

ENVIRONMENT AND RURAL DEVELOPMENT COMMITTEE

Wednesday 1 November 2006

Session 2

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ENVIRONMENT AND RURAL DEVELOPMENT COMMITTEE

30th Meeting 2006, Session 2

CONVENER

*Sarah Boyack (Edinburgh Central) (Lab)

DEPUTY CONVENER

*Eleanor Scott (Highlands and Islands) (Green)

COMMITTEE MEMBERS

*Mr Ted Brocklebank (Mid Scotland and Fife) (Con)

*Rob Gibson (Highlands and Islands) (SNP)

*Richard Lochhead (Moray) (SNP)

*Maureen Macmillan (Highland and Islands) (Lab)

*Mr Alasdair Morrison (Western Isles) (Lab)

*Nora Radcliffe (Gordon) (LD)

Elaine Smith (Coatbridge and Chryston) (Lab)

COMMITTEE SUBSTITUTES

Alex Fergusson (Galloway and Upper Nithsdale) (Con)

Trish Godman (West Renfrewshire) (Lab)

Jim Mather (Highlands and Islands) (SNP)

Jeremy Purvis (Tweeddale, Etrick and Lauderdale) (LD)

Mr Mark Ruskell (Mid Scotland and Fife) (Green)

*attended

THE FOLLOWING GAVE EVIDENCE:

Hugh Campbell Adamson (Scottish Rural Property and Business Association)

David Dalgetty (Scottish Executive Finance and Central Services Department)

Ross Finnie (Minister for Environment and Rural Development)

George Holdsworth (Salmon and Trout Association)

Dr David Mackay (Scottish Anglers National Association)

Alex Stewart (Tay Liaison Committee)

Jon Swift (Association of Scottish Stillwater Fisheries)

Andrew Wallace (Association of Salmon Fishery Boards)

Ron Woods (Scottish Federation of Coarse Angling)

CLERK TO THE COMMITTEE

Mark Brough

SENIOR ASSISTANT CLERK

Katherine Wright

ASSISTANT CLERK

Jenny Goldsmith

LOCATION

Committee Room 2

Scottish Parliament

Environment and Rural Development Committee

Wednesday 1 November 2006

[THE CONVENER *opened the meeting in private at 09:34*]

10:27

Meeting continued in public.

Aquaculture and Fisheries (Scotland) Bill: Stage 1

The Convener (Sarah Boyack): I welcome members of the public and press to our 30th meeting in 2006 and remind everyone to switch their BlackBerrys and mobile phones to silent. We have apologies from Elaine Smith, who is ill.

Today marks the fourth of our evidence-taking sessions on the Aquaculture and Fisheries (Scotland) Bill at stage 1. I welcome our first panel, which comprises witnesses who have an interest in the management of freshwater fisheries: Andrew Wallace is the director of the Association of Salmon Fishery Boards; Hugh Campbell Adamson is a member of the fisheries bill team for the Scottish Rural Property and Business Association; Jon Swift is the chairman of the Association of Scottish Stillwater Fisheries; and Alex Stewart is the recorder for the Tay liaison committee. I thank you all for your helpful submissions, which we have circulated to members.

Mr Ted Brocklebank (Mid Scotland and Fife) (Con): First, I will address a couple of questions to Andrew Wallace. In your submission, you appear to take exception to some of the evidence that we have heard, particularly on sea lice and escapes. You say that

"Others have described the proposed legislation as: 'A sledgehammer to crack a nut'"

and you dispute the view that measures have been taken to combat sea lice and reduce the number of escapees.

You go on to say that your association

"would like to leave the Committee in no doubt that we believe this legislation is absolutely essential".

Perhaps you will enlarge on that and say why you think that, if anything, the bill does not go far enough.

Andrew Wallace (Association of Salmon Fishery Boards): It is surprising that the question whether sea lice and escapes cause problems is still in dispute. The debate is being held at international level because the same problems have emerged in Ireland, Canada, Norway and the Baltic region. It is recognised on an international community basis by organisations such as the North Atlantic Salmon Conservation Organisation—a treaty organisation to which we are signatory—that sea lice and escapes are problems. At domestic level, we have the tripartite working group, to which the industry is a signatory and into which the Scottish Executive has put a great deal of money and resources. It is inconceivable that sea lice and escapes should not be taken seriously.

10:30

I took exception because of comments that were made at previous evidence-taking sessions. For example, Andrew Grant referred to treatment at levels acceptable to wild and farmed salmon, which is not the case; plenty of evidence to that effect is coming out of the tripartite working group. In its written evidence, the Fish Veterinary Society suggested that there is no proven link between sea lice in farmed and wild salmon. If that is the case, we must question why so many people are putting so much money, time, resource and effort into solving the problems. There is a great deal of active participation by the industry in that. That is the stage on which the bill is set.

The committee is well aware of the problems that are associated with sea lice and escapes. In my secondary submission, I provide the latest figures from the Scottish Executive on escapes. Last year 900,000 fish escaped; this year 100,000 had escaped in the year to June and there was another major escape in Argyll last week. Escapes are a significant problem.

Our argument that some form of regulatory approach is needed is based on the fact that society recognises the need to regulate impacts. The problem to date is that sea lice and escapes have fallen through the regulatory safety net and no one has been able to take responsibility for them. The bill will cover those areas in a way that I view as being sufficient. It takes a light and deft approach to the problem, which is welcomed by the industry. Sid Patten, the director of the Scottish Salmon Producers Organisation, stated:

"It provides the industry with the underpinning of the code of good practice that the industry sees as important. As long as it operates in that way and does not become yet another encumbrance on the industry, we can look forward with some confidence to it saving us from some of the misinformed criticism that has been directed at us in past years."—[*Official Report, Environment and Rural Development Committee*, 4 October 2006; c 3555.]

I could not put it better. The bill is supported by the industry, the Scottish Executive and us. The measures that are proposed make a lot of sense.

Mr Brocklebank: My next question, which relates to compensation, is directed at Hugh Campbell Anderson. In your submission, you say that you believe that the Scottish ministers should have a “duty” to compensate, rather than “discretion” to compensate, as is provided for by the bill. Will you enlarge on that point?

Hugh Campbell Adamson (Scottish Rural Property and Business Association): In this country, we have a history of not doing compensation very well. The foot-and-mouth outbreak was an example of how, under a voluntary system, preparation is not very good, even if compensation is eventually paid. If there is an obligation to pay, there is immediately more co-operation. In this case, we are dealing with *Gyrodactylus solaris*, which needs immediate action. Unfortunately, it is not practical to impose controls at ports. If it were, that would be the way to prevent any possibility of GS entering the country. However, once it comes in—if it does—we must be able to act as soon as possible. I would prefer that payment of compensation be made compulsory because that would make the process much quicker.

Richard Lochhead (Moray) (SNP): The submission from the Association of Salmon Fishery Boards states:

“there are signs of a recovery in terms of wild fish stocks in some areas.”

Will you say a little more about the rivers in Scotland where there has been a recovery and the rivers where there has not? How does the failure of stocks to recover in some areas relate to the bill?

Andrew Wallace: Over the past 20 years, there has been a fairly catastrophic decline in salmon and sea trout stocks on the west coast. That has had an impact on the local economy and employment. In the past three years—in alignment with the emergence of the tripartite working group, which is a Scottish Executive convened wild fish industry group that many people are putting effort into—we have seen some signs of recovery. That is most encouraging and we believe that it is a result of the efforts of ourselves, the industry and the Executive.

The recovery is, however, quite patchy at the moment, but a good example of recovery is the River Lochy in Lochaber. In its day, it was one of the major west coast systems and more than 1,500 salmon a year were caught on it. At its nadir, about 35 fish a year were caught on it. However, the river's fortunes have bounced back remarkably—last year, 1,000 fish were caught.

Quite compelling evidence is emerging that recovery is happening on a cyclical basis, which is linked to the inability of the industry to control lice in the second year of production as the fish mature. That illustrates the difficulties that we have with controlling sea lice. We believe that the bill will underpin the voluntary arrangements in a way that might be able to address some of the problems.

Richard Lochhead: Protection orders are quite controversial. One of the key issues relates to the extent to which there has been payback in terms of increased access for angling. In its submission, the Scottish campaign for public angling says that the orders are

“directly responsible for the collapse in angling participation in Scotland”.

Do you agree? From your experience of other protection orders, such as the one on the Tay, have you seen an increase in angler participation as being the payback for the application of the order, which was the original intention?

Hugh Campbell Adamson: The problem with protection orders has been lack of information rather than lack of access. When Lord Sewel raised the issue about eight to 10 years ago, the SRPBA—or the Scottish Landowners Federation, as it was then—looked into the matter and found that there did not seem to be enough knowledge of where people can fish. More fishing is available than appears to be the case. We need to find a much better way—perhaps through the internet—of ensuring that the information is available.

There are problems that the liaison committee needs to work on—Alex Stewart might be better qualified to speak about that—but there does not seem to be enough hard information. In some areas, the arrangement seems to be working and in others it does not.

Alex Stewart (Tay Liaison Committee): From the outset, the Tay liaison committee has involved representatives of all the angling clubs and riparian owners on the system. Since 1998, when there was a threat of revocation, it has produced an annual report. Because of that threat, we provided a new submission to the Scottish Executive, which set out how we would manage the Tay system, produce reports and set up a system for monitoring how each beat was providing access in compliance with the access agreements.

We stated that we would have wardens who were properly trained in accordance with the Freshwater and Salmon Fisheries (Scotland) Act 1976. Developing from that, the reports show where permits can be purchased and our website has a full list of where access is possible, what species can be fished and the methodologies that

have been agreed with the riparian owners. A vast amount of information can be accessed. Our meetings are also public—any member of the public can come along and listen.

The system is designed to ensure that people who wish to fish for freshwater species have the means to access information on availability and can enjoy their fishing. The reports prove that, based on the statistical returns that we get from riparian owners and angling clubs, for all species far more rod space is available on the Tay system than is taken up in any one year. The biggest increase in rod uptake has been in coarse fishing. The information is available and access is available, but it is not being fully taken up.

Richard Lochhead: I would like to try to get to the bottom of the issue. Would you say that angling access has increased since the protection order was applied?

Alex Stewart: Yes.

Richard Lochhead: The opportunities have not, however, been taken up.

Alex Stewart: That is correct.

Richard Lochhead: The opportunity has increased, but the amount of angling has not.

Alex Stewart: Since 1998, access has increased by about 7 per cent, but uptake has increased by just less than 2 per cent.

Richard Lochhead: I have never fished on the Tay—you might want to invite me one day—but I assume that it is a popular river and that lots of people would like to fish there. If the opportunity to fish has increased, and given that angling is a popular sport in Scotland, why are more people not taking advantage of the opportunity? What are the barriers?

Alex Stewart: I am afraid that I cannot answer that. We and the riparian owners have made access available. About 168,000 rods are available on the Tay system, but only a small percentage of those are taken up. We publicise what is available through articles in the press, for example. We can only say that the access is available; we cannot force people to come and fish. However, those who come enjoy their fishing.

We are not without problems—there would be no point in saying that we are—but we have a system to address them. We have a complaints procedure and we have the monitors and the riparian owners. We all work together to solve the problems. Access is available and the fish are certainly there. We hope that those who come enjoy their fishing and have as much access as possible.

Richard Lochhead: Okay. I guess that we will ask the anglers for their views later.

Maureen Macmillan (Highlands and Islands) (Lab): Is the Tay liaison committee unique? Are there other such committees for other rivers in Scotland, such as the Spey, the Conon or the Don? How widespread are such liaison committees?

Alex Stewart: Each system that has a protection order has some form of management committee, but I would not like to comment on the committees for the other systems. The Tay committee set out to provide as much information on access and information for visiting anglers as possible. To do that, we had to have the co-operation of the riparian owners. In 1998, with the threat of revocation, we revised the management structure because it was obvious that it was not working properly. We took the opportunity to take it apart and start from square 1, and the then minister Lord Sewel accepted the submission that was made in 1998. We have implemented the main points in that submission, such as the report and the booklet on where to fish, and we now have the website.

10:45

Maureen Macmillan: You do not, however, know whether your process is unique.

Andrew Wallace: I may be able to help. There are 14 protection orders in Scotland. They work variably well, but there is a common theme. Alex Stewart's account of the situation on the Tay is one that would be found in many other places in Scotland.

To answer Richard Lochhead's questions about barriers to entry, there appear to be information and cultural problems rather than an access problem. That is worrying, but I suspect that, as can be seen with other recreations, much of the issue is about competing for people's time. Like so many outdoor activities, angling is suffering, and we are trying to address that through schemes such as the Scottish national angling programme.

Based on the evidence that we have just heard from Alex Stewart, I would refute the concerns that have been detailed by groups such as SCAPA. The protection orders are odd constructions. In a sense, they exchange the right of the sanction of criminal law to protect fisheries for increased access, which is a happy compromise. They have fallen down in that some proprietors have abused them and taken the sanction of criminal law without giving access. The bill addresses that clearly by providing flexibility in the protection order system so that if people do not do what they say they will do, they will cease to enjoy the right of the sanction of criminal law. Until the protection

order system has been tested under the new arrangements, with the flexibility to increase them and the better structure that is being applied, questions of revocation are premature.

Nora Radcliffe (Gordon) (LD): I wanted to ask other bits and pieces about protection orders. The SRPBA said that it is disappointing that the opportunity was missed to implement some of the recommendations of the 1998 task force. What was recommended that you feel might be good to include in the bill? Is the fact that riparian owners are not making statistical returns much of a problem? The Tay liaison committee submission mentions methods for disabled anglers. Has that happened under protection orders? I know that access for disabled anglers has been put in place by the committee that manages fishing on the Don, but does it happen elsewhere?

Hugh Campbell Adamson: I am happy to step back somewhat from the SRPBA comments that you mention, having discussed the protection orders with the rest of the task force and the SRPBA, particularly the matter of owners who do not behave themselves having protection orders taken away from them. I am happy with what is suggested in the bill. The important part to me is to ensure that people behave themselves.

I do not know the position on owners not making returns. It is disappointing if they are not, because they should be. We will do our best to ensure that they do.

Alex Stewart: On returns, we can produce statistics only on the information that we are given. There are nine angling associations on our system and they have access agreements that allow people to fish large sections of the Tay. They represent quite a number of riparian owners, but a large group of owners provide access under the terms and issue their own permits. We have a problem about that, because we have no mandatory powers.

We send out requests for information at this time of year, but some are turned down or not replied to, despite their being chased up. We have no powers to say, "You must give us the information." Our preference would be for that to be addressed in the bill. The system should become mandatory. A penalty should be put in place for not completing returns, as is the case for migratory fish returns. In that way, we could build up a full picture of what is happening.

The crucial issue of funding also comes into play. At the moment, the Tay system is funded from permit sales and donations. Where someone has a small stretch of water, they perhaps have only two or three permits to sell per annum. At least they are honest enough to tell us that. They top that up with an extra donation for

administration and so on. If mandatory powers were introduced, we would get not only the right picture but the proper funding that we need.

In the past, we have had to take angling clubs and riparian owners to task because of their non-compliance with the agreements that they have signed. Again, the agreements between riparian owners and angling clubs or riparian owners and liaison committees should be made legal and binding, and transferable on the sale of the property. Many of the large estates are more than co-operative on that aspect, but some of the smaller ones are not. The bill offers the opportunity for a package of measures to be introduced into law. When the new structure on managing our water systems comes into place, the main thing to ensure is that a framework is put in place that allows co-operation between all the interested parties.

The Convener: That is helpful. Given that the bill does not include those powers or requirements, your view is that it does not go far enough.

Alex Stewart: Yes. That is my committee's view. As we said in our submission, the bill needs "real teeth" in order to assist the wardens who go out and about checking that access has been given and that anglers are fishing under the terms of their agreed usage of the water. Wardens should have training—we train our wardens—because there is in our view no point in having wardens out on the river checking whether people have permits and are fishing correctly unless the wardens know the terms of the law, how to approach people and the proper means of record keeping so that they can submit returns to the committee secretary, thereby allowing records to be kept. Giving the bill more teeth has to be coupled with putting in place a framework and proper training.

The Convener: We can put that question to future panels and to the Minister for Environment and Rural Development when he comes before us. It is useful to hear detailed evidence on how legislation can be improved.

Rob Gibson (Highlands and Islands) (SNP): We have not heard from the Association of Scottish Stillwater Fisheries. Perhaps Jon Swift would like to comment on some of the issues that have been raised thus far. He might like to kick off by addressing the remarks that have been made on *Gyrodactylus salaris* and its eradication.

Jon Swift (Association of Scottish Stillwater Fisheries): We broadly support the protection order proposals in the bill. I cannot comment on issues that are specific to the River Tay. Our waters are freely accessible, often seven days a week and all year round, as is the case with my

fishery. Our fisheries make fishing more accessible.

Rob Gibson: So, they are popular. Can you quantify the numbers?

Jon Swift: They are popular. I can also give the numbers. A couple of years ago, a survey was carried out on angling in Scotland. The figure for trout fishing was around £30 million, of which half was attributed to rainbow trout and stocked water fisheries, although the amount could be greater.

On the matter of GS—

Rob Gibson: I am interested not so much in the establishment of a payment as in knowing whether we should concentrate on preventing the disease from coming here or on eradicating it if it gets here. The cost of preventing GS from entering the United Kingdom that is suggested by the Association of Salmon Fishery Boards would be dwarfed by the cost of eradicating an outbreak. Would each of you like to comment on that?

Andrew Wallace: You are right. The obvious strategy is to prevent GS from getting here in the first place. That is the cheapest solution.

The Executive recently convened a task force that will report shortly with a number of detailed recommendations for preventing the disease from getting into Scotland and the UK. The task force established that many of the recommendations for preventing GS from getting in do not lend themselves to legislation. We are talking about information; disinfection procedures at points of entry; disinfection on river banks; conditions being attached to permits—people are required to have such permits to fish anywhere in Scotland, so that is a useful vector for getting information over; and information routed through tour operators who take people in this country to fish in GS-infected countries and who send fishermen from GS-infected countries here. Many of those issues have been tackled in the report. The only problem is one of resources.

Rob Gibson: Indeed. What level of resources do the panellists consider is necessary to prevent GS from getting here? Andrew Wallace said that the issue does not lend itself to legislation, but others may have a view.

Andrew Wallace: I cannot answer your question about resources now, but in parallel with the GS task force an economic appraisal of all the costs is being conducted by the University of Stirling. I expect that when the working group reports we will be happy to provide that information to the committee.

Rob Gibson: We have heard that there is likely to be an exercise in January and February on how to eradicate GS from a river system. Might that help us to find out what the costs might be?

Andrew Wallace: I suspect that the exercise is really designed to test logistics, administration and lines of communication, but financial information might come out of it.

Rob Gibson: I take it from what you are saying that you think that the costs should be met solely from general taxation.

Andrew Wallace: It is difficult to see where else the money could come from.

Rob Gibson: Your interests in salmon fishing and so on are pitched against the interests of other owners or users of water who the committee has heard about, such as canoeists, the whisky industry and so on. Many people have an interest in the matter and at some point a balance must be struck as to how the costs are met. Can you reflect on that?

Andrew Wallace: I understand that, but it is clear that many of the costs of implementing some of the measures that I have described will be borne by the people who stand to benefit from keeping the disease out of the country: proprietors. We are talking about disinfection procedures, information bases and so on. Considerable in-kind costs will be borne by the industry, but payment of compensation and the costs associated with removing the disease are clearly matters for the Government rather than individuals. It would be well outwith the capability of private individuals to deal with such costs.

Rob Gibson: Does anyone else want to comment?

Hugh Campbell Adamson: It is regrettable that there is no way to have proper facilities to prevent GS from coming into the country. I accept that we cannot find a way of doing that—or that it would be impractical. For example, all your equipment has to be sterilised with formaldehyde before you go to countries such as Iceland.

It has not been mentioned that *Gyrodactylus salaris* might not necessarily be brought into the country by angling, but could come in on wetsuits, on canoes and perhaps even through fish movements in certain circumstances. We must ensure that everyone is very much aware of it. The prevention cost could be divided in two. Our industry will play a large part in ensuring that anglers take the right precautions, that the formaldehyde or whatever is available and that the right information is put out by us. We hope that other industries will do the same, so that the canoeists and everyone else will make absolutely sure that GS does not come into the country. Let us not be fooled: *Gyrodactylus salaris* is a tiny thing, but it could be absolutely devastating to this country. We must do whatever we can to prevent it from coming in.

11:00

Rob Gibson: It has been suggested that the importing of live fish is far more likely to cause the problem than any of the things that you have been talking about. Is there not a responsibility on the people who import live fish?

Andrew Wallace: I totally agree with that. The principal vector for GS and many other fish diseases and parasites, certainly in Scandinavia where GS originates, is well recognised as being live fish transfers. That is one of the major threats. We are in discussions with the European Commission on the question of live fish imports into the UK from Europe. Under certain conditions, imports are allowed from areas of approved health status in Norway, which we think is an alarming prospect.

The Convener: We have heard that concern from a couple of witnesses before. You are strongly of the opinion that our minister should try to persuade the European Union not to allow imports of live fish because of the potential risk of importing GS and other parasites and diseases. Is that a universal view?

Andrew Wallace: Unfortunately, that would conflict with EU trade priorities. We gather from our investigations with the Commission that trade will win out on this. It is fair to say, however, that it is not at all easy to bring live fish into this country. Live fish are currently not imported into Scotland from Norway; however, there is the prospect that they could be.

The Convener: Who would import live fish and for what purpose? Would it be done to stock rivers and fisheries?

Andrew Wallace: No, that would be out of the question. It would be the aquaculture industry. As you will be all too well aware, the aquaculture industry is now heavily dominated by Norwegian companies. Evidence of that sort of drift is already in front of us. Scottish hatcheries have been closed down and, rather than eggs being reared in this country, they are being imported to the tune of about 30 million a year from Norwegian operations in Norway under strict disinfection and fish health procedures. In my view, it would not be an illogical step for the industry to view its fish farming operations on a global scale and produce fish in different parts of the world where it suited it. If it could comply with the fish health legislation, it could, theoretically, bring smolts into this country. That is a very alarming prospect indeed.

The Convener: Is the risk assessment process sufficiently rigorous? That would seem to be a huge risk to take, given the fact that every witness from whom we have heard thus far has said that, if GS were to arrive in Scotland, it would be economically devastating for a range of industries.

Andrew Wallace: The risk is probably quite small. The problem is that the consequences would be enormous. Also, I would not want to underestimate the problems of other fish diseases, which might be more sinister and not so easy to identify in fish. We have already seen outbreaks of infectious salmon anaemia in this country, which had a catastrophic effect on the industry and came from an unknown source. There was also an outbreak of viral haemorrhagic septicaemia in Yorkshire earlier this year. Such diseases all have their origins in the same process—the movement of fish around Europe. We have a unique fish health status in Scotland and the UK. In my view, we should protect it and the Scottish jobs that are associated with it.

The Convener: I suppose that the centralised ownership of some of the fish farming interests potentially cuts across a range of other economic interests.

Andrew Wallace: Exactly.

Maureen Macmillan: Do you think the aquaculture industry is aware of your concerns?

Andrew Wallace: It is very aware of them.

Maureen Macmillan: I presume that no reputable member of that industry would seek to import live smolts.

Andrew Wallace: The industry has responded well to the concern in two ways. There seem to be very few of the big companies left now, but Panfish, which will soon be almighty, has issued a statement with Fjord Salmon and Marine Harvest to say that they will not import live smolts under any circumstances. That has been a helpful response from the industry and is indicative of the seriousness with which those companies treat the problem. Also, the industry code of practice, which is a good document, is clear on the subject although it does not write off such imports completely. The problem is that there is still the possibility of some maverick operator importing live fish, and I think that the door should be closed to that.

Rob Gibson: We have heard that you want the definition of parasites and novel diseases to be expanded. The Tay liaison committee made a number of practical suggestions for preventing the spread of GS. Have those been put to the Executive? If so, what reception have they had?

Alex Stewart: The suggestions were more about preventive measures than eradication. Many continental anglers who visit the Tay system regularly have their own fishing gear in the UK, which they use because they are fully aware of the problems with GS. That is fine, although I am not saying that every angler does that. However, if some form of disinfectant is to be used, either at

the point of entry or prior to an angler being issued with a permit, there should be a charge for that. The costs of a full system of eradication would be quite frightening. However, if there was a little and often on the income side, that would be at least some form of commitment from the industry as a whole to assist with the costs.

As you correctly pointed out, other water users have free passage into and out of the continent and are just as likely to transmit this curse, if I may call it that. Again, disinfection is important. We are not suggesting that it is the be-all and end-all, but there could be some form of compulsory disinfection. A certificate issued from the EU country, at the point of entry or somewhere on the system, could be used as proof that care had been exercised before whatever water usage was allowed to take place. In our view, that would go a long way on the preventive side.

Rob Gibson: Have you put that idea to the Executive?

Alex Stewart: This is the first time that it has been expressed in detail. It has been raised in various shapes and forms at the numerous consultative meetings, but this is the first time that it has been formulated. We felt that we should submit something on the subject, although it is such a wide subject that, whichever way you look at it—cost-wise, compensation-wise or from the preventive side—it is a big area. Nevertheless, something should be done.

Rob Gibson: We can ask the minister about that.

Mr Brocklebank: Can I ask a quick supplementary question?

The Convener: If it is very brief.

Mr Brocklebank: It is brief and is addressed to Mr Stewart. In your submission, you allude to the fact that, in the nightmare scenario of GS coming here, it might be virtually impossible to control it given the fact that wild birds—herons, ospreys and so on—might take fish from an infected area many miles away, thereby spreading the parasite into other water systems. What is your view on such a situation? Surely we are not in the business of talking about culling herons or ospreys.

Alex Stewart: No, we are certainly not advocating that. We do not know whether fish-eating birds and mammals can transmit the disease. We might have to seek veterinary or other, more specialist advice on that. We were making the point that it is possible that the disease could be spread in that way. We know that diseases can be transmitted by a third party in other sectors of agriculture, so there is no guarantee that a third party could not spread GS.

It would be dangerous to suggest a cull. We are not doing that; we are merely highlighting that there could be such a problem, which it would be extremely difficult to control.

Eleanor Scott (Highlands and Islands) (Green): I want to ask about parasites. The ASFB has said that it wants the species of freshwater louse of the genus *Argulus* to be covered by the bill's definition of "parasite" and that it would be simple to add *Argulus* to the list of parasites in the bill. It might be simple to include *Argulus* in the bill, but would it be simple to deal with the louse of that name? How much of a problem does it present?

Andrew Wallace: To be honest, I do not know very much about *Argulus*, except that it is starting to be a problem in Scotland. Given that it is a clear and present danger, we feel that it should be covered by the bill. I find the prospect of eradicating a freshwater parasite on wild fish in a freshwater system daunting.

Eleanor Scott: You say that *Argulus* is becoming a problem. Is it the case that we did not have it in Scotland until recently?

Andrew Wallace: I understand that we may have had it, but that it is appearing more frequently in certain places. It has certainly caused a great deal of trouble in the still water sector south of the border. Jon Swift might want to comment on that.

Jon Swift: *Argulus* is fairly widespread in England and Wales and is becoming more of a problem in Scotland. Although *Argulus* is already present here, new species are appearing. That is why our association strongly supports the proposals for regulating fish movements in Scotland. At the moment, it is easy to move fish from England and Wales up to Scotland. In Scotland, we do not have the equivalent of section 30 of the Salmon and Freshwater Fisheries Act 1975, which regulates the movement of fish within zones and ensures that they are health checked. We strongly support the bill's proposals on the movement of fish and hope that they will be effective in combating the spread of *Argulus* or of any other parasite or serious disease.

Eleanor Scott: What fish are being moved, and in what quantities, from down south to Scotland?

Jon Swift: The main species with which our association deals are rainbow trout and brown trout. Brown trout are a native species, whereas rainbow trout have been around in the United Kingdom as a farmed fish for a century. They have been used as a fish for anglers to fly fish and bait fish for. In our case, they are usually stocked in still waters.

Eleanor Scott: So they are brought up from England to stock lochs.

Jon Swift: Some fish are transported for that purpose. There is quite a brisk trade between fish farms south of the border and Scotland. There are movements of other fish—coarse fish—as well.

Eleanor Scott: Are you suggesting that restrictions should be imposed on those movements?

Jon Swift: We are saying that we fully support the proposed restrictions. We do not want them to act as a barrier to trade; we simply want the existing arrangements to be tightened up so that we can prevent the spread of parasites and diseases.

Eleanor Scott: Do you think that the bill contains the right measures on that?

Jon Swift: Yes, we fully support its proposals.

Eleanor Scott: I have a question on a different subject, which is for Andrew Wallace. You mentioned that you were disappointed that the Executive had not chosen to address the problem of fish farm relocation. Why is that important?

11:15

Andrew Wallace: There was a reference to relocation in the original draft of the bill. The matter is being dealt with reasonably effectively elsewhere under the relocation working group, but partly as a result of the restrictions of the planning system and the dynamic nature of the industry, we are living with a number of fish farms on sites that I suspect the industry is not entirely happy with, as fish are now farmed in a different way. The relocation of fish farms—particularly fish farms at the mouths of rivers—can help to relieve problems for wild fish and, perhaps more important, can result in area management benefits by allowing area managements to operate in certain areas more consistently. It seems that one way in which we are making real progress in dealing with the problems that are caused by sea lice is through the use of synchronised fallowing and co-ordinated lice treatments, but occasionally farms do not fit into the cycle and would benefit from relocation. There is experience of the process working quite well; for example, there is an interesting plan in the Western Isles that is referred to as the Loch Roag site optimisation plan.

In a sense, therefore, the relocation process is being dealt with. We would have liked a specific reference to relocation in the bill, but we acknowledge that the issue is challenging for the industry and that it is likely that relocation will be best achieved on a negotiated rather than a legal basis.

Eleanor Scott: Have any fish farms been relocated?

Andrew Wallace: Yes—there have been two successful relocations to date. To be fair to the industry, it has radically reorganised its production in the past few years and the process is under way. The formal relocation process has two scalps, and those relocations have been conducted with the full agreement of the industry partners.

Eleanor Scott: Can you estimate the potential number of scalps that there should ultimately be?

Andrew Wallace: That is a difficult question. Big changes are under way, and it would be hard to give an estimate until the layout of the new-look industry has been considered. However, I do not think that we are talking about many significant relocations; I think that we are talking about the number being in the low tens rather than in the 50s or hundreds.

The Convener: I thank all four witnesses for coming to the meeting, for giving the committee written evidence in advance of the meeting and for being prepared to answer our detailed questions in particular. You have been helpful, particularly in saying where you think the bill has got things right and where it needs to be strengthened.

There will be a brief suspension while the first panel leaves the table and members of the second panel take their seats.

11:18

Meeting suspended.

11:19

On resuming—

The Convener: I welcome our second panel. We were keen to speak to representatives of users of freshwater fisheries, so we are glad to see the witnesses who are in front of us. George Holdsworth is Scottish policy officer for the Salmon and Trout Association, Dr David Mackay is a Scottish Anglers National Association environment officer and Ron Woods is a policy officer for the Scottish Federation of Coarse Angling. I thank the panel members for their written submissions, which members have been able to read in advance of the meeting. For the record, the committee also invited a representative of the Scottish campaign for public angling, but they could not attend the meeting. However, members have copies of the written submission that the campaign has sent.

I see three members instantly want to speak. Nora Radcliffe did not speak in the previous session, so she can kick off.

Nora Radcliffe: The bill prohibits some angling practices. It would help if you expanded a little on

why it does that and on whether any other practices should be banned. For example, what is the difference between using three rods and four rods? What are you talking about when you say that someone is trolling? I ask for the idiot's guide to what should and should not be done.

Dr David Mackay (Scottish Anglers National Association): Game angling has generally been based on using a single rod. It is illegal to fish for game fish with a set rod. Coarse fishing is entirely different; it is highly skilled, but it uses different methods. Attempts have been made to ensure that both groups can exercise their skills properly. The difficulty arises when people who claim to be coarse fishing are trying to catch brown trout, for example, by setting four rods on a bank and leaving bait on the bottom of them. Inevitably, a brown trout takes the hook and bait into its gut. When it does that, it must be killed when it is brought ashore, no matter what size it is or what condition it is in. That is one of several difficulties; I will leave it to my colleagues to describe others.

Ron Woods (Scottish Federation of Coarse Angling): The limit on the number of rods will be raised rather than reduced. In practice, many proprietors choose not to enforce the present regulation, but the definition of rod and line in current legislation precludes the use of more than one rod and precludes the use of rods that are set in purpose-made rests, which is the normal practice in coarse angling.

It is fair to say that we recognise David Mackay's concerns about people masquerading as coarse anglers. However, quite a lot of scope exists for the identification of such miscreants and for distinguishing genuine coarse anglers, who not only prefer to but have to use those techniques if they are to succeed with some species, from people who simply exploit coarse fishing techniques to abuse game fishing.

George Holdsworth (Salmon and Trout Association): I back up what has been said. It is normal to use one rod in game fishing, but we have the slight anomaly of harling on rivers and lochs, when rods are set up and lines are trolled through the water. In salmon fishing on the Tay, for example, three rods are used, so salmon anglers there are technically breaking the law.

The danger of people pretending to be coarse fishing when they are game fishing was raised. There is no question but that that can be a problem, but that could be relatively easily controlled under the local rules of permits. The law might say that the maximum number of rods is four, but a permit could say that only one rod can be used in an area. To restrict use to one rod in the bill would technically criminalise anglers who have trolled and harled for salmon for generations. That would not be right.

Nora Radcliffe: How much overlap exists? Are coarse and game angling likely to take place on the same stretch of water or do different types of fishing tend to sort themselves out into different types of water?

Dr Mackay: Fifty years ago, coarse fishing was almost unheard of. It is a rapidly growing sport that is being extended into waters that would not have been coarse fished traditionally. We must take that into account. In the future, coarse fishing might become a much more important branch of angling than it has been.

Ron Woods: I endorse that. It is fair to say that the situation varies enormously between waters. A few waters are exclusively coarse fisheries, but there are a few parts of Scotland where no coarse fish are present. In between, there is almost every kind of mix. The scope for conflict is comparatively small, but there are waters where there is, or there is potential for, competition between uses.

Nora Radcliffe: It sounds as if you would like to have local flexibility to set the rules. That is paramount.

Ron Woods: Yes.

Maureen Macmillan: That leads us nicely on to the subject of protection orders. You will have heard what the previous panel had to say on the issue. The Tay liaison committee thought that protection orders worked very well and that there was more space for angling and fishing on the Tay than was ever taken up. From your written evidence, I note that you have different views on the matter. Can you give us specific examples of places where protection orders are working well or badly?

George Holdsworth: The majority of protection orders definitely work, but they do not work in their entirety. As we heard earlier, there are parts of the system where owners do not play by the rules and have withdrawn access. As we say in our submission, we recommend that the bill should make provision for those people to be removed without the whole protection order being removed. In principle, the protection order system is exceptionally good. Of course there are flaws—we do not live in a perfect world, and it would be wrong to say otherwise.

The Tay system works well. The Tweed system also works well and, over the past two years, there has been a significant increase in grayling fishing in the winter months. It is sometimes suggested that protection orders act as exclusion orders and are responsible for the perceived reduction in the number of anglers fishing. The Salmon and Trout Association refutes that view completely. There is no question but that the pattern or style of fishing of anglers has changed. As the Association of Scottish Stillwater Fisheries said, huge numbers of

anglers are taking up that sort of fishing instead of wild fishing. An economic survey that was done a couple of years ago showed that rainbow trout commercial fishing was the most popular type of fishing in Scotland by a mile; 700,000-odd permits are sold each year and its contribution to the Scottish economy is two or three times that of wild brown trout fishing. Many anglers are now fishing in a different way. There is a definite decrease in the number of anglers, as is the case in many active sports, but we refute totally the suggestion that that has anything to do with the protection order system.

Dr Mackay: This morning, members heard that the Tay District Salmon Fisheries Board produced an efficient method of operating the angling scene when faced with revocation of its protection order. There has been a history of protection orders being granted and individual proprietors or groups of proprietors backsliding and removing the access facilities, especially when fisheries have changed hands—as members know, salmon fishing rights can be sold as an entity, rather than going with the land. We now seem to be moving forward more positively, but that history underlines the fact that regulation must be firm and enforceable in order for systems to work. If it is not, loopholes will be found and exploited and the systems will fall apart. That is why the Scottish Anglers National Association is so keen that this excellent bill should be enacted more or less in its initial draft form. Watering it down would provide the relatively small number of people who will not play the game properly with an opportunity to cheat and to bring freshwater fishing into disrepute, as has happened with the fish farming industry.

11:30

Ron Woods: It is important to emphasise that, although our perspectives and priorities might not be entirely identical, there is a high degree of consensus among stakeholders in the angling community on the fundamental principle of protection orders, which is the granting of responsible access to fish in return for the criminalising of unauthorised fishing. From the coarse angling perspective, we have varying views on the operation of the protection orders. The most positive and inclusive model is under the Loch Awe and Associated Waters Protection Order 1992. Loch Awe is an internationally renowned fishery for pike and generates somewhere between 25 and 35 per cent of its revenue from pike angling. A representative of the Pike Anglers Alliance for Scotland sits on the protection order committee, which has managed the regulation of the fishery actively and in a way that promotes pike angling as well as the conservation of pike.

The Loch Awe example is not unique, although the situation is different in different places. I believe that the Tay protection order committee has a similar representative. However, there are still hangovers from what we might regard as a less desirable state of affairs. For instance, some areas that are covered by protection orders have permit requirements that oblige people to kill all coarse fish that are caught, whereas the normal practice in coarse fishing is to catch and release. In our view, that requirement is contrary to the conservation aim. To go further, the protection order committee for the Tweed and the Eye has no representation from the coarse fishing community, despite the presence of a coarse fish population, albeit one that is smaller and less important than those in other waters, such as Loch Awe. The situation is patchy.

I hope that it comes across clearly that our submission is not that the measures in the bill are undesirable, but rather that they are not strong enough. The bill misses the opportunity to make the protection order provision much more robust. To confirm what George Holdsworth and David Mackay said, we have no evidence to suggest that the protection orders have reduced participation in angling. Our concern is that they have not achieved all that they might achieve and that a great deal could be done to make them more effective.

The Convener: Dr Mackay talked about the bill being watered down. What has been missed out from earlier drafts that should be in the final draft?

Dr Mackay: We believe that Argulus should be included in the list of parasites, as it is a dangerous parasite that is spreading in Scotland. Action should be taken to control it now, before we have a major epidemic. Once established, the parasite can spread. We had an outbreak two years ago in Lindores loch, which was brought under control, but the parasite has come back again. It has been found for the first time in a river in Ayrshire. When Argulus becomes rampant, it causes enormous problems and reduces the quality and number of fish. It is a pretty dangerous parasite, so we can see no good reason why it should not be included in the list. There is no counterargument against that—it is just an omission.

We would like it to be an absolute offence to release fish into a system. For many years, under pollution control legislation, it has been an absolute offence to release polluting material into a stream. If somebody does so, they have to prove that there were good reasons why that happened before they are let off. With escapes from fish farms, it should be up to the fish farm operator to show that the escape was an act of God or the result of an unnatural situation that they could not

control. Generally, the history of fish farm escapes is that they have resulted from carelessness, bad management or sheer stupidity, such as the case in which people poured fish from a helicopter into a cage system but had forgotten to put a net on it. There is a catalogue of similar incidents that have occurred over the years.

As the industry is so widely dispersed in quiet locations, it is extremely difficult to produce the evidence to prosecute anybody for such offences. We should start off by making fish farm escape an absolute offence—as I said, that has been common in pollution control legislation for many years—and then let the industry argue its case to the procurator fiscal or court that there should be no charge or penalty because it did all that it reasonably could to maintain the situation. That was how the bill was originally going to be phrased and we regret that that seems to have changed in the drafting.

The Convener: That is something that we can take up with the minister when he appears before us.

Richard Lochhead: My first question was answered in a response to Maureen Macmillan. My second question relates to how easy it is to put in place codes of practice and regulations to influence the behaviour of anglers. I refer specifically to the arguments that we have heard about preventing disease from entering our river systems. Anglers have a role to play in that.

We can put regulations and codes of practice in place, but what happens in practice? Hundreds of thousands of angling trips must take place in Scotland every year. Anglers presumably get their gear out of the cupboards and put it in the car, get their permit, and then do their fishing. We have talked about disease prevention rather than treatment and about encouraging people to disinfect equipment, but what happens in practice? How can we get the message across to anglers? What role can they play in preventing diseases from coming into our river systems, and how do we ensure that anglers are aware of their responsibilities?

George Holdsworth: Do you mean with GS or parasites in general?

Richard Lochhead: We have been talking a lot about GS, but I mean in general.

George Holdsworth: In general, it is like everything else. There are people who will do what they should if they get the information and education. However, because any scheme is voluntary, there will always be people who do not do it. That is a fact—some people will not disinfect their equipment or pay any attention to the rules and will just break any codes that exist.

A number of voluntary codes are already in practice. In the Tweed system, for example, all anglers are required to sign a declaration to say that they have disinfected their equipment if they have been fishing out of the country in the past three months. My understanding is that if anyone refuses, the ghillies say, “You’re not fishing. Goodbye.” Compliance with that requirement is probably nearly 100 per cent. The problem is that someone living in Stirling, for example, might go up to Loch Awe for the day and not think of doing that.

GS is not a problem because it is not in the country yet. However, the spread of a parasite already in the country is a problem—we have to be honest about that. Organisations such as the Salmon and Trout Association and the others represented here can help to educate anglers. We are already doing that and are getting the information out to anglers about what they have to do.

Similarly, proprietors on commercial fisheries can provide disinfection and so on for their clients, so that if they do not disinfect, they do not fish. The problem is that, for example, the whole Tay system is a big river and guys just turn up. There will always be elements who just turn up, which is why we want to keep diseases out of the country. Once they are in, controlling them is a nightmare—to be blunt, it is probably impossible.

Dr Mackay: One problem is that the vast number of anglers in Scotland are not organised. The Salmon and Trout Association has about 10,000 members and the Scottish Anglers National Association, which represents game anglers, has perhaps 40,000 to 50,000 members. There are probably a million anglers in Scotland—there are certainly several hundred thousand, plus all the visitors. A huge number of people do not belong to a club or association. They have a rod and some gear in the cupboard, and when they feel like it they go out to fish. If somebody chases them off, they go off. Otherwise, they enjoy their day’s fishing. Many people see it as an ancient tradition in Scotland that they can go and fish for brown trout without heed, fear or hindrance. Therefore, I think that we have all come to the conclusion that the opportunity for *Gyrodactylus salaris* to enter the country will never be controlled through preventive measures. The issue is what we do if and when it arrives.

Our submission seeks very strong powers to be given to the Executive to deal with the problem by entering land to take firm immediate action. If a long consultation period is required as was suggested in the discussion earlier, the disease could spread through several river systems before we get down to doing anything about the problem. It is vital that we have a game plan on what we do

if *Gyrodactylus salaris* turns up in a river. At the moment, the Government does not have powers to enter land to do things to the river. We hope that the bill will introduce such powers.

Ron Woods: I have little to add to what my colleagues have said. Our organisation and our member clubs would be happy—to some degree, we already do this—to publicise the risks from unauthorised fish movements and from any failure to disinfect gear after foreign trips or trips around the country. However, as with any legislation, there will be a deviant minority and, given the acreage of river and still water in Scotland, it would be simply impossible to police the situation.

Richard Lochhead: The difficult issue is where we balance the effort between prevention and contingency plans for treatment. Although the fishing interests might be keen for action to be taken swiftly by the Government, other sectors that depend on our rivers are not particularly keen on the Government pouring chemicals into the river. For example, the whisky industry could be adversely impacted.

George Holdsworth: I totally agree. We recognise that other industries use the rivers and that the rivers are not just for fishing. That is why everyone would agree that we should try to stop the likes of GS entering the country in the first place. Once it comes, the game is a bogey and we are all in trouble. I know that people say that the free trade rules mean that we cannot prevent GS coming in, but it is essential that we continually try every method available to prevent it. Once it gets in, we will be in difficulty and everything will go: the fishing industry will collapse overnight as a tourism trade; the whisky industry will not be too pleased when we pour chemicals into the water; and Scottish Water will not be able to pump water from one catchment to another, such as from Loch Katrine to Glasgow. Given those problems, we need to prevent GS from coming in. That is the fundamental thing.

Richard Lochhead: If you were the minister and you could take one specific measure to stop GS coming into the country, what would that measure be?

George Holdsworth: If it were at all possible, I would stop the importation of live fish into the country—full stop. Importation is the way in which GS is most likely to enter the country. Although canoes and fishing tackle are certainly means by which it could come in, all the evidence that I have seen suggests that the most likely way will be the transportation of live fish.

Mr Brocklebank: We have heard from various organisations that it would be disastrous if GS came into the country. Your submission states:

“its introduction would probably cause the near total collapse of angling in Scotland”.

Given that GS is already a problem in Norway, do you have experience of how Norway has handled the angling side of the issue? Presumably, Norway has to cope with that difficulty.

George Holdsworth: I have limited knowledge of Norway, but I have been there and have seen the situation. I understand that Norway has a number of rivers—I could not say how many—in which basically there is no fishing, but other areas are GS free. When the angler turns up at a GS-free river—I was there in July—the disinfectant and so on are all in place. If anglers do not clean all their gear, they just do not get to fish. That is much the same as what we are talking about for Scotland. The problem in Norway is that GS has already come into that country and could spread. In the areas where GS has been identified, there are big problems. In whole river systems that used to be famous for salmon fishing, the industry and income that used to exist are just gone. The problem is that the industry is not just gone for a few years; it is not envisaged that it will ever return.

Norway's problem is that its angling industry is very salmon centred and it is losing that industry. The difference in Scotland is that we have a commercial rainbow trout industry, which is my industry. If an order were passed to stop the movement of fish, all the rainbow trout fisheries would have to stop business, as they would not be able to get their stock. That side of the industry would suddenly stop. The coarse anglers would not be able to go fishing, either. That is what my submission means in talking about a total collapse. It is the knock-on effects that would cause that.

11:45

Mr Brocklebank: Dr Mackay, you seemed to be saying that it would be virtually impossible to prevent GS from coming here, as there are so many different ways in which it might enter the country. Is there any way in which GS can be eradicated without a mass slaughter of fish? Can it be isolated or kept in one sector?

Dr Mackay: No. The Norwegians have considerable experience of GS, and they have had to poison the whole river system to try to eradicate it. Even then, it has come back in one or two rivers after a couple of years.

We are not talking just about angling and the economy. The salmon in Scotland is recognised as a beast of international importance for conservation purposes. It would be a huge disaster to lose our salmon—much worse than just losing the commercial value of the fisheries. It is

one of our national emblems and typifies this country. Several of our rivers have status under European conservation legislation and are extremely important for the conservation of salmon. It is a much bigger issue than just angling.

Mr Brocklebank: Iceland used to be a great place to go salmon fishing. Is there GS in the rivers in Iceland?

Dr Mackay: No.

George Holdsworth: No, Iceland does not have GS. When anglers arrive at the airport, they have to disinfect their equipment or present a letter from their vet saying that their equipment has been disinfected. The authorities either tell them to go home or charge them and disinfect the equipment there and then. The rules are very strict in order to keep GS out. The fact that Iceland is an island makes the situation easier to control than in Scotland, as we are attached to England and there is land access.

Nora Radcliffe: I have a brief question on the practicalities of that. How does an angler set about disinfecting their kit? How easy is it? How big an installation is needed?

George Holdsworth: I am not an expert. If memory serves me correctly, fishing equipment can be frozen for 24 or 48 hours. David Mackay will probably know more about that than I do. There are several different chemicals in which it must be immersed for 10 minutes or thereabouts. Heating also kills GS, as does salt water. Equipment can be immersed in salt water for a minimum length of time—do not quote me on this, but I believe that it is about 10 minutes. GS can be killed—it is not as though we cannot wipe it out.

Nora Radcliffe: It sounds as though it might be possible to have a saline bath at the point at which anglers bought their permits, in which everything could be dunked for the required amount of time. It might be simple and straightforward to have that sort of control.

George Holdsworth: The problem would be that anglers would have to wait for their waders to dry out before they could wear them. If they had been soaked in water, they might be a bit damp for the rest of the day.

In commercial fisheries or places where people go to buy a permit, that could be done. However, as David Mackay said, there is so much of Scotland where people can just get out of their car and go fishing. They could just turn up and fish illegally. They could be poaching, they could have a season ticket or anything. That is where the logistics become difficult.

The Convener: Two other colleagues want to ask questions. We are about 20 minutes over our timescale, so I ask those members to be brief.

Eleanor Scott: I have a brief question for Ron Woods. George Holdsworth said that Norway is a bit salmon centred. In even contemplating wiping out all wildlife in our river system—which is what would occur if we were to use any of the currently available treatments for GS, should it get into our salmon—are we being salmon centred? Ron Woods's target species would be wiped out as collateral damage. Would that be reasonable?

Ron Woods: We recognise the collateral damage, and we would be grateful if the committee would see that position as distinct from that of those who represent bodies that have a direct interest in the salmon and salmonids. However, we are pragmatic enough to recognise the reality of the situation. For all that coarse angling is vital to us as well as increasingly important to the Scottish economy, it is not—and will not be in the foreseeable future—as important to the economy or the culture of Scotland as salmon angling. If there were a similar parasite that affected only pike or perch, we would not expect the salmon interests to be happy to see all the salmon in Scotland wiped out. I imagine that I would be strung up if I even suggested that. However, we would put considerable emphasis on compensation. We recognise that we would have to play our part in the containment and possibly tolerate eradication, but we are strongly of the view that that would have to be balanced by mandatory compensation for coarse fisheries that were affected in the long term.

Rob Gibson: David Mackay talked about the iconic status of salmon in Scotland. Of course, the Scottish dram has iconic status as well, and anglers like their dram. We have been presented with evidence that suggests that the whisky industry—which is a major economic player as well—could be affected significantly by any kind of GS eradication measures because of the image problem that would be created by the use of the water. Can we possibly set the interests of salmon above those of whisky?

Dr Mackay: I hope that that would not be necessary. The treatment that is involved in eradication is fairly swift. As I understand it, in Norway the treatment did not last for months. The rivers are flushed out and that is it. The fish will return fairly swiftly. I think that the problem is perhaps being overstated. I also think that it would not help the whisky industry's image if it was drawing its water from rivers that were known to be dead as far as salmon and trout were concerned because of the activities of *Gyrodactylus*. Either way, if GS comes, the whisky industry will suffer. However, the treatment could and should be short-lived and make only a fleeting impact on the natural scene. Rivers recover. We know from endless experiences of pollution—sometimes by distilleries that have killed all the

fish downstream from them—that fish stocks recover fairly rapidly if they are left.

The Convener: That is a good place to stop the discussion. If I allow any brief more questions, we will be here for some time. That is partly a testament to the evidence that you have given us this morning. Thank you very much. It has been good to get the views of the managers of the system and to test their issues with the users of the rivers from the angling perspective. There has been quite a strong degree of enthusiasm for the bill among a range of key parties today. We will take up some of people's specific questions and concerns with the minister when we have him in front of us shortly. I thank the three of you very much.

We will take evidence from the minister on 8 November, when we will have the opportunity to follow up some of the issues that have been raised today. I ask the committee to agree to reflect on the evidence that we have received on the bill to date in private at the start of our next meeting, so that we can begin to draft our report on the bill, and to consider in private our draft report at subsequent meetings. Are members happy with that?

Members *indicated agreement.*

The Convener: That is excellent. Our witnesses may stand down and we will have a short suspension.

11:53

Meeting suspended.

11:58

On resuming—

Budget Process 2007-08

The Convener: Item 3 is the budget process 2007-08. We are glad to have the Minister for Environment and Rural Development with us as we scrutinise the Executive's draft budget 2007-08. We agreed this year to focus specifically on the Scottish Environment Protection Agency's budget, and we took evidence from representatives of SEPA last week. Today, we will be considering a range of issues arising from our evidence session with SEPA, general issues to do with the draft budget and the development of spending on environmental and rural development schemes.

I thank the Executive for the written briefing that it circulated to members and welcome the minister, Ross Finnie, and David Dalgetty from the Scottish Executive Finance and Central Services Department.

Members will remember that Ted Brocklebank raised a point of order at the previous meeting and that I suggested that he raise it again this week. I invite him to do so now.

Mr Brocklebank: Thank you, convener. I raise this point of order with absolutely no disrespect to the Minister for Environment and Rural Development. As we are all aware, the Minister for Finance and Public Service Reform has confirmed that the report of the independent budget review group—the Howat report—is now complete, but he has refused to publish it prior to September next year. That is in complete contrast to the promise that he made in November last year and May this year to publish the document when it was complete. How can committees be expected to consider the budget process if they are denied access to such an important report? I intend to request that the committee decides not to go ahead with examining next year's budget until we have access to the report and are able to glean from it information that might help us in our deliberations.

12:00

The Convener: Thank you for that. You are now asking the committee to do something, whereas last week your point of order was about the role of the Executive. It would be helpful to us if Ross Finnie would address that point in his opening remarks. We will have to decide how to deal with Ted Brocklebank's point of order—either later today or when we come to consider our draft report.

The Minister for Environment and Rural Development (Ross Finnie): It would be wrong of me to pre-empt what the Minister for Finance and Public Service Reform might want to say in response to Ted Brocklebank's perfectly valid point of order, which relates to the publication of the information. The review group was engaged in a process to assist with the next budget round; it was not to do with the budget for next year. We have the financial settlement for up to the end of next year. The review group exercise was undertaken to assist the Executive in considering other options in the period 2008 to 2013. Although I think that it is proper for the Minister for Finance and Public Service Reform to respond to Ted Brocklebank's point of order, I suggest, with respect, that the matter does not necessarily interfere with the committee's consideration of next year's budget, because whatever is in the report is germane not to next year, but to the settlement beyond that. That might not answer Ted Brocklebank's point, but I hope that the information is helpful to him.

I do not want to intrude on the time available for members' questions. The numbers that we have set out in our background brief are our 2004 spending review plans for 2008. As usual, our final budgets will not be determined until we present the annual budget to Parliament next January, when we will be able to assess the latest position.

I know that members will have found it slightly difficult to make comparisons, because, as we note in our proposals, two major changes have been made. The first is the transfer of £14 million from my water budget to the communities budget, which was made in the context of the new determination of charges in Scottish Water's investment programme. That will relieve development constraint on the provision of affordable housing by funding the share of the water infrastructure costs that would normally fall to the developer. The other main change, which is purely technical, results from the decision by the Treasury to change from 2006-07 how spending by departments on common agricultural policy support and European Union structural measures is recorded.

I apologise for those changes, which are not easy to follow, but I hope that the technical paper, which we sent in advance, provided a satisfactory explanation of them. I assure members that the changes are purely presentational and that there are no substantive changes to our previously published plans, and no changes to our plans for gross spending under the affected measures.

I will explain briefly why there are some incomplete elements in the budget. I suspect that the committee will have a particular interest in the impact on future budgets of the new seven-year

Scottish rural development programme, which should start from January 2007. I had hoped that we would have been able to share our conclusions and detailed proposals on the basis of a draft programme submitted to Brussels for approval. Sadly, the preparation of the draft programme has become bedevilled by a series of delays to the finalisation of the EU implementing rules and, latterly, the intervention of the European Parliament on the matter of national voluntary modulation, to which it is opposed in principle. The United Kingdom is pressing in particular for an amendment that will provide for regional variation in the rate of national modulation within member states. The ability to apply different rates has been important in ensuring that the financial provision meets the specific needs of a Scottish rural development programme. We are actively pursuing the matter with the Commission, which has said that the position will not be resolved until early in 2007. Moreover, it has advised us that, until the regulation of national voluntary modulation is resolved, it will not be competent for us to submit any proposal that includes such a provision. That, of course, is very unhelpful.

Whatever is finally agreed, we will still commit resources over the next spending review period, which runs to 2010-11 and beyond. As we have an inescapable duty to operate a multi-annual rural development programme, we have no option but to take decisions now, in advance of wider spending review deliberations. For that reason, the resource implications of the programme that I propose to Brussels will be a matter for collective ministerial consideration and agreement in the Executive.

I have been particularly concerned about the situation, especially in relation to possible delays to the less favoured area support scheme, which makes vital payments to 13,000 hill farmers. Traditionally, payments under the scheme have been made in the spring; however, as a result of new rural development regulation requirements regarding cross-compliance and, from 2008, the streamlining of LFASS applications with single farm payment applications, it will not be possible to make those payments until very much later in the year.

I have therefore proposed to the European Commission that we make a supplementary payment in 2006 in recognition of the possible additional financing costs that might result from such delays. A while ago, we proposed that the supplementary payment should amount to a further 16 per cent on top of the 2006 payment, which would give a total of £10 million. Although the payment will have no impact on the 2007-08 budget that is under scrutiny today, I thought it right to assure the committee that I propose to

take action to address the implications of Scottish rural development programme delays.

The Convener: Thank you. As you have raised a huge number of substantial issues, I will set aside an hour for our discussion, although it would be great if we could finish in less than that. Nevertheless, I reassure everyone that they will get a chance to ask their questions.

I suggest that we follow up issues that emerged in last week's evidence-taking session with SEPA; focus on general issues in the 2007-08 budget; and then discuss the development of spending in rural development schemes. Are colleagues happy to work through those three policy areas instead of dancing around the budget? It means that they can ask questions on different sections, as long as they do not take too long.

Members indicated agreement.

The Convener: Eleanor Scott will kick off on issues that emerged from our evidence session with SEPA.

Eleanor Scott: One of the issues that we discussed with SEPA was the definition of waste, which, although it might be seen as straying slightly off the issue of the budget, nevertheless impacts on the organisation's activities. It has had to levy certain charges because regulations define particular products as waste even though common sense would suggest otherwise. For example, topsoil is defined as waste if it is moved from one site to another but, if it is put through a riddle, it becomes a product, which removes it from the waste classification. Furthermore, on waste-to-energy matters, common sense prevailed with products such as tallow but not with small waste oil burners. What action is the minister taking to ensure that we have a more reasonable definition of waste?

Ross Finnie: There are two ways of looking at the matter. I have to say that I am concerned about—and find it difficult to understand the reasons for—some of the regulations, particularly with regard to the example of topsoil that you highlighted.

As regards products that genuinely fall within the ambit of the animal by-products regulations—tallow being a case in point—I thought for a while that we should be redefining what waste is, to use Eleanor Scott's phrase loosely. However, I am now not entirely sure that that is the right way to go, because the risk is that people would argue that waste was not really waste if it could be defined in a variety of ways.

I have been pursuing the Department for Environment, Food and Rural Affairs and Europe and asking them to give more thought to which processes could be defined. That would mean that

if one had a product that was described as waste at the outset, but which was then subjected to a clearly defined process, it could be removed from the definition of waste. Such an approach would probably avoid that mischief; it would also relieve the nerves of people who have seen the improvements to the environment that a clear definition of waste can bring. With modern technology, there is no reason why we cannot use such by-products, but the regulations positively militate against the reuse and recycling of such material. I am engaged in that issue, but it is not easy to resolve given the strong body of opinion from people involved in the initial definition of waste. That makes things difficult.

We have to take a more progressive view of the definition of waste. We have good examples of that in Scotland. Elements of biodiesel by-products qualify as products, although some of those elements are more difficult to define. That is not progressive thinking in a modern context. We can make use of animal by-products in certain areas, but again we have difficulties getting out of the definition mischief.

We need some urgency in this area because the regulations militate against the progressive use of such material.

The Convener: I want to follow up on the waste issue. Last week, we discussed with SEPA its environmental targets and where it had and had not been successful. The work that the Executive has done on the strategic waste fund to promote recycling has led to a huge change in local authorities' work.

What about your targets for minimising, recovering and managing waste? What overview is there of the spending of the strategic waste fund on incineration? It has been suggested that a series of incinerators is planned to deal with the municipal waste that does not go to landfill and is not linked to energy-from-waste schemes. That takes us back to Eleanor Scott's point about having a more sustainable approach to waste in general. Do you have figures from local authorities on their approaches to energy-from-waste schemes? Will any of those be developed when the next round of incinerators is discussed? The matter is not mentioned in your briefing.

Ross Finnie: We have not finalised our plans. A number of local authorities are using the area waste plans to avoid unnecessary duplication of what is expensive capital investment. My department is currently assessing some substantial bids from local authorities that are feeling a little pressured because of problems in fulfilling the requirements of the landfill directive and the consequent penalties that we can impose on them if they fail to do so. I have some sympathy with them because of that pressure.

My department and I have a clear approach: the hierarchy of waste has to be maintained. When local authorities make submissions, they have to justify their approach—which is difficult, because control over the waste stream is not entirely in their hands. They must also be clear that their projections do not imply unrestrained growth in municipal waste.

12:15

We then have to look at the projected reuse and recycling elements, the composting elements and the projections for both green waste and food waste. We then come to assessing the local authorities' view of the residue, which is fundamental. Beyond that, we are clear that any incineration must be combined with recovery of heat. We are not interested in simple incineration. A local authority might choose to go down that route, but it certainly will not be funded by the strategic waste fund. We are trying to set reasonable targets for recycling, reuse and composting and to ensure that by any international comparison with countries that are leaders in this area, such as Austria, the level of residue waste that might be subjected to thermal treatments is kept to a minimum.

The Convener: Right. I wanted to ask about that, because the paperwork suggests that there is a target of 30 per cent for recycling and for compostable waste, which still leaves 70 per cent of the waste stream—

Ross Finnie: That is where we started. In our discussions on all the submissions, we have made it clear to local authorities that those targets, which were set three or four years ago, are no longer acceptable, and I do not think that any local authority is balking at that. After all, the Tayside group of Perth and Kinross Council, Dundee City Council and Angus Council have already reached the figure of 30 per cent, so it would be nonsense to say that the target for that group of councils would remain 30 per cent. However, we are still working through the detail. The only assurance that I can give you is that, once we have assessed what has happened, the target will certainly be considerably in excess of 30 per cent throughout Scotland.

The Convener: Okay, so there will not be a perverse incentive. That is what I was trying to establish.

Ross Finnie: There is no way that we will spend public funds to end up with a 70:30 split.

The Convener: So any project that involves waste being incinerated or burned in some way automatically has to include energy produced from waste.

Ross Finnie: Absolutely—if it is to be funded by the strategic waste fund.

The Convener: Local authorities will not be allowed just to have incinerators.

Ross Finnie: I do not have powers to prevent local authorities from entering into their own private arrangements, but if they are applying to me to use the strategic waste fund, they will not get a penny—

The Convener: There is nothing to prevent them from entering into a public-private partnership arrangement.

Ross Finnie: I do not have powers to prevent local authorities from doing that, although I am bound to say that if they can get a grant from the Executive, the PPP option would appear unattractive. I am outlining the factual position.

The truth is that probably the only local authority that has a major incinerator is Dundee.

The Convener: There is also Shetland.

Ross Finnie: Sorry—and Shetland. However, if I may say so, its incinerator is on a rather different scale.

The Convener: It is more about the principle.

Ross Finnie: The principle is clear. A local authority that applies for money from the strategic waste fund will not be funded unless it is achieving energy from waste.

The Convener: Will you set targets for each area that are higher than the existing targets?

Ross Finnie: Indeed.

The Convener: It would be interesting to get in writing a bit of feedback on each area.

Ross Finnie: Yes. I will have to wait a little while to give you that information because we are in serious negotiations and, with all due respect to the committee, I do not wish to prejudice those negotiations. I am anxious to share the information, but I need to get a little further down the line before I can release it.

The Convener: There are no other questions on SEPA, and I sense that members want to move on to general issues in the draft budget.

Richard Lochhead: I ask the minister to turn his attention to flooding. Clearly, there is the general issue of climate change and its impact on Scotland. Extreme weather events are likely to become more frequent and flooding issues will continue to move up the political agenda. In light of the tragic events in the Highlands that we have seen on our television screens in the past week or so, what consideration have you given to

increasing funding for flood prevention schemes in the next year or two?

Although central Government will meet up to 80 per cent of the cost of flood prevention in Moray, which I represent, that leaves 20 per cent to be found by the local authority and council tax payers. The council will have to divert resources from other budgets to make up that 20 per cent. There is a huge burden on the small number of councils in Scotland that have to cope with extreme weather events in their areas. Do you take that into account in your funding analysis and plans for future budgets?

Ross Finnie: When we talk about the future, we are talking not about next year but about the next spending round. You raise two or three issues. Quite properly, the scheme has strict criteria attached to it. When a local proposal is devised, the authority has to state that it will reduce the prospect of serious flooding recurring to an acceptable level—it may be once in 10 years; I cannot remember. That measurable engineering standard, which is in regulations, must be met by the work.

As you say, the scheme was designed to release 80 per cent Government support for flood prevention schemes. I know that difficulties have been experienced in your constituency and in relation to the Tweed—particularly where it goes through Hawick. In those two areas, particular difficulties have been faced in town centres.

The budget for next year has not been altered, but there are technical and financial issues around the need for more adaptations in response to climate change. There is also the issue of the percentages that local and central Government should contribute. We are not yet at the relevant stage in the next spending round so I am unable to comment further, but the three issues that you raise need to be closely examined.

David Dalgetty (Scottish Executive Finance and Central Services Department): As the minister said, the budget beyond 2007-08 will be decided in the next spending review. The figures that are presented at the moment are the SR 2004 figures, and in the SR 2004 plans the budget for flood defences was increased from £14 million per year to £42 million per year—it will rise to £42 million per year next year. An increase in the budget was built into the spending plans and is in the budget for 2007-08. The issue is the pace at which local authorities are able to come forward with proposals to use the budget, but a great many projects are well in hand.

Richard Lochhead: I press the minister on my point that a few local authorities in Scotland face an unfair burden. Local authorities that are not hit by huge flooding problems do not have to divert

money from other budgets to find the 20 per cent contribution. At present, budgets are tight. As flooding is an increasing problem in Scotland, can I take it that the minister's mind is not closed to reviewing the percentage of the costs that is funded by central Government and increasing the budget in the months ahead? He said that the final budget will be presented in January.

Ross Finnie: I might be slightly more constrained this year because we are still in the settlement for 2004-07; our flexibility is far more constrained than when we are at the beginning of a four-year budget cycle, so I do not want to raise expectations.

We have to consider the regulatory issue and the criteria that have to be met. Our preliminary thinking about the next spending round is that the issue of flooding will have to be raised again. I will certainly bear the matter in mind. I do not wish to be obdurate about it, but I am operating within a much tighter framework because there is only one year of the spending review to go.

Maureen Macmillan: I want to follow up on what Richard Lochhead said about the recent flooding in the north of Scotland. You will have heard the reports and will know that the problem was not with big river systems but with small burns, which caused a lot of damage in small communities. How should local authorities react? Big flood prevention schemes do not apply because we are talking about a series of small, localised events. Is there a strategy and is there funding for dealing with smaller watercourses? Such watercourses can do a lot of damage in the sort of weather that we seem to be getting more and more frequently.

Ross Finnie: I would have to look into that in more detail, but I am happy to do so. If the spread of damage is within one local authority's area, issues might arise to do with developments on flood plains. We would have to consider the communities that had been affected by flooding and by climate change. There is no reason why such communities would not qualify for help. Although each individual community might be very small, there might be schemes for river-basin management or coastal management, and the communities might qualify as long as the net effect reached the level at which flood prevention measures would be required.

Maureen Macmillan: That is interesting. Thank you.

The Convener: We will obviously discuss climate change and extreme weather again, and this afternoon the Deputy Minister for Environment and Rural Development will give a statement on last week's events.

Does Ted Brocklebank want to move us on to a new topic?

Mr Brocklebank: Yes, I want to ask one or two questions about what the minister had to say about the less favoured area support scheme, but before I do—

The Convener: We are still on general issues; we will come on to rural development.

Mr Brocklebank: Fair enough. I will wait.

The Convener: Are there any other general questions on the draft budget?

Maureen Macmillan: I want to ask about efficiency savings. What scope is there for further efficiency savings? What is the present situation?

Ross Finnie: My department covers agriculture, fisheries and forestry, and a whole suite of bodies such as Scottish Natural Heritage, the Deer Commission for Scotland and SEPA. Historically, those bodies have operated slightly independently—often, but not always, from separate premises. I have felt for some time that, to provide a better service to customers who seek environmental or other advice, it would be a great improvement if most of the bodies were co-located—or all of them, although I do not think that that will be possible. Merging a lot of the back office staff and some of the expenditure, and not having to maintain so many buildings, would have a big impact, given the number of buildings and pieces of land operated by the Scottish Executive Environment and Rural Affairs Department. There could be economic efficiencies and we could improve the quality of the service to the customer.

Maureen Macmillan: When the single farm payment replaced all the subsidies, I clearly remember you saying that administration would be simplified and that savings would therefore be made. Has that actually happened?

12:30

Ross Finnie: Not to the extent that I would have wished. As the single farm payment came closer to implementation, I became depressed by the almost weekly delivery of a further complication and by the need for staff at Pentland House to write and rewrite new programmes.

We may begin to see more efficiencies in the next year, although I had hoped that we would see them rather earlier. I think that we will achieve them, but I have been disappointed by the complexity of the regulation, which has caused us to have to rewrite programmes. We were very reluctant to stand anyone down, because we were aware that south of the border the system for implementing the regulation was becoming more

awkward and we were anxious not to lose control of it.

Maureen Macmillan: What about Scottish Water, which is the main source of expected efficiency savings?

Ross Finnie: It is meeting its targets. Today, tomorrow or the next day we will receive the report from the Water Industry Commission on Scottish Water's performance, which the commission monitors. I am given to understand that Scottish Water is meeting its targets for financial efficiencies.

The Convener: Further to the waste issues that we raised with SEPA last week, I want to ask about your future budgets in that area. Nothing is going into management of commercial waste, the waste stream that accounts for most waste in Scotland. Do you see resources being made available in that area post 2007?

Ross Finnie: I have been encouraged by a number of local authorities that have had very constructive dialogue with the small business sector. That does not quite answer your question, but I would like to develop the point. The first authority that took a really proactive stance on the issue was Perth and Kinross, which is in active discussion with the small business sector. The council has said that it is prepared to increase capacity within the local authority but that small businesses will have to meet the cost for that. It has asked what can be done to improve efficiency so that the local authority is not providing a de facto subsidy to the private sector.

The basic principle that I have outlined must be applied to the rest of the private sector. In a sense, the private sector is responsible for dealing with that waste stream. We place statutory duties on local authorities to uplift and deal with biodegradable municipal waste, which is why we assist them in funding the service. However, a more collaborative approach is needed. We raise the issue with the small business sector and the Confederation of British Industry whenever we talk to them. At the end of the day, the polluter-pays principle must apply to them. We need to get the co-ordination right, because there may be capacity issues with which local government could assist. However, that cannot be at the expense of increasing the municipal cost burden.

The Convener: We will return to the issue next year. As members have no further questions on general issues arising from the draft budget, we move to spending on rural development schemes.

Mr Brocklebank: I want to question the minister on the less favoured areas support scheme. Before I do so, I will respond briefly to what he said about my point of order. Although I accept what he said, it is a fact that in November last year

and, I think, again in May this year the Minister for Finance and Public Service Reform said that he would publish the report, which seemed to suggest that he thought that it would be helpful to us in our consideration of the budget. Perhaps the minister and the committee will take that point on board when we come to make decisions.

I want to question the minister further on the fact that it appears that 13,000 hill and upland farmers in Scotland, most of them tenants in very vulnerable situations, will now receive in the autumn of next year less favoured area support scheme payments that they would normally receive in the spring. That is extremely serious for many people who at that time of year feed into their budget a sum of money—I think it is about £61 million, but the minister will keep me right—that amounts to £4,000, on average, for each tenant farmer. The payment sees them through until normal livestock sales and so on happen in early autumn. If they are no longer to be paid in the spring, that will cause extremely serious problems. Indeed, many of those tenant farmers—who occupy some 85 per cent of the land mass of Scotland—might struggle to survive. Can the Executive really do nothing more to help them?

Ross Finnie: Before we get to your prediction that the Scottish agricultural industry will come to an end tomorrow, which you have an infinite capacity to suggest, I want to make it clear that Scottish farmers receive more than £500 million of support, £450 million of which comes through pillar 1 and £60 million of which is provided through the less favoured area scheme.

There is no doubt in my mind about the importance of less favoured area support—that is why I increased the amount available when I came into office. LFA funding had been reduced to £55 million and the budget that I inherited showed that it would be reduced progressively from £55 million to £50 million and from £50 million to £45 million; I think that it was set to decrease even further. We should therefore put matters in perspective.

I will come on to the potential lateness of the payments. Members will recall that last year there was a significant change in the schedule for the payment of the £450 million as a result of the move away from separate payments—there used to be payments for cereals and sheep, as well as numerous beef-related payments, including the suckler cow premium, the extension beef premium and the slaughter premium—to a single payment. Although the issue is serious, we should be cautious about how much emphasis we attach to it.

There are two possibilities. The European Commission is anxious because the commissioner is disinclined to utilise voluntary modulation. The commissioner is equally disinclined to give this

country its fair share of rural spending. In 2000, we got a settlement of between 3.5 and 3.8 per cent, when any decent rural study, such as the one that was done by the Macaulay Land Use Research Institute, showed that we should have had nearer 7.25 per cent. Our settlement was a substantial underpayment. There is no suggestion that it will be revised, but it has been suggested that the ability to use voluntary modulation should be removed. In the past few days, the Commission has said that the easy way out is to forget about voluntary modulation. It has said that our payment will not be adjusted and that we will just have to get on with things. That is not a good prospect for Scotland.

If one looks at the arithmetic, as I have done, one finds that we will have to reduce substantially our total spend on rural development, certainly in the early years of the next programme. At the moment, I am anxious to maintain an adequate rural development spend, both on support for agriculture and on the wider rural environment and diversification agenda. That is why I have proposed that an additional sum—not an interim payment—of £10 million be paid to assist the farmers affected while we try to obtain a more comprehensive resolution to the situation that will allow us to have a fuller rural development programme.

Mr Brocklebank: I am not a wonderful mathematician, but it seems to me that if you give those farmers £10 million towards the end of this year and they do not get any more until October or November of next year because you will not be making the usual payments of £61 million, which they would expect to receive in May, you will be buying yourself a year. From what you are saying, they will get £10 million before the end of this year and might get some more in the autumn of next year. Is it not the case that you are buying yourself a whole year in which you will not have to pay them the sums of money that they deserve?

Ross Finnie: I am not buying anything. I do not have a legislative basis on which to make any payment. At one point, I tried to suggest to the Commission that I make a more substantial payment. However, because it is keen to draw a line under voluntary modulation, it is not keen to co-operate on that.

As I said, my problem is that the ending of the rural development regulation means that there is no legislative basis for me to make next year's payments. I am trying to negotiate with the European Commission some form of additional payment within the current regulation to assist the farmers who are in that position.

Rob Gibson: On the issue of the tier 3 elements of land management contracts being competitive, I would like to deal with the plight of crofters, who

have been used to crofting counties agricultural grants and the bull hire scheme being made available on the basis of need rather than competition. Could it be said that, by your decision to make those schemes competitive, you are undermining the basis for crofting agriculture?

Ross Finnie: No, because I have not made that decision. In fact, yesterday, we made clear to the Scottish Crofting Foundation that those specialist crofting schemes would remain outwith the LMCs.

Rob Gibson: I am delighted that you have finally come to that conclusion, which has been months in coming—

Ross Finnie: I think that you are making a speech that was, perhaps, written before the announcement.

Rob Gibson: It is important that we know these things and the committee is here to ask questions. I did not know that those schemes would remain outwith the LMCs and am delighted that you have given us that assurance. Will you make the new bull hire scheme more workable than the interim scheme has been?

Ross Finnie: As we discussed with the Scottish Crofting Foundation, we want to examine the way in which the scheme is working. There are issues with the scheme, but the previous scheme did not work properly either. You have probably read the reports that say that the bull hire scheme was not operating effectively. In some areas, it worked as it was supposed to but that did not happen across all the crofting counties. I hope that we can continue to give that level of support. The financial support is contained in the schemes.

The other consideration was whether we would include the crofting counties schemes in the rural development programme. I think that we will do so, as that will automatically extend the state-aid clearance from 2009 to 2013. There is merit in doing that because it will avoid the need for us to have to go through a bureaucratic process of reapplying for state-aid clearance in respect of those schemes.

Rob Gibson: Will they continue to operate on a non-competitive basis?

Ross Finnie: They will be outwith the LMC. They will operate in the same way as they currently operate.

Maureen Macmillan: Ted Brocklebank asked about the LFASS. You know that my position is that payments should be targeted at the more remote and rural areas. Will the payments that you mentioned be made across the board, or is there any way in which you could consider the issue of need when you make the payments later this year?

Ross Finnie: I know the argument about areas that are less favoured, those that are less less favoured and those that are less less less favoured.

Maureen Macmillan: Perhaps we could call them the least-favoured areas.

The Convener: Let us get the grammar right.

Ross Finnie: Yes. In a sense, that argument, which has gone on for a long time, is not helpful, because the regulation simply talks about less favoured areas. It talks about permanent disadvantage and 85 per cent of our rural landmass comes within that definition.

Because I think that there are costs as a result of a remote area being designated as an area of permanent disadvantage, I have indicated that I would like there to be some readjustment. That approach has not been wholly supported, particularly by the National Farmers Union of Scotland, which is reluctant to see any redefinition, notwithstanding the fact that some of its members in the Western Isles, Orkney, Shetland and northern parts of Caithness and Sutherland are the ones who bear those costs. It has therefore been unhelpful.

I will consider the issue, but I suspect that it would be difficult to introduce a new category of need to try to make a supplementary payment under an existing regulation. I think that it would be difficult to rewrite the existing regulation, but I take your point.

Maureen Macmillan: I would be grateful if you would consider the matter.

12:45

Richard Lochhead: I welcome much of what the minister said about modulation and on the debate that is taking place in Europe. I have previously raised the issue of modulation with him at question time. It is clear that securing regional variation is vital in order to ensure that the level of modulation is appropriate for Scotland. I share the concerns that the minister expressed in his opening remarks about the delay again in Europe in settling the rural development programme.

However, I want to stick with the issue of modulation. What are the minister's views on the performance of the rural stewardship scheme this year? He will be aware that that scheme has caused a lot of angst. Farmers are happy for modulation to take place if they think that they can submit applications under the new schemes that are being funded through modulation, but we have seen this year that payments under the rural stewardship scheme have been skewed in certain parts of the country, and that parts of the country have thought that they have received a raw deal.

For example, I received a letter from a farmer in my constituency that said that, under the scheme, only one out of 80 applications in the Elgin area had been accepted. I do not know whether what that letter said was accurate—I will have to check—but I am sure that the minister will have something to say about it. It seems that the goalposts have been moved with respect to the points system that was put in place for the scheme and that many people are unhappy with how it has operated this year. Is the minister happy with the scheme's performance this year? Does he have any plans to make available more cash to help to meet demands under the existing schemes?

Ross Finnie: As I explained at the outset, we are talking about the final year of a four-year budget settlement. The number of applications that have been submitted under the rural stewardship scheme has doubled, which has resulted in real disappointments that I am well aware of. Those who advised individual farmers were a bit like me in looking for the increase in applications to be along the lines of increases in previous years, but the number of applications doubled in a competitive scheme with a finite limit. Those people indicated to farmers a possible cut-off point of X points, and people worked up schemes on that basis with their advisers, which was a matter for them. If the number of applicants doubles and the goalposts are not automatically moved, the only way of containing the expenditure is by increasing the qualifying level. That is the arithmetical consequence.

I am not satisfied with what has happened because, although we have paid out record sums in our schemes in the past two years, we have been unable to meet the huge increase in demand. We must consider what we can do in the next spending tranche and consider whether there is a different or better way of distributing the money.

With respect to points, there was no discrimination in any area. Bids were assessed using points, and the level of points was fairly uniform. The difficulty lay in a larger number of applicants coming in at below those points. I think that things appeared to be skewed geographically in Richard Lochhead's area and in the Borders. There was no absolute intention to do that—it was a consequence of the formula. I am not happy about that. I am delighted that the number of people who were interested in the scheme doubled. We should not lose sight of the fact that the total amount of money that has been spent in those areas is at record levels. However, we were not able to accommodate many people who wanted to come into the scheme.

Richard Lochhead: You will be aware that new entrants have also lost out, and not just in certain

parts of the country. There is a precedent. One of the forestry schemes, which was very successful recently, was topped up by yourself when demand outstripped supply with regard to funding. Can you give any comfort in the short term to those people who have made legitimate applications?

Ross Finnie: There was a difficult issue with the forest scheme. On the longevity of forestation and planting, there were issues around schemes meeting well-established, agreed targets, which were going to be seriously prejudiced if we could not do something about the situation. There were very particular circumstances around that. With the limited scope that I had in relation to funding, we elected to proceed in the way that we did in response to that particular issue of foresting. No other funds were available in the circumstances.

David Dalgetty: The issue for this year was not simply the distribution of the resources that were available under the overall ceiling of the EU development plan programme for the year. We went some way towards meeting the committee's concerns when we discussed those matters last year in the context of organic aid. Last year, the specific question was what to do if there was a surge of interest in organic aid. How could it be met? I think that the response was that it would have to be met within the envelope through the redistribution of resources. A particular number of organic aid applications were received.

Any allocation of resources to the rural stewardship scheme this year to allow a greater number of applicants to benefit would have implications for spending over the next four to five years, because the commitments are multi-annual. The minister had to take into account not only the impact on this year's budget, but the potential impact on the freedom to manoeuvre over the next SRDP planning period.

Richard Lochhead: I hope that the minister will review the situation.

I will stick with modulation and the general debate. On the debates that are taking place in Europe and the minister's plea for a regional variation to be allowed—which I support—what is the situation with regard to match funding, given the fact that the regulations allow for Governments not to match fund modulation? If there was a guarantee for the match funding of modulation, that would clearly assist the sector.

Ross Finnie: We must separate out the mandatory modulation from the national modulation. We now have a sum within our baseline, which is to avoid annual negotiations on the matter. Our departmental expenditure limit funding provides us cover in relation to the mandatory modulation. We do not have total cover in relation to voluntary modulation. If we increase

the rate, I do not think that we have such. I think that Richard Lochhead and I are agreed about the need for it to be geared to our needs, but my fear is that I have 4.5 per cent to assist with the funding of the current programme and, if we lose that battle completely, that money will fall. I would regard that as quite a serious matter.

Richard Lochhead: Could you go over that again? I did not quite understand it.

Ross Finnie: There are two separate arguments with respect to voluntary modulation. There is the fundamental argument about the Parliament and the Commission, irrespective of the low settlement of rural development expenditure, turning their faces against voluntary modulation. There is an issue about us not even being able to raise 4.5 per cent in voluntary modulation.

That relates to the point that Ted Brocklebank made earlier. I accept that we could simply concede that and make an application now for a reduced rural development programme for the four-year period. Even if we are allowed voluntary modulation, the secondary issue is whether we will be allowed to set the rate at a Scottish level. Those are two related but slightly separate points, both of which are being argued about vigorously as we speak.

Eleanor Scott: I have always found the rural development budgets difficult to follow. It is always difficult to pursue the figures and to discover trends from year to year. Some of them I just do not understand at all.

I want to focus on the organic aid scheme. The organic market is growing, so we would expect our producers to want and be encouraged to take advantage of that. In 2004-05, that seemed to be happening, because the budget for the scheme increased in that year. However, from a high in that year, it dropped the following year to just over a quarter of what it was in 2004-05 and has flatlined since then. Does that reflect the reality? Should we not increase organic aid to encourage more organic production, in line with the organic action plan to which the Executive has committed?

Ross Finnie: My first response is to share with you that I find the way in which finance officials and others present the matter, with six budget figures, to be slightly baffling. As I come from the private sector, I am much more accustomed to having the actual spending figures for three or four years, to allow one to see the trend of actual spending, not what might or may have been. We then had a best estimate of where we were in the current year and then the budget. That approach allowed us to see the actual trend.

The Convener: Is there a reason why you do not give the budget figures and the actual outcome expenditure?

Ross Finnie: I am told that that is just not the way in which we do things. I am talking about my previous experience. When I had a proper job as a chartered accountant, that was the way in which we tended to work. I find the approach slightly baffling, but that is the way that the Government does it.

The Convener: The budget figure is not necessarily the actual amount of money that was spent in a given year.

Ross Finnie: Correct. I prefaced my remarks with that comment, because that presentation is what creates the difficulty with the figures on the organic aid scheme. David Dalgetty is delving into the papers to get the appropriate figures, which are found in the Executive's accounts for level 2 spending. My answer to Eleanor Scott is that we have been allocating more resources to organic farming. I do not have the figures in front of me, but I think that, in 2004-05, the budget figure was £6 million or £7 million.

Eleanor Scott: It was £8,440,000.

Ross Finnie: That spending never materialised. I know, because your Green Party predecessor on the committee asked me that question at least three times during the previous budget process. I do not mean to be cheeky, as the question was perfectly legitimate. That level of spending was never achieved and the adjustments that were made subsequently reflected that. We have been spending smaller amounts.

David Dalgetty: The spend on organic aid this year is £3.4 million. The problem with the budget figure for 2004-05 is that that was a view that was taken at the time. The important issue is what has been achieved as a result of that spending. The figure for organic aid has been running at £2 million to £3 million and we are set to meet all the targets in the organic action plan. There have been significant increases in the area of land in Scotland that is subject to organic regulation and which is assisted under the scheme. I apologise for the figures. If I could make them more comprehensible, I would.

Eleanor Scott: It would be helpful if it was fed back to whoever produces the figures that we would like some real ones.

Ross Finnie: I shall report that members of the Environment and Rural Development Committee are volunteering to serve on the Finance Committee. I suspect that that will come as a warm surprise to those on the Finance Committee.

The Convener: You cannot do that on our behalf. When we decide on our budget report, we

will certainly ensure that we raise that issue. Every year we debate the issue of transparency and how impossible it is to track your objectives and targets year on year.

Ross Finnie: You will find no resistance from me on that.

The Convener: I thank the minister and David Dalgetty for coming. We have given the budget a good going over, as far as we could.

I ask colleagues to agree to consider in private at future meetings our draft report to the Finance Committee, which will cover all the issues that we raised this week and last week. The Finance Committee will then publish our report as part of the package of reports on the budget. Are colleagues happy to discuss that in private?

Members *indicated agreement.*

The Convener: I thank members for attending. At next week's meeting, we will hear from the Deputy Minister for Environment and Rural Development on the Aquaculture and Fisheries (Scotland) Bill, which will be the final evidence session on the bill.

Meeting closed at 13:01.

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