet secretary and spoil his career, but we worked closely together and got a result. We got pretty well everything that was required, which is something that has sadly not quite come out in the coverage.

There will have been some differences along the way, and I think that we all thought that there could have been a better final outcome, but my memories of the negotiations are of how closely we worked and how we achieved a real success for Scotland in delivering on many of those points, as the overwhelming majority were delivered in the final agreement.

The Convener: Thank you for your introduction. We will now probe some of those matters in detail. One of the most up-front issues is the question of coupled payments. I ask Graeme Dey to kick off on that.

Graeme Dey (Angus South) (SNP): Good morning, secretary of state—it is good to see you in good health after your recent issues. The coupled payments situation is a key Scottish issue, and a current and pressing matter. Will you outline briefly your understanding of it? We seem to have gone from Commissioner Ciolos̄ telling Richard Lochhead and George Eustice that it is a matter for the member state to agree internally, to seeing a U-turn performed that has potentially serious consequences for Scottish farming.

Will you explain how you responded to the correspondence on the matter from Richard

Lochhead? Given what you said about working closely with devolved Administrations, where are we headed on that issue?

Owen Paterson: From the beginning, we worked closely with Richard Lochhead on that issue. As I said in my previous session with the committee, I have from the outset not been a supporter of direct subsidies for food products; I wanted the progress from the MacSharry and Fischler reforms to continue.

Our opening statement in the negotiations was that we did not want coupled payments, but we moved on that. I listened to Richard Lochhead, and we were then keen to have uniform payments across the European Union and moved to seeking 5 per cent across the board. I entirely agree with Richard that it is invidious that a different level of coupled payments is still allowed.

We got to a position in which states that are under 5 per cent will be allowed to go to 8 per cent and those that are over 5 per cent can go to 13 per cent. We got regional decision making, which was a huge achievement, as other member states were very nervous about that. One of our biggest successes was that we got full-scale decision making at a regional level. The policy will therefore be a Scottish CAP that is designed by Scottish ministers and officials with the Scottish industry.

There was clear support for a coupled scheme. I went to Sutherland last year and saw the benefits of subsidised livestock in delivering my other key plank—in which I see a real role for taxpayers' money—which is about compensating farmers and landowners for the public good that is provided by environmental benefits. That applies in England and Wales and very much in Scotland. Livestock on the uplands provides a real environmental benefit, as I saw on my visit to Sutherland.

We understood that, with the UK limited to 8 per cent—as it has not gone over 5 per cent—that would apply to the regional decision making, so it would be 8 per cent within the Scottish envelope. However, as Graeme Dey said, we have received differing messages, so the issue has swung around at various points.

The cabinet secretary met Commissioner Ciolos̄ and got the different reply that one could go over 8 per cent. I am concerned, as time is getting on and decisions need to be made. I think that the committee and the Scottish Government—and above all Scottish farmers, who are far more important than any of that—need to know exactly where they stand.

Last week, I wrote to Commissioner Ciolos̄, and I am happy to give the committee a copy of the letter. It was a brief letter in which I asked for absolute clarity on whether the Scottish Government will be allowed to go over 8 per cent

within its own envelope. As of this morning, I have not had a reply.

Graeme Dey: Do we need clarity, or to press the commissioner to deliver on the matter? Should we be pushing for that quite forcefully?

Owen Paterson: I cannot do much more than take the matter up with him in person, given all the other issues that Commissioner Ciolos has to deal with. My pursuing a direct approach in asking for clarification shows how seriously I take the matter. A decision has to be made and time is getting on.

Real lessons can be learned from what happened in England under the previous reform. Because of all sorts of complications, we got absolutely hammered with disallowances of over £600 million. I have been very much driven by that in England, and we have made a number of difficult decisions. You also have to get on with it here, because there is a real risk of disallowance. A key factor is the disallowance, which we have always said would fall on Scotland. The solution is not so glib and easy as dashing into this. There must be absolute certainty that what you do will stand up and that the European Court of Auditors will, in a few years' time, go through the Scottish books and be happy that Scotland conforms to the current regulation and law.

I am fully aware that there is, rightly, pressure to get clarification of the decision, but it is really important for Scotland that, if you go beyond the 8 per cent, there is absolute certainty that that is within the existing rules and that you will not be hit with a significant disallowance bill.

Angus MacDonald (Falkirk East) (SNP): Secretary of state, you claim that what is proposed is a full-scale regional CAP. I understand that the CAP has always been regionalised since devolution, which is how we were able to retain the historic payments for much longer than was the case in England. To some people, it seems that you have deliberately created a trap for Scotland. Would you care to comment on that?

Owen Paterson: Could you clarify your question? Where is the trap?

Angus MacDonald: Commissioner Ciolos confirmed to both George Eustice and Richard Lochhead in February that coupling would be allowed and that Europe had no issue with it whatsoever. However, since then, there seems to have been some kind of intervention by the UK Government and there is a suggestion that the original agreement that was reached in February no longer stands. You said that the flexibility that has been allowed in the past has come through Scotland's being part of the UK family. However, given the difficulties that we have seen in the past few weeks, it seems that the UK family is not up to

much if Scottish farmers are going to lose out once more.

Owen Paterson: I have to say that those criticisms are very unfair. We moved a long way to deliver what the Scottish cabinet secretary wanted. We got agreement that there could be coupled payments in Scotland. I agreed with the cabinet secretary that it was wrong that there was no uniform regime right across Europe. As I said, we wanted 5 per cent coupled support across Europe and the decision was made to go for 8 per cent and 13 per cent.

We are absolutely clear that we have achieved total regional decision making for Scotland. It will be a Scottish CAP, which has not been delivered before. The pressure is now on the Scottish Government to get into the detail, and this is one of the last issues that need to be resolved. I am fully aware of that, which is why I wrote to the commissioner last week. I do not think that I could have done more for Scotland than take the matter up in that way. There may have been conversations—I think that we had a letter back from Commissioner Ciolos, of which Amy Holmes may have the detail, saying that we could go only to 8 per cent.

I re-emphasise my point about disallowance. Rushing in and getting an agreement that might be helpful politically could end up with Scotland being hit with a significant disallowance bill if, later, in the cold light of day, the Court of Auditors goes through the detail and finds that the rules as they are at the moment have been transgressed. It is very important that what we have is absolutely clear.

Amy Holmes may want to comment on the letter.

10:15

Angus MacDonald: Was your initial preference not for zero coupling?

Owen Paterson: Yes, and I moved. I have just been through all that. The cabinet secretary made it clear that there is a strong demand for a coupling regime here, and we moved. I moved on all sorts of things. There are all sorts of elements in the CAP reform that I am not happy with, as you will know from my previous evidence. In order to get the final result, during the last moments of negotiation in the German offices, we had to negotiate on many issues and lots of details. The whole CAP reform has been a great big compromise. As part of that, we have acknowledged that parts of the UK clearly want a coupling regime, and we have delivered that. The fact that it is not exactly what the cabinet secretary wanted or what I would have liked, which is a

uniform regime, is unfortunate but that is part of the detail of the compromise.

I ask Amy Holmes to comment on the written confirmation that we received from Commissioner Ciołoş.

Amy Holmes: I will clarify the dates and what happened in sequence. On 17 February, which was the date of the agriculture council, the minister George Eustice, Commissioner Ciołoş and Richard Lochhead had a meeting. Mr Lochhead raised two issues at that meeting. First, he wanted complete certainty and clarity on how to approach the issue of the minimum stocking density for the active farmer. Secondly, as the opportunity had arisen, he wanted to ask about coupled payments. At that meeting, Commissioner Ciołoş indicated that it was possible to go above 8 per cent and gave reassuring comments on what was possible to address the active farmer issue.

Because Mr Lochhead wanted complete certainty—a verbal comment is one thing, but it is always better to get things in writing because of the disallowance risk that the secretary of state has discussed—he sent a letter to Commissioner Ciołoş, outlining the proposals for the minimum stocking density and asking for reassurance on what he wanted to implement. He also referred to the discussion on coupled payments. Commissioner Ciołoş then wrote back and made what could be argued was a U-turn, saying that it was not possible to go above 8 per cent. There was a sudden change in position, which was communicated in writing this time, with Commissioner Ciołoş saying that it was not possible to go above 8 per cent.

On the back of that, given the mixed messages that we had received, there were further discussions at official level and a letter was issued by the secretary of state to Commissioner Ciołoş on Thursday, seeking clarification so that we can all have certainty.

Alex Fergusson (Galloway and West Dumfries) (Con): Secretary of state, in your opening remarks on coupling, you said that, if Scotland were able to increase its coupled payments to above 8 per cent, the money would come out of the Scottish envelope. However, I think that the original proposal was to use the flexibility within the UK's allocation of 8 per cent, which was not going to be taken up in some other parts of the UK, to increase the amount of coupling in Scotland. Which do you understand to be the case?

Owen Paterson: The figure of 8 per cent follows on from the agreement that the UK as one entity could have coupled payments of 8 per cent. Because we got clear decision making at regional level on all four regulations, which is a major

achievement—that has not been done before and there was considerable nervousness about it among other member states—it is absolutely clear that the 8 per cent comes out of the Scottish envelope. There is no free lunch. If there is a calf or sheep scheme, other Scottish farmers will pay for that 8 per cent—it comes out of the Scottish envelope.

Alex Fergusson: Yes. If the figure were allowed to be increased to above 8 per cent, the money would come out of the Scottish envelope. However, I understand that the original proposal was that there would be flexibility to go above 8 per cent because the UK would not be using its entire 8 per cent across all four regions. Therefore, Scotland would be able to increase its level of coupling to above 8 per cent although the figure for the whole UK would not go above 8 per cent—if that makes sense. Of course, the money would come out of the Scottish envelope. Am I right in that assumption?

Owen Paterson: I think that it is even more techie than that. Scotland had a coupling scheme of 4.5 per cent, which came out at 5.7 per cent in the reduced budget. It could be argued—I think that this would be the cabinet secretary's argument—that that would get Scotland over the 5 per cent barrier, which would mean that it would qualify for going to the 13 per cent. These are all very techie details.

That takes us back to the previous question and shows that we must have clarity on the issue. Scotland must not rush into this in order to get a scheme up and running only to find, in a few years' time, that it is disallowed, with the result that the Scottish Government gets a huge fine. We have been absolutely clear about the fact that, because the money comes out of the Scottish envelope, any legal disallowance consequences will fall on the Scottish Government. That is why I have written to Commissioner Ciołoş to ask for clarification.

Alex Fergusson: I do not disagree that there is a need for clarification and I fully understand that the money comes out of the Scottish envelope, whatever the percentage of coupling that is allowed. I was trying to clarify whether the flexibility to go above 8 per cent can be used because many parts of the UK will not be using any of the percentage that is available.

Owen Paterson: Yes, that is right.

Alex Fergusson: So we would be using the flexibility that exists within the UK, although the money would come out of the Scottish envelope.

Owen Paterson: The disallowance point is extremely important. If a decision is made at Scottish level, the Scottish Government must be absolutely clear that it is on completely safe legal

grounds within the regulation, otherwise there is a real risk of Scotland being hit with a big disallowance bill.

The committee should not underestimate the cost of that. I repeat that, because of the highly complex way in which the previous reform went through in England, disallowance cost us £600 million, which is an enormous amount of public money. Therefore, it is necessary for the Scottish Government to be extremely careful and to ensure that it is on completely safe ground.

Alex Fergusson: If clarification and certainty that we could overcome the disallowance issues are provided, will the UK be supportive of Scotland's position in seeking increased coupling from within its own budget?

Owen Paterson: Absolutely, because that is a Scottish decision. I do not decide Scottish agricultural policy and I certainly do not decide the implementation of the CAP in Scotland.

The importance of the issue has been underestimated so far. We are talking about a highly significant change. All four regulations will be decided by Scottish ministers, once they have consulted Scottish farmers and Scottish officials. That is a major change. I have invited the cabinet secretary to come down to the Rural Payments Agency in Reading to talk to our officials and to get into the detail of the proposals, because some significant decisions have to be made for the CAP to be implemented, and the clock is ticking.

The Convener: We move on to our second subject, on which Nigel Don will ask questions.

Nigel Don (Angus North and Mearns) (SNP): Good morning, secretary of state. It is good to see you back.

I understand that a sum of some €223 million has been allocated to us in the financial framework for 2014 to 2020. As I understand it, that is wholly and solely because, as a region, Scotland does not receive enough and did not meet the criteria for any external convergence mechanism. If, as we all believe, that analysis is correct, I am struggling to understand why you appear to have allocated that money across the UK rather than to Scotland, to which it surely belongs.

Owen Paterson: The UK pot of money comes from a whole number of different bases, and that resulted in a reduction. The per-hectare payment in Scotland is by far the lowest per-hectare payment in the UK, but the per-farmer payment is dramatically higher. For example, in 2011, the per-farmer payment in Scotland was £25,751, whereas in Northern Ireland it was £7,255. There is no easy way of deciding this. If you want to be popular, do not get yourself appointed agriculture secretary.

We held a wide consultation. Having consulted all the other constituent parts of the UK, which made very strong representations, we had to take a decision. We received clear representations from all parties in Scotland and we received clear representations from England, Wales and Northern Ireland. It seemed to me that the fairest way to proceed was to make an across-the-board reduction, which is what we decided to do.

Nigel Don: I would like to draw an analogy and see how you work with it. If my father decided to give me a sum of money for one of my children, I think he would be a little upset if, having got the money in my hand, I decided to divide it between all my children. I do not want to push this analogy too far—I am not suggesting that countries are children—but I think that English law, like Scottish law, would regard that as money given in trust.

If the money that we are talking about—I think that we are talking about the same sum—comes, or potentially comes, to Scotland wholly and solely for Scotland's purposes, because of Scotland's position and because Scotland receives that low figure per hectare, and that is the only reason that it is in your pocket, why is it not going to the intended recipient?

Owen Paterson: It is one element of the total pot.

Nigel Don: It is a specific element for a specific reason.

Owen Paterson: It is one particular element, but there are a range of elements that lead to the final pot being delivered to the UK. It seems to me invidious, and the other three elements of the UK made it very clear that they thought it would be extremely invidious, for one particular item to be attributed solely to one constituent part of the UK.

Nigel Don: But that is why we were given it. That is the stated reason why it is in the pot.

Owen Paterson: I am still answering your question. Scotland will also have benefited from other elements in other parts of the UK.

In fairness, we consulted widely on this. As I said, there was no absolutely clear black-and-white answer that would make everyone happy. Having consulted right across the UK and talked to all the other constituent elements, who made very strong representations, it seemed to me that the fair approach was to make it across the board.

Nigel Don: I am sorry but you have not convinced me—but you know that.

Graeme Dey: Secretary of state, with respect, I point out that the Scottish Conservatives, the Labour Party, the Liberal Democrats and the Scottish Government came together—that does not happen very often, it has to be said—to write

to you to make it clear that the unanimous view of this Parliament was that that money rightly belonged here. In addition, in the various stakeholder evidence sessions that this committee held, the unanimous view of the stakeholders was exactly the same—that the money should come here. Why is it that they are all wrong and you are right in this regard?

Owen Paterson: I think that the other parts of the UK would ask why they were all wrong. You have to recognise that this was a UK allocation. I am repeating myself, but it was derived from a number of different bases. We had very strong representations from the other three constituent parts of the UK. There will be elements of the UK pot from which Scotland will have benefited, which other parts of the UK would say that they contributed to.

Graeme Dey: The cabinet secretary wrote to you on 4 April in relation to the convergence uplift. He said:

“I would also reiterate my view that your decision on the convergence uplift was unacceptable and should, particularly in light of these developments, be revisited.”

The “developments” are the coupled support developments. Are you saying that you will not revisit that?

Owen Paterson: Will I revisit what?

Graeme Dey: The situation with the convergence uplift. Richard Lochhead has asked you to revisit that to reconsider your position on it, particularly in light of the developments with regard to coupling. Are you saying that you will not budge on that?

Owen Paterson: No. Coupling is an issue that can be resolved within the Scottish budget. Whether the Scottish Government decides to go to 8 per cent or whether we resolve the issue with the Commission allowing Scotland to go over 13 per cent, that is all entirely within the Scottish budget. That is an issue to be resolved internally between Scotland’s recipients of the beef scheme or the sheep scheme or whatever and the arable farmers who will not be part of it—or whatever the other elements of the Scottish industry are.

The other issue that I am talking about is the UK pot of money. That has been allocated and other constituent parts of the UK are now pressing on, resolving the distribution and the manner in which they will deliver the CAP. That definitely cannot be changed, because it would cause serious disruption and would put us at real risk of disallowance. If it is a UK matter that has been decided, that is sorted within this current round.

On the disagreement about the reduction, I point out that there was an amendment in Parliament on the European budget, on which Opposition parties

voted against the coalition position and for an even bigger cut. You have to bear in mind that people who are asking for more money from one budget here might also be members of a party that voted for a bigger cut back in the Commons.

10:30

Graeme Dey: Of course, that was the overall European Union budget, not specifically the agriculture budget, was it not?

Owen Paterson: That was the total EU budget—absolutely.

Graeme Dey: We are still talking about a sum of money that, as my colleague Nigel Don said, came to the UK only because of Scotland’s position. Our point is that, surely, morally—and in every other way—that money should have come to Scotland, to benefit Scotland’s agriculture.

Owen Paterson: No. I am repeating myself again, but a number of elements led to the final sum being calculated. There will be elements within Scotland, England, Wales and North Ireland that arrive at the final UK cake. We consulted very widely and we had very strong representations, and it seemed to me that the only really fair way to do this was to have an across-the-board reduction, because so many different constituent parts arrive at that cake’s final size.

The Convener: We move on to some other questions. Jim Hume is next.

Jim Hume (South Scotland) (LD): Thank you, convener, and good morning, secretary of state. I remind the committee of my entry in the register of interests.

You mentioned the lessons that have been learned regarding the £600 million disallowance that happened in England when it went to the area payment earlier than Scotland at the last round of CAP reform. I am interested in some of the other lessons that we could learn from some of the mistakes that happened the last time—albeit that was not under your guidance—which could be useful up here.

I also point to the situation regarding rough grazing area, where there are concerns. Coupling may help, by dividing rough grazing into two separate payment regions to help farming in the hill livestock areas, if you like.

It would be useful for Scotland to know the lessons learned from England’s mistakes.

Owen Paterson: Simplicity is key. The scheme that took England from historic to area payments was very complicated and was on a pretty rigid timetable. One of the areas in which we can be pleased that we have helped Scotland is that the Commission originally wanted to go to 40 per cent

area payments by 2015, but we put real pressure on, as we knew that a tight timetable such as that could lead to real problems. We have gone to a much slower pace of transition, which is 60 per cent by 2019.

However, the pressure is still on to make decisions soon and stick with them. I am afraid that that might mean upsetting some people in Scotland, because it is almost impossible to come to a regime distributing CAP funds without upsetting someone. There will be winners and there will be losers.

The real lesson is to try to keep it as simple as possible, and to make some resolute decisions early on and stick to them. However, I repeat that I am more than happy to invite the committee down. I think that Scottish officials have already met the Rural Payments Agency, but, by all means, please come to the RPA and learn the lessons from what happened last time, which led to a £600 million fine—we use the polite Euro Commission word “disallowance”, but it is a fine—and talk to our officials. We are well down the road of building our new information technology system and you can see how we are trying to learn lessons from our experience, to make it as simple as possible.

Jim Hume: I would like to explore that £600 million fine, or disallowance as it is officially called. Would it be simple enough for you to give me a few bullet points on the sort of things that England was fined for? I am sure that it is very complicated, but two or three rough points would be useful.

Amy Holmes: It is made up of different elements rolling forward. For example, there was major disruption because of the way of issuing the payments in 2005. We had problems hitting the deadlines when money needed to go out the door in 2005, and the problems have rolled forward because of those disruptions.

There are other elements, such as fruit and vegetable producer organisations, which also fall under CAP. The lack of clarity around those rules has generated disallowance.

The £600 million is made up of different elements from audits that have rolled forward over the years, but the problem very much stems from the 2005 failure to meet the deadlines to get the money out of the door, because the system could not cope with the complexity of meeting the first payments. That has rolled forward throughout the years.

Jim Hume: Which budget did the £600 million come from? Did it come from future CAP budgets or the general big pot?

Amy Holmes: There are Department for Environment, Food and Rural Affairs and Her

Majesty's Treasury negotiations. It is not CAP money; it is DEFRA departmental money.

Jim Hume: I return to the point that I made about rough grazing. Secretary of state, you talked about keeping things as simple as possible. Obviously, that might have quite serious implications. NFU Scotland and crofters have said that a simple rough grazing region payment would result in land abandonment and devastation of the industry. You can see that there could be problems with being oversimple. There are calls for either coupling, which would help, or having two payment regions for what is classified as RGR or rough grazing in integrated administration and control system forms. I do not know whether anything like that has happened in England.

Owen Paterson: I will briefly pick up on Amy Holmes's comment. I was a constituency MP when the move was made from historic to area-based payments. For an MP, that was horrendous. Farmers were overpaid or not paid at all for months. It was chaotic and caused real grief and unhappiness. I congratulate the RPA, which got out well over 90 per cent of the money within the first couple of days in December. Having got the RPA running smoothly, we are really determined. In my own patch, I think that I am down to one historic case, which has been rumbling on. That is very good. We are determined to build on that and ensure that we do not make a mistake.

You have come across an absolutely classic part of delivering CAP. How do we deliver that pot of money across Scotland? We have incredibly successful, productive farmers in certain activities who would, on my mantra, survive on food production alone and are world competitors. Other farmers up in poor grazing areas provide a vital environmental function, such as keeping the bracken down and keeping the country looking as it does, which is vital for your rural tourism industry.

It is very difficult to get a balance. I am finding that difficult in England. All that I can say is that those decisions are for the cabinet secretary. He has to strike a balance in how he gets those payments across. That is not easy, but I stress that the decisions need to be made soon.

The Convener: I think that Dave Thompson wants to raise some pillar 2 matters.

Dave Thompson: Good morning, secretary of state.

It strikes me that it is good that you want everything to be as simple as possible, but it does not appear to me that things are very simple at the moment. You said that total regional decision making has been agreed and that the Scottish ministers decide, but our Cabinet Secretary for Rural Affairs and the Environment must work

through you. He has to convince you first about what he wants and needs for Scotland, and you then go to Brussels. That is not simple. It would be much easier if we simply went straight to Brussels ourselves and argued our own case.

You are the man who goes to Brussels on our behalf and argues the case for Scotland. Are you proud of the fact that we are sitting right at the bottom of the pile in Scotland in respect of pillar 1 and pillar 2? I am particularly interested in pillar 2. Even new countries that are coming in and which are smaller than Scotland, such as Croatia, will soon be above us in their pillar 2 payments. That is all down to you, as you are the main man. You go over to Brussels and negotiate on our behalf, but I do not think that you have done a very good job. Are you proud of what you have done, or do you think that you might have been able to do better for us?

Owen Paterson: I think that you are conflating a couple of issues. First, on the negotiation of the final CAP reform, as I made clear in my opening comments, the Scottish, Welsh and Northern Ireland ministers were integrally involved. They were involved in our meetings and they contributed to the points that we made in the debates.

We delivered the vast majority of what the cabinet secretary in Scotland wanted. Part of that was the ability to make decisions on the four regulations. Once we came to the end of the CAP reform—that has been finalised—it was down to the cabinet secretary to work out a CAP regime within the rules that delivers for Scotland. It is absolutely not for me to dictate how the pillar 2 schemes will work, what the details will be, whether there will be a coupling scheme and whether it will be for calves or for sheep. That is entirely down to the Scottish minister.

Dave Thompson: But—with respect—it is not.

Owen Paterson: It is. I have absolutely no say whatever.

Dave Thompson: No, you told us earlier that you have just written to Ciołoş about the coupling so you are still involved. If Richard Lochhead could do that directly without you in the middle, it would be a lot easier and a lot simpler.

Owen Paterson: That is probably the one last, festering issue from the negotiations.

Dave Thompson: It is an important one.

Owen Paterson: Yes, but once it is decided, whether it is 8 or 13 per cent or whatever, the decision will be entirely local. I will not be involved at all in working out a calf scheme for Scotland. There can be a lot of focus on those last couple of issues—whether it is 8 or 13 per cent, or coupling. Do not miss the big picture, which is that the clock

is ticking and decisions have to be made on all the elements of pillar 1 and pillar 2.

The size of the whole budget was of course decided at head of state level. That was not an issue for agriculture ministers. Modulation is an issue, and we were keen to see significant modulation from pillar 1 to pillar 2. In England we have gone for 13 per cent, with a review, possibly going up to 15 per cent. Wales has gone for 15 per cent right through and I think that you have gone for 9.5 per cent. Therefore, there are options within the arrangement that we have agreed so that you can enhance your pillar 2 payment.

Dave Thompson: If we look at basic pillar 2 payments, Scotland got €443 million in 2007 to 2013. Finland got €2.2 billion and Ireland got €2.5 billion. Why are we so far behind if you and your colleagues are such good negotiators on our behalf? You said that the heads of state make the big decisions; might it be better for us if our own head of state was involved? Might we get a better deal at the end of the day? If we look at the figures, you do not seem to have done very well for us.

Owen Paterson: There are historical reasons for variations in the budgets. Right across the EU, there are all sorts of discrepancies and we can easily pick out figures such as those. What is important for Scotland is that we have achieved absolute decision making on the nature of the pillar 2 schemes and the ability to transfer quite significant sums from pillar 1 to pillar 2. That has not been possible before.

I return to the per-farmer figure: Scotland is miles ahead of virtually every other member state in that regard. We can all pick out figures, because the subject is immensely complicated.

Dave Thompson: But does Europe work on the basis of allocating funds per farmer or does it do it per hectare?

Owen Paterson: If someone is a farmer, they would be very happy to receive funds as a farmer; if someone—

Dave Thompson: But what criteria does Europe use?

Owen Paterson: There are all sorts of criteria but if you were a Northern Ireland farmer, you would pick up immediately on the per-farmer payment figure of £7,255 in Northern Ireland against the per-farmer payment figure of £25,751 in Scotland—

Dave Thompson: But Europe uses per hectare—

Owen Paterson: Other countries have decided this time not to bring in whole areas of activity within the CAP in order to protect historical

recipients. It is very easy to pick out glaring examples and I can play the same game as you. The trick is to recognise that we have a settlement and that it is really important to start working on the implementation. A raft of other elements exists beyond public subsidy, such as farming efficiency, technology, the training of young people, land productivity, local demand, local products that can pull along raw material producers and export potential. The picture is far more complex than just constantly focusing on the public subsidy issue.

10:45

Amy Holmes: Dave Thomson mentioned pillar 2, so I will help out by offering up some figures. The UK has consistently called for an objective allocation and share of pillar 2 funding rather than the historic system that is used and on which EU budget allocations are largely based. The funding was supposed to be mixed in its delivery but in reality it was largely rolled forward and, given that mixed formulas are used, the matter lacks clarity. However, it is clear that the overall UK pillar 2 allocation for 2014 to 2020 has increased by 7.8 per cent, and that that increase is being shared equally between Scotland, England, Wales and Northern Ireland.

Dave Thompson: I want to press the issue a wee bit further. That does not change the fact that Scotland is sitting virtually at the bottom of the league table. Even new member states, including countries that are tiny compared with Scotland, have negotiated a better deal in the previous round than we have—they must have good negotiators—despite the fact that we have been in Europe for 40 years and we have the UK's negotiating strength behind us. Indeed, Croatia will pass us after only a couple of years. I repeat my question: have you really done a good job for us?

Owen Paterson: Per farmer, we have. I, too, can pick out a glaring figure that is massively in Scotland's advantage. In 2011, the average single payment is £25,751 per farmer in Scotland, so Scotland is miles ahead of almost every other European Union member state. I repeat that it is not just the public subsidy cash that matters; it is vital to look at the other elements that deliver successful and thriving agriculture and food and drink industries.

A lot of that is about getting young people into the industry, training, the use of technology, skilful exploitation of natural resources and exporting. We are also pushing very hard on import substitution. You must look at a number of other issues. It is very easy to focus on one figure. I have picked out one figure that is massively in Scotland's advantage; you have picked out another figure that is massively to Scotland's disadvantage. We can all play such games.

However, the picture is much more complicated. I reiterate that we need to watch the big juggernaut coming down the road, concentrate on how the CAP will be implemented in Scotland and ensure that that is to farmers' advantage.

The Convener: I thank the secretary of state and Dave Thompson. We have a good number of questions to ask and a short time in which to do so. Graeme Dey has the next question.

Graeme Dey: This is not a game; it is a really serious matter for Scottish agriculture. The secretary of state talked about the historic nature of Scotland's low payment rates. Let us set that to one side. In the current CAP negotiation round, countries such as Latvia, Estonia, Romania and many others managed to negotiate significant payment uplifts. Why does Scotland lag behind? The difference is that those small independent countries negotiate for themselves. Presumably, the budget increases that those countries have secured will have been or will be ratified by the UK at some stage in the process. In effect, the UK will be saying that it is great for those countries to get an uplift and it is comfortable with Scotland still being where it is.

Owen Paterson: That is the same question as the preceding questioner asked. You can pick and choose numbers from among the various CAP figures. I could pick out the per-farmer figure for Scotland, which is miles ahead of almost anywhere else in the European Union. You can look at other countries that have excluded areas of their own territory from the CAP regime. The problem that the Scottish Government faces is one of delivery. How the money is distributed between productive areas and the increasingly less productive areas where payments are made more for environmental benefit must be balanced out. We could go round and round on this subject. You can cite one lot of figures and I can show you that the current regime is massively to the advantage of a small number of people who farm in Scotland. However, we must work out and start to look at how that very significant sum of public money is distributed.

Jim Hume: On that exact point, secretary of state, you have mentioned that the clock is ticking for the Scottish Government to deliver. You have also mentioned that the four regulations of the CAP are devolved for the first time in history. There are, therefore, a lot of decisions for our cabinet secretary. The industry here really needs some clarity so that it can plan for the future. How long does the industry have before the cabinet secretary will be too late in coming to his decisions, bearing in mind that we are already in the interim year between the old CAP and the new one?

Owen Paterson: The deadline by which the Commission must be informed is 1 August. However, it is not just a question of telling the Commission; it is about getting into all the administrative detail of the IT systems, getting the information out and working through a lot of very nitty-gritty regulation, which is where we fell foul last time. Time is of the essence, and we are nearly into May.

We have already made a number of quite significant decisions and will be making further announcements shortly. All of us must recognise that, for all the ups and downs of the total package that is being delivered and for all the faults and advantages of the reform, we must live with what we have got and start working out how to deliver it. What I have got for Scotland is complete local decision making. This will be very much a Scottish regime, designed by Scottish ministers for Scottish people and according to Scottish circumstances.

Jim Hume: In relation to the rest of the UK—England, Wales and Northern Ireland—how does Scotland rate in progressing and finalising the CAP? Are we lagging behind the rest of the UK?

Owen Paterson: I am concentrating on my own responsibilities in England, where we have made a number of key decisions. We are under pressure to make further announcements, which we will be doing shortly. It is not really for me to act as judge and jury on who is doing better in the race, but I remind everyone here, and all my officials back home, that we have all got to deliver by 1 August. The issue is not just getting the announcement out but delivering the IT systems, the nitty-gritty and the real detail. That is extremely important.

Alex Fergusson: I am still having trouble getting my head around Dave Thompson's suggestion that the head of state should negotiate CAP reform, because I am not sure that Her Majesty would entirely appreciate having that role added to her already busy remit. However, we will put that down to a slip of the tongue.

The UK Government has proposed a review of CAP funding allocations, to be completed by 2017, once the new system is in place. I wonder whether you are able to put any meat on the bones of that suggestion at this point. How do you envisage that the review would be handled and what would its remit be? I appreciate that there are a lot of elections and referendums and things to be undertaken between now and then but, if you are in a position to do so come that time, and if the review makes recommendations that could be implemented before 2020—in other words, the next period of review—would you be supportive of doing that as quickly as possible?

Owen Paterson: The review is well worth doing but we need to do it at the appropriate moment.

Clearly, the constituent parts of the UK that are currently operating on an historic basis have got to make an awful lot of progress towards using an area basis to make it worth while. It is really too soon to start working out the details and the remit of the review. Everyone should be concentrating on what we were talking about in relation to the preceding question, which is delivering this complex reform in a way that means that none of the constituent parts of the UK gets hit by a big disallowance.

I am very much open to a wide-ranging review. Of course, it would have to be carried out among all the constituent parts of the UK, so we would have to come to agreement with Wales and Northern Ireland. I am perfectly open to the idea that, should there be recommendations that could be delivered within the rules before 2020, they should by all means be implemented.

However, I stress that we will have to get all-UK agreement on this and I think that, at this particular moment, it is too soon to be thinking about that. Moving from historic payments to area payments is a huge task. I stress that it was a big achievement to get the extra few years, as the Commission wanted the target to be 40 per cent by 2015, which would have been really difficult to deliver here. The target is still 60 per cent by 2019, but we will have a much better feel for how things are going in a couple of years' time. To answer your question clearly: if there are sensible recommendations in the review that are to the satisfaction of all the constituent parts of the UK and which can be delivered within the European rules by 2020, by all means we can do that.

Alex Fergusson: And you believe that the review could be completed by 2017.

Owen Paterson: It is all a bit chicken and egg, Alex, is it not? We will have to see how far the three historic payment areas of the UK get.

Alex Fergusson: With respect, it was the UK Government's proposal that the review would be done by 2017.

Owen Paterson: Yes, and I think that it is a sensible timescale, but I do not think that we can talk about the detail just yet. We should all be working really hard on delivery. The plan is to complete the review by 2017. As I said in response to your previous question, I am happy that, should there be recommendations—whatever they are—that are deliverable before 2020 and that are agreeable to all parts of the UK, that is fine and we can do it.

Alex Fergusson: Thank you.

Claudia Beamish (South Scotland) (Lab): Good morning, secretary of state. Do you agree that in view of the discussions that you have had

with the committee this morning about, for example, the concerns that all parties in Scotland had about convergence, it might be appropriate to have an independent review by experts and an independent chair?

Owen Paterson: Yes. I think that we will sit down with Scotland, Wales and Northern Ireland and work out who will run the review, who will sit on it, how long it will take and its remit. We could look at a range of issues to do with the CAP. However, I keep repeating that we have to be very respectful of the existing rules and the existing budgets to ensure that we do not infringe the current regulations, as that could lead to a massive disallowance. Consideration of all those issues, alongside the terms of reference, the ability to take evidence et cetera, would be part of the establishment of the review. However, for the moment, we are slightly jumping the gun. I am quite happy for the review to take place, but it is several years down the road and the real priority now is to get the implementation sorted.

Claudia Beamish: Thank you. I will move on to matters of concern to the committee—and you, of course, as the matter is in your portfolio—related to flooding. I have a general question. Can you share with us any lessons that have been learned from the situation in the south-west of England in relation to emergency planning, funding for future protection and the resilience of challenged communities?

Owen Paterson: Yes, sure. Do not forget that not just the south-west of England was affected; the east coast was hit very hard in December. I went to Boston. We should not forget that 307 people died on the east coast of Lincolnshire in 1953. That was horrendous and is very much alive in people's memories. Going to the church in Boston and seeing the mark on the wall, which was probably a good foot higher than the high-water mark in 1953, was a striking reminder that we have built—this is not a party-political issue at all; previous Governments have built—defences that work.

We should be proud that we protected 1.4 million properties over the winter months, but that is absolutely no consolation to the people in the 7,500 properties that were flooded, because being flooded is completely frightful. It is terrifying for young children to be got out of bed in the middle of the night with filthy, dirty water swirling around the house. Flooding is obviously very disruptive of family life and disastrous for businesses. We are determined to step up our programme of flood defences.

In fairness to myself, within a week of being appointed to DEFRA, I met Chris Smith in Nottingham, where a brilliant scheme was just being completed as a result of a £45 million

investment in flood defences, protecting 16,000 properties. Nobody told me until I went there that on the other side of the Trent were 500 acres of land that had previously been blighted by flood risk but that were up for private development. There was not only a huge direct gain from protecting the 16,000 houses, but an enormous economic gain from that development, so I am a tremendous enthusiast for such flood schemes.

11:00

I asked Chris Smith for a shopping list of projects that could be put into operation and we rapidly got a further £120 million, so those projects are now going ahead. We then stepped up the pace and have an unprecedented programme going through to 2020, when we will get up to an extra £400 million a year, which we hope will be matched by other parties.

Recently, because of the particularly bad flooding, we have put in further significant sums of money for emergency repairs. On the east coast, where some sea walls were breached, we had to get helicopters in, so emergency repair money has been put in. There has also been accelerated maintenance. You mentioned the south-west, where some of the pumps had been working with extraordinary intensity and, bluntly, were worn out, so there had to be replacement of a large amount of kit. We have put significant sums of money into the budget and, in the course of this Parliament, we will be spending £3.2 billion on flood defences.

The lessons learned are about the value of those schemes and the need to press on. I see there being three stages, the first of which is a continuation of national expenditure, mainly through the Environment Agency, on big, high-profile schemes. Secondly, a big lesson for us is about the advantage of partnership with local councils. A couple of weeks ago, I was in Blackpool, where there is a scheme protecting 12,000 properties, and getting the council involved has taken the price down from £104 million to £86 million. Having the councils involved has got a whole number of schemes just over the barrier. They did not quite make the cut at national level, but by bringing in some money and help at council level we have extended the number of schemes.

Thirdly, right at the lowest level, as I see it, there will be parts of the country that are nominally an Environment Agency responsibility, but which we are simply never going to get to because they are too low value and too remote. For schemes in such places, it is appropriate for local farmers either to form internal drainage boards and to work in partnership with the Environment Agency, or to clean out low-risk rivers and brooks on a regular basis. Therefore, we should make that as easy as

possible under environmental regulations. Those are the three levels of activity that I envisage.

You touched on emergencies. We held a whole number of COBRA meetings and we learned that messages going out from the Environment Agency were effective and that our short-term forecasts were extraordinarily accurate, giving one to two days' notice.

Therefore, we had incredibly accurate forecasting and the Environment Agency did a really good job of getting information out, but we found early on, around Christmas time, that some councils had not picked up messages, so we have tightened up on that and there are clear lessons there for better liaison to ensure that there is clear communication when we see events coming along.

Overall, however, the real lesson is about careful co-ordination on the ground. We have the police, fire and emergency services and local councils working with the Environment Agency, and we should be proud that, in contrast to the horrors of 1953, we have protected 1.4 million properties. That is no consolation to owners of the 7,500 that got flooded, but we will be working on that.

The Convener: I would like to come back to some more general activities for which you are responsible. The Scottish Parliament information centre has shown that Scottish ministers have not spoken at a single agriculture council meeting, and have spoken only once at a fisheries council meeting. Given that both are devolved issues and are particularly important to the Scots economy, why are Scottish ministers not given the opportunity to speak for Scottish farmers at agriculture councils, for example?

Owen Paterson: I explained my method of working at the beginning. We have open meetings with devolved ministers before council meetings, but since I have been secretary of state—apart from recently, when I was unable to get across to council meetings because I had to have an operation on my eye, as several members have been kind enough to mention—we have been absolutely punctilious in delivering our role as the UK ministers.

I really want to stress how closely we have worked with devolved ministers. The cabinet secretary has come along. As I have said, we worked out that there was a list of approximately 30 demands—I do not want to put an exact figure on it—and we have delivered pretty well every one of them. We would not have done that if we had not been working closely.

Delivering regionalisation did not just appear out of the air; it was an incredibly fraught, delicate issue for some member states, and I had to work

with other member states. Sabine Laruelle in Belgium was a real ally on this. We had to talk very diplomatically to Miguel Cañete in Spain, where giving significant powers to a regional Government is a very sensitive issue.

It is unfair. There is no point in my whingeing, but we could be given credit for having worked very closely with devolved ministers and having listened very carefully to their demands. We have been over the coupling issue. We have achieved the vast, overwhelming majority of what was wanted. It is a different method of working. I think my role as the UK minister is to be at the council. I should be on level terms with the German minister, the French minister, the Spanish minister and others. I have built very close relations with them. We would not have delivered a lot of what we got otherwise. Above all, we would not have stopped some real horrors—do not underestimate that. By working with real allies, we stopped some really negative stuff happening in the reform. That could not have happened if I had not been there on a regular basis as the focus of the negotiations for the UK. That does not mean to say that the Scottish minister was not there in person and was not talking to me from the first meeting of the day. It is just a different method of working.

The Convener: You say that you work closely with the devolved Administrations. Paul Wheelhouse, the Minister for Environment and Climate Change, attended a recent council meeting at which genetically modified organisms were being discussed. We all know your pro-GMO position. You said that you work closely with Scottish ministers to argue for the devolved Administration to have freedom to develop its own policies. You said that there were discussions about speaking notes. On the GMO issue, the speaking notes were amended to take into account the Scottish and Welsh view, but you did not read that bit out. What is the point of being able to amend speaking notes if you do not follow through on your promise?

Owen Paterson: I talked to Paul Wheelhouse beforehand and we agreed the speaking note. I confess that I think I read the preceding one. What is vital is that we are in the process of negotiating an arrangement that will be of real advantage to those in Scotland who do not like genetic modification. On whether the cultivation proposal that I agreed with Paul Wheelhouse goes ahead, the chances are that there will be very significant support in the council. I lobbied the agriculture minister from Austria, who has the same views as you on GM, who is very keen on the Greek compromise cultivation proposal, which in effect will give the regional Governments here the opportunity to accept an opt-out from a GM tech company. The fact that I did not read out the exact line in the note is unfortunate, but I did clarify with

Paul Wheelhouse afterwards that we had taken on board exactly what he had said. We have also made it completely clear that this cultivation proposal will apply to regional Governments. That is a major step forward.

We have come to an arrangement for those countries that want to exploit GM—there is the debate about 1507 maize, in which we have absolutely no interest whatever—and that will probably go through. Spain, for example, is already growing GM products very successfully. Other countries, such as Austria and France, have real concerns about that and, under the arrangement, if they are offered the opt-out they can accept it. They can only ban something if they are not offered the opt-out—and I think that all sensible GM tech companies will deliver that. That is a major step forward, which can deliver what all the constituent parts of the UK would like.

The Convener: Angus MacDonald wants to come in on the same point.

Angus MacDonald: Thanks, convener. I will be brief.

As well as being frustrated about the lack of access to the Council of Ministers, Mr Lochhead is often heard expressing frustration about his inability to join bilateral and trilateral meetings. Why is that allowed for fishing but not for agriculture? Should Mr Lochhead not be allowed to attend those meetings as a matter of course?

Owen Paterson: I think that we are repeating ourselves. I just do not recognise that situation.

We have meetings at which we amend and agree the lines that will be pursued, but it is appropriate that there is one person who is the negotiator. We would not have got the reforms through if I had not built up close relationships with other agriculture ministers on the council. That is a brutal fact.

On such occasions, languages sometimes come into play. It helps if you can speak French and German. At the peak moments on the final night, that was a relevant fact. It is a simple fact of negotiation that it is necessary to have one person to act as a focus. I am the UK minister and I represent the UK, so I can talk to Spain. The Spanish, the Germans and the French will look to me.

That does not mean to say that we do not have a serious sit-down with the Scottish, Welsh and Northern Irish ministers prior to such meetings. I go back to my opening comments—in the very final moments of the negotiations, we managed to slip in a key demand for Scotland; Scotland was not forgotten. The fact that Mr Lochhead was not in the German offices at the time is wholly irrelevant. The fact is that I was negotiating on his

behalf, and I think that we have delivered very well for Scotland. We delivered on an overwhelming number of the issues on the Scottish list.

Angus MacDonald: You mentioned that there were sensitivities with other Governments regarding devolved Administrations. Perhaps it is the case that, in such meetings, matters are discussed that you would not want Scottish ministers to hear about.

Owen Paterson: No—honestly, it just does not work like that. In bilateral meetings and at the fringes of council meetings, there is limited time, because various issues come up. Everyone is under considerable pressure. It is just appropriate that one person does the talking, having taken on board particular demands from other constituent parts of the UK.

The attitude behind that question indicates a failure to recognise that it was a team effort that delivered a team result. Just by chance, I happen to have some comments by the cabinet secretary on what was achieved. He said:

“The key principles agreed should mean a better CAP for Scotland than the one we currently have, albeit, like with all negotiations such as these, we didn't get everything we would have liked.”

I totally agree with him. He later said:

“We now have a better and fairer CAP, even if it isn't free of flaws and remains very complex.”

I entirely agree with him.

You can look for divisions, but we worked together very closely to deliver on the overwhelming majority of Mr Lochhead's demands. We delivered not just on regionalisation, but on flexibility with regard to the transition from historic to area-based payments, on areas of natural constraint, which was a vital issue for Scotland, on greening—getting the flexibility for a national certification scheme was extremely important—on slipper farming and on new entrants. We also delivered on heather right at the beginning of the negotiations. That was trousered very early on. The issue was unique—and vital—to Scotland and it had to be negotiated, but we managed to get our proposal through. How much we got delivered has been underestimated. As soon as something was delivered, that was pocketed and we moved on to the next issue on the list. We delivered on most of the items on the list.

Nigel Don: I come back to the per-hectare payment. I entirely understand your comment about the per-farmer payment—as you said, we can all push numbers around—but the land does not change. It would be possible to subdivide every farm and to halve the per-farmer figure, whereas it is clear that the euros-per-hectare

figure is the one that the EU works on precisely because the land does not go away.

An issue that I would like to bounce off you relates to where Scotland would be if we were not part of the UK. As I understand it, one of the outcomes of what you managed to negotiate was that no member state would get less than €196 per hectare in direct payments.

As I understand it, the UK already gets €229 per hectare but Scotland is at €130 and will drop to €128 in four or five years, so has clearly missed out. Will you simply confirm that, if Scotland were an independent state, in the period between 2014 and 2020, we would be in receipt of something like £1 billion, under the current arrangements?

11:15

Owen Paterson: I do not answer speculative hypothetical questions. We honestly have no idea how CAP reform would be treated by a European Commission that was approached by a newly independent Scottish Government. Figures are being bandied around on what might be delivered by other member states. That money would have to come from other member states and, having been through the negotiations in real detail over many hours, I would not want to raise hopes about how generous other member states would be. Another issue is whether the rebate would be applied to an independent Scotland. That is worth about £2.2 billion a year, so if it was not applied, that would wash away any possible increased area payment.

I recommend that the committee concentrate hard on implementation. We go back to the issue of area payments against the individual recipients. Look at what other member states have done—some have excluded whole areas. There are difficult decisions to be made. Do we reward the productive and successful parts of the Scottish farming industry that have survived and more than prospered in world conditions on food production? As we move away up the hill to more remote areas, the same stocking densities are not possible and food production is less valuable, but there is an absolutely vital service that delivers an environment that attracts visitors here. That requires a really difficult balance.

It is absolutely not for me to prejudge or suggest how that would be done. All that I can do is offer our help. Come to the RPA and talk to our officials in DEFRA and see how we did that. I really think that that is the priority. I do not want to speculate, and I am not qualified to do so, on how an independent Scotland might negotiate its position on the CAP. All that I can tell you is that, having represented the UK, which is one of the largest

and most powerful countries in Europe, it is not easy.

Nigel Don: But if Europe has set its criterion as being payments per hectare, would you not want to respect that? That comes back to where I started, which is that the uplift for Scotland was on a euros-per-hectare basis. That is why I still put it to you that it was Scotland's money. Of course everybody else wants it but, frankly, that is of no interest at all because, actually, the reason why you got it in your pocket is that it was for Scotland.

Owen Paterson: Okay. I will throw back exactly what I said to Mr Thompson, which is that the first thing that the Latvian representative will say is that the figure in Latvia was less than £5,000 back in 2011, so how can you justify paying £25,751? We have been round and round the issue. You can take the area payment and make the situation look as bad as possible, or you can take the individual payment and make it look as good as possible. The trick is to decide how to get a balance between the productive and less productive areas because, obviously, it is the less productive areas that pull down the average payment.

In some ways, it is a sterile argument. The really important point is to work out a regime that focuses the money in the most effective manner in delivering an advanced agriculture sector, on which your food and drink industry is based, and delivering the environment, on which your tourism is based. That is the real issue.

Nigel Don: With the greatest respect, we understand that. I am also grateful that you have got us regionalisation, which allows us to make our own decisions. It is worth putting that on the record. However, the way in which Europe divides its money is by euros per hectare—that is precisely how it does it. If we happen to have slightly larger farms than some places and significantly larger farms than other places, the amount that individuals receive could be much bigger. We could have twice as many farm owners and half the money, but actually the total is worked out on the basis of euros per hectare. That is the way that Europe divides the money and the criterion with which it works. I am sorry to go back to that, but you are choosing to ignore it.

Owen Paterson: I am sorry, but this is a terribly important point. Some countries are excluding whole areas to concentrate the money where they think it will have most benefit. The amount of less productive land that will be brought into the CAP regime is a Scottish decision; it is entirely up to you how much you spend on it. The idea that there is some blanket payment per hectare is weak when you look at land on the ground, because of the huge variation not only in Scotland but in England, Wales, Northern Ireland, Spain, Germany and so on between productive and less

productive areas. The really important point is that a blanket area payment actually hides the complexity of farming.

Nigel Don: But that is not my point. That is not how Europe pays the money to us.

Owen Paterson: You can obsess about a fixed sum of public money for an area. If you have a very large area of less productive land, the value of that payment will obviously be thin. Other member states will be looking very hard at the astonishing figure of £25,751 per farmer in Scotland and will be complaining bitterly about the good deal that Scots farmers are getting. The answer is for the Scottish minister here to sit down and work out how to distribute what is still a very significant sum of public money. It is too glib and easy to look at this matter just on an area basis; frankly, it is too glib and easy to look at it just on a farmer basis. The picture is much more complex than that.

The Convener: I understand that the timetable is tight, secretary of state, but Graeme Dey has a final supplementary question on this issue.

Graeme Dey: Just to round this off, I note that you talked about not wanting to speculate on Scotland's position as an independent nation. Let us not speculate, then—let us compare and contrast. Last year, Croatia became a member state of Europe, and it has secured a pillar 1 budget of €93 million rising to €222 million and a pillar 2 budget of €280 million rising to €350 million between 2013 and 2018. Those are the facts; that is how the EU treated a new member state. Would Scotland not get a better deal as an independent nation in the EU?

Owen Paterson: I am sad to say that I think that most unlikely. I do not want to get involved in the nitty-gritty of the independence debate when we are talking about the CAP, but having represented the UK and having got a lot of very good results for Scotland I think that having the UK's clout and bargaining position was absolutely vital.

Graeme Dey: But we are at the bottom of both tables as a result.

Owen Paterson: No. With regard to your example of Croatia, it had a long lead-in. New nations do not get brought in immediately; there is a lengthy negotiation period, followed by a lengthy introduction period. There is also a whole range of other issues to consider that are not within my competence, such as the rebate and whether it would continue. That alone is worth €2.2 billion, which washes away any advantage that might be derived from hoped-for area payments or whatever.

I am absolutely clear that by being part of the UK we were able to deliver a very large number of key Scottish requests, and that only happened because of the UK's clout as a very senior, powerful and wealthy member of the EU and because of the range of alliances that we have built up. It is really important that we do not underestimate that point. These agreements did not just happen. For example, we did not get regionalisation just like that; it was not easy. I had to work really closely with a number of member states, going over the text line by line to ensure that we did not tread on the sensitivities of other countries with strong regional Governments.

It is very easy to look at what might be in the future. I have just been through a very detailed and lengthy procedure to deliver a complex compromise. All I can tell you is that that was not easy, and that it would have been much harder had I not had the power and clout of the UK behind me.

The Convener: I think that that is an appropriate point at which to finish, secretary of state. Your experiences will be valuable to us as we review the development of the CAP, and our letter to the cabinet secretary will reflect as many of the views that have been expressed as possible to ensure that we have an idea of what is best for Scotland. Your comments have illuminated quite a lot of the issues that we want to focus on in our report.

I realise that you have a tight schedule, and I thank you for coming to the committee. It was difficult to get the timings right, but at least the meeting has happened before June when, as we understand it, the cabinet secretary will make his decisions. I am sure that these discussions will help him be clear about what he has to do.

It is good to see you here, secretary of state, and we will welcome you again at some point in the future.

Owen Paterson: Thank you very much for inviting me for what has been a very interesting discussion. I should also repeat that, if any of you would like to come down to see what we are doing, you have an open invitation to do so. We all have a massive interest in having a successful Scottish agriculture, food and drink industry and delivering the CAP successfully as part of that.

The Convener: Thank you.

That ends the formal part of the meeting. At the next meeting, on 30 April, the committee will consider its letter to the Scotland Government on the CAP and the Scotland rural development programme.

Meeting closed at 11:25.

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