



OFFICIAL REPORT
AITHISG OIFIGEIL

Rural Economy and Connectivity Committee

Wednesday 21 February 2018

Session 5



The Scottish Parliament
Pàrlamaid na h-Alba

Wednesday 21 February 2018

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RURAL ECONOMY AND CONNECTIVITY COMMITTEE
6th Meeting 2018, Session 5

CONVENER

*Edward Mountain (Highlands and Islands) (Con)

DEPUTY CONVENER

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

COMMITTEE MEMBERS

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

*attended

THE FOLLOWING ALSO PARTICIPATED:

Andrew Charles (Scottish Seafood Association)
Simon Collins (Scottish Fishermen's Federation)
James Cook (Scottish Creel Fishermen's Federation)
Calum Duncan (Marine Conservation Society)
Dr James Harrison (University of Edinburgh)
Dr Carmen Hubbard (Newcastle University)
Professor Michael Keating (University of Aberdeen)
Martin Kennedy (NFU Scotland)
Andrew Midgley (Scottish Land & Estates)
Vicki Swales (RSPB Scotland)

LOCATION

The Mary Fairfax Somerville Room (CR2)

Scottish Parliament

Rural Economy and Connectivity Committee

Wednesday 21 February 2018

[The Convener opened the meeting at 10:00]

Implications of the United Kingdom Leaving the European Union (Agriculture and Fisheries)

The Convener (Edward Mountain): Good morning, and welcome to the sixth meeting in 2018 of the Rural Economy and Connectivity Committee. I ask that everyone ensures that their mobile phones are switched to silent.

No apologies have been received, and we will move straight to agenda item 1, which is on the implications for Scotland of the United Kingdom leaving the European Union, in particular in relation to agriculture and fisheries.

We will take evidence from two panels. The committee took evidence from stakeholders on the topic last year and this session provides an opportunity to hear any updates.

I welcome, on the first panel: Martin Kennedy, the vice-president of NFU Scotland; Andrew Midgley, policy and research manager for Scottish Land & Estates; Vicki Swales, head of land use policy at RSPB Scotland; Dr Carmen Hubbard, senior lecturer on agriculture at Newcastle University; and Professor Michael Keating, professor of politics at the University of Aberdeen.

We have a number of themes to discuss. I will not introduce them; the committee member who leads on the theme will do so. I remind witnesses that you should try to catch my eye to let me know when you want to speak and I will bring you in. You do not have to answer every question—if you do, we will never get to the end of the nine themes in this session.

I also remind the witnesses to look at me occasionally when they are speaking, as I might indicate that you should reduce the length—but not the content—of your answer. I will try not to interrupt you, but it is a question of managing the session.

All of you have given evidence before, I think, but if any of you have not, you need not worry about the control panel in front of you—your microphones will be activated for you.

John Finnie will introduce the first theme.

John Finnie (Highlands and Islands) (Green): Good morning, panel. I will talk about champions and advisers. As ever, a great deal is happening. The agriculture champions published their interim discussion document in November 2017, Professor Griggs's greening group produced a discussion paper recently and the National Council of Rural Advisers published its interim report last year. What are your general comments on the role of all those people and groups and whether their interim reports and discussion documents provide a sound, consistent basis for development of detailed agricultural policy for Scotland?

The Convener: Vicki Swales was the first person to put up her hand—everyone else just looked at each other to see who wanted to go first. Vicki can start off, and anyone else who wants to comment just needs to catch my eye.

Vicki Swales (RSPB Scotland): I am also here wearing a Scottish Environment LINK hat—Scottish Environment LINK is the umbrella body for environmental non-governmental organisations—and I was a member of the greening group chaired by Professor Russel Griggs. I was very pleased to have that opportunity and we have produced a paper, which—I hope—sets out cogent arguments and ideas on the way forward for policy on delivering environmental outcomes.

We have been following the work of the other groups and have responded to the interim reports of the agriculture champions and the National Council of Rural Advisers. Sometimes, it is a little difficult to see how all those groups will join up, where all their conclusions will lead to and where we go next. That is something for the future, but we need to move quite quickly to get on the front foot and start to spell out the sense of direction for agriculture policy.

I think that there is a lot of commonality across those groups, and there are many shared conclusions on some of the problems and challenges, as well as some of the solutions—whether policy mechanisms, payments or other measures—that need to be put in place. My message is that we need to get on the front foot and start to agree on what we agree on and work out some of the detail. Although there are many uncertainties and many issues, such as trade agreements, that have not yet been concluded, we can start to spell out what we want for the future of agriculture and the environment in Scotland.

Andrew Midgley (Scottish Land & Estates): I support what Vicki Swales has said. We need to see some action and the Government needs to grasp hold of the agenda. The groups are populated by eminent people who are doing a job that they have been asked to do; our issue is more with the Government—we want the Government to

take hold of and move forward more quickly on these agendas, as Vicki Swales said.

I want to go back through some of the policy development. The agriculture champions have been mentioned. We had reports in 2001 and 2006. We had “A Forward Strategy for Scottish Agriculture: Next Steps”. We had the vision document, “The Future of Scottish Agriculture”, in 2010 and “The Future of Scottish Agriculture: a Discussion Document” in 2015, which opened a year of discussion about how we should move forward with Scottish agriculture. In 2016, the Scottish Government produced a summary document, which basically said that the vision was sound and that, instead of trying to achieve everything, there should be a focus on the real priorities of enhancing the profitability of Scottish agriculture and enhancing environmental sustainability. However, six months later, the Government created a group to look at the issue again.

There is an element of frustration, therefore. We want progress to be made, but at the moment we are still talking. There is a feeling that we are behind the curve in the wider debates about where agriculture is going in the context of Brexit. Action is the key thing.

A concerning element of the interim report of the agriculture champions is the fact that the debate about the future of agriculture tends to be conducted separately from the debate about agricultural holdings and farm tenancies, which people are forced to view through the prism of land reform; the future of agriculture tends to be debated elsewhere. It is unfortunate that we are talking about how we can create the best circumstances for agriculture to succeed when a big chunk of the industry is being dealt with separately.

The Convener: I want to bring in Martin Kennedy, after which John Finnie might have a follow-up question.

Martin Kennedy (NFU Scotland): I echo Andrew Midgley’s point about the need to move on. With regard to being on the front foot, when we launched our discussion document, “Change: A New Agricultural Policy For Scotland Post-Brexit”, last year, we were aware of the priorities that we need to focus on. We understand that we need to move on slightly from where agriculture is at present. The three priorities that we set out were productivity improvements, environmental benefits and the maintenance of the stability payment. We took that lead last year.

We are quite happy with the direction of the reports of the National Council of Rural Advisers, the Griggs review group and the agriculture champions, which we think back up our argument.

However, to echo what Andrew Midgley said, we need to move on, because time will catch up with us very quickly. As we recognised when we launched the “Change” document, we need to look more towards the environment to seek the environmental benefits that we can provide. Farmers and crofters across the country are looking after 73 per cent of Scotland’s landmass, so our grass-roots members are key in delivering those outcomes. We feel that we can do that.

John Finnie: I sense Mr Midgley’s frustration. Given that the situation has been completely changed by the uncertainty around Brexit, is it being suggested that the various reports should be consolidated? I imagine that, in different circumstances, people might be critical of a Government that set a direction without being sure about what arrangements would exist with the EU.

Dr Carmen Hubbard (Newcastle University): Yes, I believe that consolidation of the reports makes sense. When I was reading the documents that were provided, particularly the one from the champions, I thought that there was a lot of common sense in there. The champions made some very good points in the report, which fit very well with my thinking as an academic.

One of the points is about the change in farmers’ mindset and business models. There is also the fact that public support is not an automatic right. If we want to make our voice heard and we want to get public support, we need to think about how we can encourage consumers and taxpayers to support us. Consolidating the reports is the right thing.

Wherever I have been recently, I have been hearing about self-sufficiency. At the United Kingdom level, that will be very difficult to achieve because we do not have a comparative advantage when it comes to agriculture. We are doing very well, but we should focus on the areas that we think we can be competitive in and which will bring us a profit.

Andrew Midgley: Brexit clearly changes a great deal; it presents an entirely new context. However, the fundamental issues remain. We have a good handle on what those issues are because they have been recurring themes through all the different policy documents that have looked at the future of agriculture—themes around productivity, enhancing profitability, the difficulties associated with the nature of the land in Scotland, the environmental improvements that we need to deliver, and so on. We have a pretty good handle on what we need to do.

Brexit presents a new context but that does not necessarily mean that we do not already have a clear idea of the sorts of things that we need to do anyway.

Vicki Swales: Although there are all these uncertainties as a result of Brexit and the negotiations, we can say what we want for Scotland and we can set out at least the broad structure of the policy that is needed to take us forward.

We can look to what is happening in Europe in respect of the common agricultural policy. We have had two communications now from the European Commission setting out the direction for that, which, one way or another—depending on the outcomes of the Brexit negotiations—might well continue to frame what we think we need to do here as well, so we should look to that. The communications are talking about a much more outcomes-led policy, with much more subsidiarity—to use the European Union jargon—for the member states and regions to define the policy that best delivers for the outcomes that we are all looking for, be they on the economic front, the environmental front, or the social front.

I think that we should be shaping policy, and I issue a bit of a challenge. Scotland often leads in many respects—it has some world-leading legislation and policy—but, as part of a UK organisation, I have the sense from colleagues in Wales, Northern Ireland and England is that their Governments are moving quite quickly to shape what they want to see in future policy. It feels as though Scotland is a little bit behind the curve at this point in time.

The Convener: Thank you. That leads us neatly on to theme 2. Mike Rumbles has the first question.

Mike Rumbles (North East Scotland) (LD): Theme 2 is about the future of agricultural policy, which follows quite neatly from what Vicki Swales has been saying. I will put the question in context. Back in January last year, the Scottish Parliament unanimously passed a motion calling on ministers

“to establish an independent group involving relevant stakeholders to provide advice as to the principles and policies that should underpin options for appropriate rural support beyond 2020”.

The committee has heard from the agriculture champions that they are not involved in that and it seems that the National Council of Rural Advisers is going to provide that advice. Given what Vicki Swales has just said, do you agree that we should get every stakeholder involved—the producers, the environmentalists, and, more particularly, the consumers—in the design and in giving input to the Government so that we can develop a system that everyone can buy into? Only by doing that will we develop a system that succeeds. A lot of people have been saying that to me. Is that the future? Have we missed a trick over the past 18 months?

10:15

The Convener: Carmen Hubbard said that we had missed out one group: politicians. I will bring in Professor Keating at some stage. Carmen—would you like to go first on that?

Dr Hubbard: Yes. Some years ago, I did a lot of work on Ireland. I looked at structural changes in agriculture and rural development there since the beginning of the republic and even before that. It was very clear from the report that the partnership relationship between the public and private sectors and the Government had made a difference. Of course, Ireland had national and regional strategies, and it got a lot of subsidies from the EU.

Bringing people together at the table makes a difference. It is not only about stakeholders—everybody should be involved. We need to get farmers to work with the supply chain; that will be crucial. The rural voice is perhaps less heard—rural issues do not appear in documents around Westminster, although it is true that we talk about agriculture, which is at the centre of the rural community and around which everything revolves.

Andrew Midgley: The question was whether the process should involve everyone. A process is needed, but the Government needs to galvanise it. We could create one that grows arms and legs, but we need speed, so the Government needs to take the lead.

Vicki Swales: I fully support that. I was going to make the point that we should have a broad range of stakeholders around the table, including the farming, rural and environmental sectors and consumers. We often miss a trick through not connecting farming with our food system and food policy. There is a commitment to developing a good food nation bill; we now need an agricultural policy and a food policy that deliver—in the broader sense, for society—our food production. I would like to see joining up happening as part of that process.

The Convener: Michael Keating may want to add something. I will then go back to Mike Rumbles, because I think that there are other questions. That will allow me to bring in Martin Kennedy.

Professor Michael Keating (University of Aberdeen): I will start with a general comment about policy making in Scotland after devolution. We have not been very good at social partnership or at joining up previously separate policy areas. How to join things up is the will-o'-the-wisp in public policy making. In Scotland, we are very good at consultation—although that is different altogether—and particularly so in changing policy fields. We used to have agricultural policy, which became rural policy, but rural policy has economic,

environmental, social and even cultural dimensions. We have not quite caught up with that.

We are also not very good at managing change. We have a consensual model of policy making that is very good in some respects, but it does not enable us to face up to the challenge of change. Agricultural and rural policies will change, irrespective of Brexit. We all know that the old model is changing. Brexit may give us a shock and force people to do it, but it is not happening fast enough because Brexit is forcing the timetable. I concur entirely with my fellow witnesses that we are not up to speed and are faced with decisions that must be taken in the very near future and which may have long-term consequences.

Mike Rumbles: The context is, of course, that for many years, the £500 million or so that has gone into our rural economy every year has not been challenged among ministers because if we had not used it for the European programmes, we would not have been able to use it at all.

However, when we leave the European Union, the money could be up for grabs and the whole process of support for rural Scotland could be in question unless—this is my view; I would like your comments on this—the Government, having discussed the matter with all stakeholders, comes forward with a bespoke system that is suitable for Scotland and which is perfectly defensible and covers all aspects, from producers to consumers and everyone else. By “defensible”, I mean defensible against competing arguments from the health service or the education service to which the system has not been exposed up to now. That will be a major issue when we leave the European Union, so I am interested in the panel’s views on it.

The Convener: I will bring in Martin Kennedy, to be followed by Vicky Swales.

Martin Kennedy: Mike Rumbles is spot on about the need for a bespoke system for Scotland. That is vital, because we are different from the rest of the UK.

Carmen Hubbard talked about the rural voice being heard: it has probably been missed a lot at meetings. I was at a meeting last year at which there were 27 people around the table talking about the future of agricultural policy and support, but I was the only farmer there, and I was the one who would face the consequences of the decisions that were to be made. The rural voice and what we have to say about what will work on the ground need to be heard. We talked about supply chains: the supply-chain system is not working, from the grass-roots farmer’s or crofter’s perspective.

Some £500 million is coming into Scotland and is up for grabs, as Mike Rumbles said. We need to ensure that it is ring fenced for agriculture, because although £500 million comes in, agriculture spends £2.8 billion, which goes back into the economy. That is the catalyst for the food and drink sector in Scotland, which is the largest part of the economy. We need to make sure that we listen to the rural voice and to the people who will be most affected: the farmers and crofters.

The Convener: I will bring in Andrew Midgley and then Jamie Greene, briefly, before I come back to Mike Rumbles.

Andrew Midgley: Yes—

The Convener: I am sorry: I must put you on pause. Vicky Swales was right to catch my attention, because she had already asked to come in. You will all get your chance; I do not want to cause disruption among the panel members.

Vicki Swales: Thank you convener. I think that Andrew Midgley and I are on the same page about a lot of things.

Last month, Scottish Environment LINK produced a paper, “Renewing Scotland’s Rural Areas”, in which we set out ideas about future policy and said some things that are very pertinent to Mike Rumbles’s question.

We are absolutely clear that we need to retain, in our rural areas, at least the current levels of investment that we get from the CAP for agriculture and for delivering environmental outcomes. However, Mike Rumbles is absolutely right: we will have to fight hard and make cogent and convincing arguments to the taxpayers who stump up the money for why we should get it for the outcomes that it will deliver.

Scottish Environment LINK thinks that we should keep the money but reshape and reframe how we spend it. We think that one of the strongest arguments is that we use public money to deliver public goods. We should underpin agricultural land management and deliver the environmental and other outcomes that we are looking for. We should use the money to make investments to facilitate change, to help farming businesses to adapt and become better able and better placed to benefit from the market and explore opportunities. We also need to invest in supporting activities—the training, advice, education and research that underpin all that. By acting in those three broad areas, we can reshape outcomes and get a bigger bang for the buck that taxpayers stump up. That is where we need to get to—and we need to get there quickly.

Jamie Greene (West Scotland) (Con): We have relied on membership of the CAP; farming is a heavily subsidised industry in the UK, as it is in

much of Europe. Does anyone on the panel have a view on whether the Scottish Government has a solid plan for creating the bespoke system that Mr Rumbles talked about?

I am not trying to make a political point here. It is important that the committee hears what the industry thinks. Notwithstanding the political to-ing and fro-ing about funding commitments post-Brexit, and the financial settlement that might be arrived at between the Governments, are we in a good place at the moment, from a policy point of view?

Andrew Midgley: Is there a plan? No, there is not, that I am aware of. Are we in a good place? No, we are not, really. We have quite a long way to go to get to a better place, which is why we need speedy development.

We entirely support the creation of a defensible system, and we have stated that we are keen to see a change in the support so that it is much more defensible, which probably means greater emphasis being placed on delivery of public good, so that people can see what they are getting in return for use of public money. We accept that.

A bespoke system is really important because, among other reasons, the nature of land use in Scotland is different to that in England and Wales. I have forestry in mind—we are talking about agriculture policy, but rural land use will change and forestry has a role in that. Forestry is supported through similar funding streams, so we have to think carefully about how we want to use the land and how different policy areas fit together. We want to support agriculture, but we also want to support forestry. We need to be intelligent about that—we need to create something in Scotland that is bespoke for us and which enables those things to work together.

Mike Rumbles: I want to be fair here and put the counterargument. When the cabinet secretary was here, I asked him that same question because I felt that that is the way that we should be going. He said, “I can’t do that because we don’t know what the level of funding will be. How can I design a system if I don’t know what the funding will be?” and, so far, that has been the cabinet secretary’s response to that line of questioning. What is your reaction to the response that the cabinet secretary cannot set a bespoke system until he knows how much money he will get?

Dr Hubbard: I will start with the question about this not being about politics. Politics always prevails. I ask all parties—in Westminster, too—to come together because we must have a voice if we want to make Brexit a success for everybody. I am a Remainer because I am a Romanian, although I have been here for about 18 years. We

should start working together. Andrew Midgley is right that we probably do not have a plan, which is also the case in Westminster at the moment. We only have what Mr Gove said in his speech in Oxford.

On using public money for the public good, what is the public good? That is not yet defined, and we have no idea how this will all work in practice and what implementation will mean. We might end up with more red tape than we have now, depending on how we assess what is happening on the ground.

Finally, I come to Mike Rumbles’s question. When it comes to funding, we have to think about why we give funding—what its purpose is—who the beneficiary is and how they benefit from the money. I strongly believe that subsidies under the CAP have been misused so far, and we all know that larger farms have benefited. I have figures on the capitalisation of land following the decoupling of payments. A new paper that came out just a few months ago shows that, even after the reforms that were done after 2013, more than half of farming support goes into the value of the land. That is an important point. Funding should be targeted at those who are in need and are vulnerable. We will probably need to identify who they are, why they need funding and how they would benefit from it.

10:30

There is another point that we have to think about. Based on Ricardo’s theory, any form of support that is related to land use will always capitalise in the value of the land. Therefore, whatever subsidies we give that are related to land use will, to a lesser or greater extent, somehow capitalise in the value of the land. I will let members think about the ownership.

Martin Kennedy: To echo what Andrew Midgley said, I do not think that the Scottish Government has a plan.

On whether we should wait until we find out what the budget is, I honestly do not think that that is the way forward. If we wait until we have clarity on the budget, it will be too late. If we are smart enough—and I think that we can do this—we will devise a system that will be relevant to whatever budget will be achievable in the future. That is absolutely vital.

As Carmen Hubbard said, funding needs to be targeted at the correct people. When we spoke to George Eustice in December, he recognised that perhaps the area-based system has not been the best way forward and was possibly a mistake. Going forward, we have a great opportunity to target those who are in need of a support mechanism and to highlight what we get from that

support, whether that is environmental benefits, productivity improvements or support for agriculture in rural areas to keep people in those areas. People are very important, and we need to keep people in our rural areas for environmental and tourism benefits.

We have an opportunity now that we can grasp; we might not get another chance to do so for a long time. The system has not worked so far. Support needs to be targeted far better at those who provide environmental benefits and at doing what we can do for the economy in Scotland.

Richard Lyle (Uddingston and Bellshill) (SNP): I am very surprised at what you have just said, although it may be refreshing. You say that there is an opportunity now to fully review the payment system but, when we change a system, we effectively do someone out of money. A lot of farmers will not be happy campers if someone who gets £100,000 today gets only £50,000 tomorrow. I hear what you say—

Martin Kennedy: I am not saying that.

Richard Lyle: It sounds to me as if you are.

On the point that Vicki Swales made, do the witnesses agree that we have to review and refresh the system? Will a lot of people be unhappy if we do so?

The Convener: Vicki Swales may answer that question. After that, I have a particular question for Michael Keating.

Vicki Swales: It is inevitable that there will be change. In relation to the CAP, it is often said that, when things are changed, there are winners and losers. I am not sure that that is always the right way to look at it. I go back to the point that we are talking about taxpayers' money. What is it delivering? Transition is critical. We may come on to that.

The Convener: Transition is the very next theme, so please do not dwell on it.

Vicki Swales: I do not think that any of us is arguing that we should go from one system to another system overnight. People need to have time to adapt, but they need clarity on what the end point is. If people know where we are going and what the new system will look like, they can adapt their businesses and consider what the new opportunities might be. However, there will be change. There will be restructuring in the agriculture and land use sectors. That is an inevitable consequence of what we face.

The Convener: As the convener of the committee, I have to admit that it was remiss of me not to ask members to declare any interests at the beginning of the meeting. That there are members of the committee with interests should

go on the record. I will make the first declaration. My entry in the register of members' interests shows that I am a member of a farming partnership. I suspect that other members might like to declare interests at this stage. Peter Chapman has caught my eye.

Peter Chapman (North East Scotland) (Con): I was going to declare an interest as a partner in a farming business in Aberdeenshire.

The Convener: Stewart Stevenson has also caught my eye.

Stewart Stevenson (Banffshire and Buchan Coast) (SNP): I have a very small agricultural holding from which I derive neither support nor income.

The Convener: I am glad that we have got that out of the way before the three committee members concerned asked a question. I can now ask Michael Keating a question.

I have heard two old sayings: "Too much analysis leads to paralysis", and "Don't bring me a problem; bring me a solution". That seems to be what I have heard this morning. Is that your principle on the matter?

Professor Keating: Yes. Nobody would disagree with that. The difficulty is how it is done. I have been critical of the lack of innovation in the way that policy making has developed in Scotland since devolution. We carry out policy quite well, we consult and we keep people happy, but there is not a lot of innovation and new thinking. That is even more true in agriculture than it is in other areas. I think that Mike Rumbles said that all the money that comes from the CAP is an excuse not to innovate and think about change, so we certainly have to act very quickly.

Governments are overstretched. The UK Government is massively overstretched by Brexit and is unable to think about other policies. The Scottish Government is extremely overstretched as well, so the new thinking needs to come from somewhere else. There are plenty of ideas around but we need to act very quickly.

Of course, politics is inevitable. It is naive to try to take the politics out of the issue because politics is all about making public policies, winners and losers and tough decisions. At some point, the Government will need to make some strategic decisions. We should not underestimate the difficulties for the Government: we do not know how much money there will be, what strings will be attached and what free-trade deals will be negotiated. All of that will affect agricultural policy. At least Scotland has an opportunity to declare what it wants. It is important for Scotland to have a clear position before going into the various

negotiations and discussions that will take place—on the forthcoming agriculture bill, for example.

The Convener: We will move to theme 3.

Peter Chapman: Good morning, panel. My theme is the transition to a future agriculture policy. The UK Government has put some meat on the bones and set out some timings for the transition to a new UK agriculture policy for farm support in England. I stress that the policy is for England because Michael Gove has been very clear that Scotland is responsible for designing a system for Scotland.

The timetable in England is that in 2018 and 2019 the basic payment scheme will be as normal, and then we will be into a transition period in which current cash funds will be guaranteed until 2022. For England, there are proposals for a cap, or a sliding scale of reductions, on payments. Post-2024, we will be into a new environment involving a land management system and public money being paid for public good. As far as I understand what Michael Gove has said, that is roughly the position in England. Is the panel clear on the direction that has been provided for business in Scotland on what is expected during a transition period and beyond?

Martin Kennedy: With regard to the transition, it comes back to stability. We do not know what post-2024 budgets will be like, but we still need to highlight why Scotland is totally different from England. I note that Michael Gove's speeches at the Oxford farming conference and at the National Farmers Union conference yesterday highlighted matters that particularly concern England. Scotland needs to have that bespoke system. Realistically, we will need time during a transition before future arrangements can be put in place. We are looking for something similar until we can put something in place post-2024.

The best position that we can be in beyond 2019 is for us to have a similar scenario until post-2022. We need the transition period to devise a system that suits Scotland. Time will catch up with us. Having experienced past CAP reforms, we know that decisions can come down to the 11th hour. That is very dangerous because sometimes that does not deliver what we are trying to achieve.

The Convener: Vicki Swales wants to come in on that.

Vicki Swales: I have already said that I think that transition is important, and I concur with what Martin Kennedy has just said. We need to decide very quickly where we are trying to get to, and then we will have a period of time in which it would make sense—as far as possible and with the money that has been committed, which appears to be on the table to 2022—to think about what the

next policy should look like, designing it and perhaps even taking the opportunity to trial and pilot some things. There might be some new approaches or ways of doing things that we can think about. There is a lot of talk about results-based environmental schemes and how they compare with the more prescriptive schemes that we have at the moment, and we think that it would be sensible to have a mix of those two approaches.

Let us use what is actually quite a short time to think about what we want and try things out. As we know from past experience, the information technology and the administration involved with new systems take a lot of time to set up. Four years or whatever might sound like a lot of time, but it is not at all, and we need clarity right now about where we are trying to get to so that we can start to work out the detail of how we actually get there.

Stewart Stevenson: I want to pick up a little point arising from Martin Kennedy's comments. I have read only press reports, not the original speech, but I understand that Michael Gove referred to the less favoured areas in Wales and Scotland as a fundamentally different aspect of agriculture. Does Mr Kennedy agree that that is mildly encouraging? I have not previously heard Michael Gove make any specific reference to the LFA scheme, which essentially underpins the geographic differences and the need for a different support regime. Does Mr Kennedy agree that that might be an early indication that the UK Government is including that in its thinking?

Martin Kennedy: I agree that it is encouraging. I am sure that we are all aware that 85 per cent of Scotland is designated as less favoured, while the figure across the border is only 17 per cent. That is why the bespoke system is absolutely vital. I am encouraged that Michael Gove recognises that, because less favoured areas make up the largest part of Scotland, support is needed to keep people in rural areas. I again come back to the issue of people, because they are really important to Scotland's rural areas.

Andrew Midgley: I think that the answer to the question about the plans for transition is that we just do not know. Like other panel members, Scottish Land & Estates recognises that if we are going to change—and we think that change needs to happen—we cannot do it in just one step. As a result, we need that process to be in place, and we need to set out where we are going.

The point that I want to make is actually about the degree of change that we could experience. It is hard to know whether this will happen, but there could be quite significant structural change in the industry. Actually, I think that the word "change" is something of a misnomer when what is meant is

people going out of business or losing their jobs and moving away. There is a really strong human element to what we are talking about, and we need to build into any thinking about transition both an acceptance that there is going to be a lot of change and an attempt to find a way of mitigating some of that potential harm.

Peter Chapman: It is vital that we never lose sight of the fact that farmers are about producing high-quality food to feed the nation. Let us get that right. Given that we are moving away from supporting them directly and towards the idea of public money for public good—which is the phrase that is used nowadays—would you endorse my view that this is first and foremost about producing food, that we can do the environmental bit around that and that the two things are not mutually exclusive in any way, shape or form?

Martin Kennedy: Farmers and crofters right across the country are, without a doubt, all about food production. Perhaps we take that for granted; after all, 50 or 60 years ago, we were spending around 40 per cent of our income on food, while the figure now is about 8.5 or 9 per cent. That shows the value that is being put on what we are producing to such a high quality and high standard. It is perhaps not a public good, but it is probably a public right to have good-quality food grown or reared to high standards, including high welfare standards. It is ultimately a benefit to the consumer, but we definitely need to recognise that food production still sits at the core of agriculture in Scotland.

The Convener: Vicki Swales may give us an alternative view on the fact that the RSPB is not all about food production.

10:45

Vicki Swales: I would like to read from the Griggs report, which we all agreed on:

“Agriculture should be seen and treated as different from other industries; it is a multi-output/multi-benefit business, with non-market outputs (wildlife, landscapes, clean water etc) as important to society as its traditional market products of food and fibre. These outputs are referred to as public goods and services. Future policy should start from this premise and be designed to support, encourage and sustain the delivery of these non-market outputs, as well as equipping farmers to benefit more from market opportunities”—

I would add “and from the food that they produce”. It is not either/or. Farming is a multi-output business and all those things matter to all of us. Food, clean water, a stable climate and those other things are all part and parcel of this—they are intrinsically linked.

The Convener: Would Carmen Hubbard like to come in on that point?

Dr Hubbard: Members will probably not like my answer, as it is an economist’s answer. We should not always look at farming through the lens of public support. We know that there are countries that can produce good-quality and very healthy food without subsidies. Why would we give subsidies for that? Why should we pay for them? If we give subsidies, they have to be targeted at those who are really in need. I do not see why we should not allow farmers to be like any other businesses that compete and produce goods and services, based on market opportunities and what we actually want.

The Convener: I have heard the argument that subsidies to farmers keep the price of food down. Do you subscribe to that?

Dr Hubbard: Whether subsidies keep food prices down depends on the type of subsidy. Subsidies mean a transfer to producers from either consumers or taxpayers—or both. Now, our food is cheaper within the EU because we are in a market of more than 500 million people, but subsidies do not necessarily keep prices down.

Martin Kennedy: If the supply chain worked correctly and we received the right amount of money for the effort that goes into providing high-quality food, there would be less reliance on support. That is where we would all like to be. At present, the average income of a farmer in Scotland is £12,000, so it is extremely difficult to do any of those jobs without support. Other countries have the advantage that their cost structure is not as high as ours is. In terms of our cost structure relevant to what we get for what we produce, we are sandwiched in the middle. That relates to the fact that people now spend so little of their income on food.

The Convener: We move to the next theme, with a question from Fulton MacGregor.

Fulton MacGregor (Coatbridge and Chryston) (SNP): Good morning to the panel. The next theme is about frameworks. Given what was agreed at the meeting of the joint ministerial committee on European Union negotiations in October last year, do you think that there should be a common UK framework for agriculture? What scope and form should that take? Our briefing papers include a quotation from Professor Keating, so perhaps that question is for him.

Professor Keating: It is generally agreed that there should be frameworks. A year ago, when I came here to a committee that I was advising, there was not that agreement, but there is agreement now for two areas. One area is the regulation of agriculture, of which a lot is devolved but Europeanised. There is broad support for those regulations being the same across the UK. A lot of stakeholders think that the European

regulations would be the best ones to adopt for that purpose, because we would then have access to European markets. If we sign free-trade agreements that include agriculture with third countries, that will create difficulties for retaining those European frameworks, so that is a big issue.

The second issue is about funding. That is about how much funding there should be, how it should be distributed and what strings should be attached to it—whether it should go into the block grant or whether there should be a separate agricultural fund. If there is a separate agricultural fund, that is already ring fencing that money, so would there be further ring fencing of that money?

The difficulty is how the frameworks are to be achieved. The European Union (Withdrawal) Bill, which is still before Parliament and which may yet be amended, says in its famous clause 11 that the answer to that is, in essence, to take all those competences back to Westminster, or to rereserve them, which gives Westminster the last say. That is highly problematic for a number of reasons. One is—

The Convener: I understand where you are going with the withdrawal bill, but we will deal with that specifically later.

Professor Keating: Okay—I will conclude on the frameworks issue. The questions about frameworks are, first, how constraining they would be and, secondly, how they would be negotiated. Would they be imposed from Westminster or negotiated among the four nations of the UK?

Vicki Swales: We think that there will be a need for some kind of commonly agreed UK framework. Michael Keating outlined some areas that that might touch on, such as trade, regulations and standards, but there are also environmental arguments as to why it might be needed. Many of our environmental challenges that arise from agriculture and the way in which we use land are transboundary. It is therefore important for us to think about how agriculture in all parts of the UK operates to high standards in order to address climate change issues; to reduce greenhouse gas emissions; to protect our water resources, which are often shared and go across jurisdictional boundaries; to halt the loss of biodiversity, which all parts of the UK are signed up to and have committed to doing; to maintain healthy soils and so on; and to meet our international obligations beyond the European Union ones. Therefore, we can see an argument for why we might want some commonly agreed high-level principles and objectives on environmental ambition in a commonly agreed framework that relates to agriculture.

The Convener: Stewart Stevenson has a question on environmental issues.

Stewart Stevenson: Vicki Swales mentioned greenhouse gas emissions, which is of course an important issue. Given that appointments to the Committee on Climate Change have to be agreed by all four jurisdictions—in other words, any one can veto an appointment—might that be a useful model for drawing up policy frameworks politically, as an alternative to other ways of doing things? That might not be the only way of doing it, but do you agree that it would be a perfectly practical way?

Vicki Swales: Environmental NGOs do not necessarily have a fixed view on that. There are different models and ways of doing that—you have cited one, but there are others. For example, there is the “UK Marine Policy Statement” and the way in which the four parts of the UK come together to agree the broad objectives for the marine environment, which are then enacted through devolved policy and legislation. There are definitely different models and ways in which it could be done, which go from having a very legislative fixed basis on one hand, to having memorandums of understanding or to having commitments in legislation to set up bodies or institutions that fulfil certain functions. We do not have a fixed view of the right way of doing that, but we would like progress to be made on thinking about it and coming up with an answer so that we can have that constructive joint working across all jurisdictions.

Stewart Stevenson: Yes or no, do you favour a collaborative model?

Vicki Swales: Yes.

Andrew Midgley: We came out fairly early on in support of developing common frameworks, because we were concerned that we could go down a route in which the degree of policy divergence had consequences for the market in the UK and potential consequences for developing trade deals and funding settlements, or for how the budget for agriculture is delivered to Scotland. The concern there is about whether the budget comes through the block grant or through separate agricultural funding.

We are aware that that creates devolution problems, but what we have in mind when we talk about frameworks is not some sort of imposed system. We definitely want something that is developed together. We do not have in mind a system that is imposed from Westminster; it has to be very much a collaborative process. The issue is around how that happens and what that framework would look like. From our point of view, it is a matter of the broad objectives and the principles being set out, and then Scotland being allowed to have at least as much ability to negotiate as it has now under the current framework, but potentially more. We have never

envisaged a rowing back from where we are. We have always envisaged maintaining at least what we have, but potentially more. The key thing is that the framework has to be a high-level setting out of the direction of travel.

The critical issue that has yet to be resolved is funding. At the moment, a lot of the support structures that we work with are determined within the European Union and we implement them. There is a question about how far we have to go down that route within the UK. The Scottish Government will say that we actually have lots of divergence already, so we could just do our own thing. The unresolved question for us is how much divergence there can be before it becomes a problem, and we are unclear on that. Our commonsense approach was to go for a framework but to keep it broadly similar to what we have now, so that we could still do as much as we want and have some policy divergence within the UK, because it would be within that envelope of a common framework.

Martin Kennedy: Andrew Midgley has covered most of what I was going to say, but we are of a similar opinion. An overarching UK-wide framework would be important, particularly when it comes to trade back and forward, because we have welfare standards, pesticides regulations and other things that would have an effect on trade. It is important that we have that UK framework, but within that—to echo what Andrew Midgley said—we need to have a bespoke situation.

On funding, we currently receive about 16.3 per cent of the total agriculture support system that comes into the UK, and we certainly hope that we can maintain that, at least, with the convergence argument backing it up. We will need a bespoke system within an overarching framework, which is vital for trade, because it is the UK that will be trading. Although we have our own trade within Scotland, we need to have UK trade so that we can deal with other countries.

Fulton MacGregor: Based on what has been said, it seems safe to assume that the panel would wish stakeholders in the devolved nations and others to be involved in the development of the framework. How could that best be achieved to ensure that all the relevant voices are heard?

Dr Hubbard: I am not sure whether I can give an exact answer, but I assume that a common framework is necessary because some will argue that there needs to be a level playing field for everybody. However, it is important that all devolved Administrations come together and try to work with Westminster. That is just what I think. The power still lies with Westminster. It is not only about Scotland; it is about Northern Ireland and Wales, too, so the devolved Administrations need to work together to counteract the power in

Westminster. I hope that I do not sound as if I am against England. I live in England, but I think that there has to be a level playing field for everybody and you have to fight for that.

11:00

Andrew Midgley: We want to be involved in the development of the framework. As with most policy development, we will try to engage in the debate.

That brings me back to the discussion about the role of the Scottish Government. We talked about the Scottish Government being behind the curve; this is why that is so important. At the moment, the discussion in Westminster is being led by the Department for Environment, Food and Rural Affairs, and we need the Scottish Government to be at the table with as strong as possible a voice for Scotland. The Scottish Government can listen to us and we can try to influence it, but Westminster is where the debate is happening.

We can try to influence through different routes. We work with our sister organisation in England and Wales and we try to engage in the process, but the development of frameworks will come down to Governments and we need the Scottish Government to be at the table.

Vicki Swales: We think that new intergovernmental machinery will need to be put in place to do this stuff. The current arrangements under the joint ministerial committee are not functioning as we might hope that they would. A number of reports have criticised the approach and said that the JMC is not operating properly; there are ad hoc meetings and there is not proper participation of the four parts of the UK. New intergovernmental machinery, on a statutory basis, with clarity about how it operates, will probably be needed as we go forward, to ensure that frameworks and other things work properly.

The Convener: Thank you. We move to the next theme. I think that the first question is for Michael Keating.

Richard Lyle: This is where we come to the nub of the argument: the European Union (Withdrawal) Bill. In the context of comments that Vicki Swales and John Finnie made, it takes two to tango. The UK Government did not accept amendments to the bill from the Scottish and Welsh Governments prior to it going to the Lords and now says that the bill will be fixed when it goes to the Lords.

With the greatest respect, I want to hear from Martin Kennedy first—I might have misunderstood him earlier. We have a situation in which we are coming out of the European Union and the common agricultural policy and going back 40

years to pre-1970—I can remember that. What are the bill's implications for Scottish agriculture in the long or short term? What systems should be put in place? If we do not know what money we are going to get and we do not know how the bill will be amended, we cannot talk to the UK Government—or it will not talk to us. Where are we? Basically, we do not know. What should be put in place for farmers? How can the Scottish Government help Scottish farmers to have a good system to ensure that there is not anarchy after we come out of the EU?

The Convener: I am sorry, Martin, but I want to stick with the planned approach and bring in Michael Keating first, because he was talking about the bill when I curtailed him.

Professor Keating: There are two concerns with the European Union (Withdrawal) Bill. One is an issue of constitutional principle, which is about whether it is right for the UK Parliament to use Brexit as an opportunity to change the constitutional settlement. People have different views on that; I think that it is highly problematic, from the constitutional perspective. There is also the question about legislative consent, which the Scottish and Welsh Governments are recommending should be withheld. We really do not know how that will be worked out.

The second problem is that the withdrawal bill has a blanket reservation on existing EU laws and then says, "Well, certain powers will be released afterwards, back to the devolved level, if they are not needed for UK purposes." That is problematic, because it makes it very difficult to get coherent policy making on whatever bits and pieces will be released—in fact, the language of "releasing" is problematic from a constitutional perspective. The UK Government seems to have taken that on board. It has accepted that there will need to be legislative consent under the Sewel convention, although it has not said what will happen if it does not get it—we just do not know that—and it has promised amendments, but we do not know what they are.

I have suggested that the powers in clause 11 are simply unnecessary. If we are going to have frameworks, we do not need to reserve the powers. If we have a framework, that is an alternative to reservation. Reserving the powers and then negotiating frameworks would mean that the UK Government was, in effect, negotiating with itself, because the powers would no longer be devolved. It would be much better if the UK Government was to make its position on the matter clear. If clause 11, which is about the blanket reservation, was to go, the devolved level could retain its powers, and the parties could then get into negotiation.

I have a final point about frameworks. It seems to me that there is a difference between the emphasis of the Scottish Government and that of the Welsh Government. The Scottish Government seems to see frameworks as providing parameters for separate policies, whereas the Welsh Government seems to be keener on joint, UK-wide policies. However, that can be worked out in the long run. In the immediate future, Wales and Scotland agree that the recentralisation of the competences is highly problematic.

Richard Lyle: Can I ask, Professor Keating, how you can negotiate with someone if they will not negotiate with you? How can you discuss anything if they will not give you what they are thinking? Where are we going to go on this? Will it go right up to the wire?

The Convener: Michael, you might want to give a broad answer to that.

Professor Keating: The answer is quite simple: I do not know. It seems to me that the UK Government has indicated that it appreciates that there is a problem here, but I do not know what the outcome will be.

Richard Lyle: If you do not know the answer, what chance does anyone else have?

The Convener: Maybe we will know in the fullness of time. I am going to rein in that discussion and go to Martin Kennedy, because I think that the original question—

Richard Lyle: Yes. Martin, I may have picked you up wrongly. We want to work with farmers and ensure that we have the best food in Scotland, as we have now. What do we do? Give us your options.

Martin Kennedy: We see the withdrawal bill as vital, basically to ensure that the wheels do not fall off the cart, as they could without the legislation being cut and pasted over. We need to keep things running. We have often talked about all the uncertainties that are out there, which have already been highlighted this morning. If it goes completely wrong, we will fall off a cliff edge; from a farming perspective, that is just not on.

Farming is a long-term project and occupation. People farm years ahead because looking after the land is the best way to do it, so when it comes to what the Scottish Government can do, transitional arrangements are vital. We need that time and we need budget security going forward and beyond, so that we know that we have security and stability in the industry. Unless farmers are investing in their businesses, they cannot go on and provide more for the environment and address climate change issues, which we are certainly looking at, and which we can do.

Richard Lyle: I have a small supplementary—

The Convener: Richard, I am sorry. I am going to leave that theme there because I think that we have taken it about as far as we can and we have another three or four themes to get through. The next theme is from John Mason.

John Mason (Glasgow Shettleston) (SNP): My theme follows on from what we have discussed. We have talked about frameworks and about the European Union (Withdrawal) Bill. What about the UK white paper and the agriculture bill that we are expecting? What would you like to see in it? Conversely, what should not be in it?

The Convener: While you are pondering your answers to that question, I note that we are quite tight for time, so I would be grateful if you could select the subjects that you can speak to and respond carefully and succinctly.

Martin Kennedy: The white paper—the command paper, as I think they are now calling it—has been pushed back. We were assured that it would be coming in January, but it has been pushed back to the spring. It will be the precursor to the agriculture bill.

The biggest point is that the command paper needs to include the tools in the toolbox to allow the Scottish Government to do, within reason, what it wants to do to create a bespoke agriculture policy. It is vital that the command paper contains that flexibility, as we need it. If it is not in the command paper and we then move on to the agriculture bill, that will limit the extent to which the Scottish Government can implement a bespoke system.

Andrew Midgley: It makes sense that the command paper for agriculture will follow from the withdrawal bill, because the discussions about what gets reserved and how we develop common frameworks will have consequences for what will go into it. I agree with Martin Kennedy that we need to formalise Scotland's ability to implement the governance arrangement in ways that it sees fit. If we cannot have that, there is an issue.

Vicki Swales: My comments are in a similar vein. Following from the outcomes of the withdrawal bill, we might expect that there will be some areas in which a UK bill deals with UK issues and says something about how frameworks are set up. However, our understanding is that the agriculture bill will deal largely with England. Michael Gove has specifically talked about a policy for England, and I presume that primary legislation will be required for the mechanics to enact that policy. I imagine that a large part of the agriculture bill will relate to that policy but that there will be some UK elements.

John Mason: I am puzzled. If the agriculture bill is going to be free ranging and allow a lot of freedom, I do not know how the money will get split up. The bill might say that 16 per cent will go to Scotland. On the other hand, if it is a UK version of the CAP that is tight and specific and says that money will be given for clean water, although it would not specifically mention the finances, that will lead to Scotland having a certain proportion.

It seems that there is a lot of uncertainty on the matter. The more certainty that there is in the bill, the more we will know; the less certainty that there is in the bill, the less we will know. Is that fair?

Professor Keating: I was going to make a similar point. Will it be a UK bill or an English bill? The policy should be consistent. Will there be legislative consent? The UK Government says that consent will be required for the UK-wide matters, but how far will the bill prescribe policies, particularly on funding? We are talking too much about competence and not enough about funding. If the bill says that there will be UK-wide agricultural priorities A, B and C and that funding will be attached to them, we might not be reserving the competences but will, in effect, be reserving control. That is critical. So far, we do not really know. If that happens, there is a danger that agriculture policy will, in effect, be driven by policy in England even though, in a formal sense, the competences will still be devolved.

The Convener: Carmen, would you like to comment on that?

Dr Hubbard: I do not have anything specific to add, but I agree strongly with Michael Keating.

Jamie Greene: I will move the discussion on to future trade, which is an intrinsic part of Brexit. At this point, we have no idea what relationship the UK will have with the EU after Brexit or any interim period; nor do we have any idea about trading relationships that we might have with other third-party countries outside the EU. I would like to explore briefly the witnesses' views on any opportunities that that unique situation presents us with and any specific or known risks that it creates for the agriculture industry in Scotland.

Martin Kennedy: There are a lot of risks and a lot of opportunities.

Trade is paramount. If trade deals go in our favour, that will have the biggest relevance for farmers and crofters in Scotland, because it will make a huge difference if they go against us. When I say "go against us", I am talking about making trade deals that exclude our own welfare standards because we end up importing substandard product, whether that is hormone-fed beef or whether it relates to how animals are raised or how feed is grown in other countries, not

only in the EU. That will have the biggest relevance for the prosperity of Scottish agriculture.

We have some of the highest—I do not say the highest—standards in the world when it comes to animal welfare and growing standards for our crops. As I said, if we make deals, we need to be wary of the unintended consequences of wrong decisions. That is why the Scottish agriculture industry needs to be taken on board in recognition of what it provides.

11:15

However, there will be opportunities as well. There might be opportunities to export to other countries. We need to remember that, although 80 per cent of Scotland's produce goes just across the border, more than 90 per cent of our exported lamb goes into the EU, so it is vital that we have friction-free trade with the EU. Lamb is a perishable commodity—it is not as though it will make no difference if a vehicle sits somewhere for three months. If we have perishable commodities stuck because of customs issues, that will be a big challenge.

There are a number of risks, so the industry needs to be involved and consulted when trade deals are made.

Dr Hubbard: I have a lot to say on trade but I will try to summarise it. I lead a big project that is funded by the Economic and Social Research Council that examines the impact of Brexit at not only the sector level but the farm level. It covers not only the UK but the different countries in it, considering impact on production, consumption, changes in price, imports and exports. We also try to consider the profitability of farms and to identify the sectors that are most vulnerable.

We have already done some work and I have brought with me some papers, which I can leave with the committee. The results that I have are preliminary and were produced in November, since when we have progressed a lot. We ran three scenarios on trade and scenarios in which we eliminate or keep direct payments. The scenarios are, as you might expect, a free-trade agreement with the EU, a World Trade Organization default and an extreme scenario, which I call extreme liberalisation, in which the UK liberalises its trade with the EU and the rest of the world but faces tariffs for its exports.

Our results so far show that, as you would probably expect, a free-trade agreement with the EU would result in marginal changes for production prices and the value of output. However, they also show that the WTO scenario is not as bad for Scotland as some people might think. It is a WTO scenario without direct payments. When we analyse trade, we have to

think about the trade status—net importers versus net exporters. That will make a difference to the sector. Depending on that status, there will be different impacts. Without direct payments, everybody will be affected. The WTO scenario is not as bad as people might think, with the exception of the beef and sheep sectors, although we would probably expect that. However, it is interesting that the dairy sector in Scotland might not do as badly as we might think, except under a unilateral trade agreement.

I have some graphs and other things that I can share with you. We have to produce something by the end of June and, in September, we will present our results in a joint event with the Agriculture and Horticulture Development Board.

The Convener: Thank you, Carmen. You have made an offer of some papers. The clerks will contact you after the meeting and will arrange to get copies of them so that they can be circulated to members.

I am conscious of the time. I will bring you in, Vicki, if you are brief, and we will then go to Professor Keating.

Vicki Swales: We commissioned some research on the impact of Brexit and trade scenarios on farmers as well as the consequences for farms and wildlife. That was a UK study, and we would be happy to make it available.

Some sectors are vulnerable, depending on the trade agreements that we end up with—particularly the beef and sheep sector in less favoured areas. We are concerned about that from an environmental perspective, because those are our high nature value farming areas, where some of our most important species and habitats reside, and their future depends on the future of those farming and crofting systems. In a sense, our domestic policy will need to be a response to the trade agreements that we strike, the regimes that we follow and the impacts that they have. We might well need to ameliorate some of the effects of those through domestic policy, including by supporting farmers for the public good that they deliver, which is one of their strengths, as opposed to the market outputs from those systems.

The Convener: Michael, I am happy to bring you in briefly before we move on to the next theme.

Professor Keating: Trade is constitutionally reserved, so it will be a UK responsibility although it impacts on devolved areas. Very few trade agreements have free trade in agriculture, because it tends to be protected and regulated separately. There is a big difference between those who want global free trade in agriculture with no tariffs, which would have enormous

impacts on the sectors in the UK and Scotland, and those who want to keep support.

Whatever free trade agreements we negotiate in agriculture, they will have in them elements and agreements about regulation and support. That is not just a domestic matter. Our trading partners will want to know that we have the same standards, that there is a level playing field and that we are not subsidising our producers more than they are subsidising theirs. The two issues are intimately connected.

The Convener: I will leave that issue there, thank you. The next question is from the deputy convener, Gail Ross.

Gail Ross (Caithness, Sutherland and Ross) (SNP): We touched on standards when Martin Kennedy mentioned them with regard to trade, and Vicki Swales talked about some conclusions that are shared between the two reports that we are talking about. The interim report from the National Council of Rural Advisers and Professor Russel Griggs's greening group discussion paper mention the legislation that is already in place that covers standards such as natural capital; animal, plant and product standards; and the environmental protections that we have for our soil, air, water and biodiversity. I know that we are short on time. If you could limit yourselves to two, what standards would you like to see remain important, and are there any that you would like to see changed?

The Convener: You can give us two that you would like to keep and two that you would like to change.

Martin Kennedy: I do not think that we need to limit ourselves to two. All our standards are critical, which is partly why we get the trade deals that we get. Our standards are a feather in our cap when it comes to making trade deals, and we want to hold on to them.

Some regulations could be changed, but our standards are our best selling point. We talk about good British products but we see Scottish products as being premium British, to be honest, and we need to hold on to that. Our standards are our biggest selling point when it comes to trade, and we need to at least maintain them.

The Convener: That was a politician's answer. Andrew Midgley, do you want to add anything to that?

Andrew Midgley: My points are very similar. Scottish Land & Estates took a pragmatic stance and said that, to achieve any transition to a new post-Brexit regime, we should maintain where we are. Once we have got through that transition, we should start thinking again. I agree that standards are an important selling point.

Vicki Swales: Absolutely—our high standards underpin Scotland's brand. We welcome the statements that the Scottish Government has made about the need to maintain environmental standards, in particular, but also two important principles that the EU sets—the polluter-pays principle and the precautionary principle, which should also come back into our domestic legislation.

If I had to pick three vital things that come from European legislation, I would probably pick the birds and habitats directives and the water framework directive. They fundamentally underpin the protection of our most important species and habitats and ensure that we tackle problems such as diffuse pollution, that we have good quality drinking water and that our rivers and lochs are clean.

Dr Hubbard: I agree with everything that has been said so far. I add that we should not lose the geographical indication for products that are designated as coming from our regions, which are important for the UK as a whole and particularly for Scotland.

The Convener: Thank you. We were not getting a specific answer, as the witnesses were keeping all the standards, but I think that Vicki Swales just gave us a specific answer. I thank her for that.

The final theme is Colin Smyth's.

Colin Smyth (South Scotland) (Lab): Within the CAP, the Scottish Government is part of the current EU audit process, which protects farmers from fraudulent claims and sets clear rules for Governments. What should replace the EU audit process?

Martin Kennedy: When it comes to audit, every Government should be held accountable for whatever happens. I understand that we already have a UK-wide audit committee. Following Brexit, when we will have our own policy direction, there will need to be an overarching audit in all four home nations that makes sure that none of us—I mean, none of our Governments—is stepping out of line. Whatever delivery processes there are in the future, agriculture policy will need to be audited correctly.

We talked earlier about having a bespoke system. We hope that it will have a wide variance, but we need to ensure that it is not to the detriment of intra-UK trade. The audit must overarch that process of looking after the delivery of future agriculture policy and keeping intra-UK trade free and accessible.

The Convener: That answers the question at quite a high level. I thought that somebody might want to mention audit right down to the lowest

level. Bearing that in mind, Andrew, do you want to comment?

Andrew Midgley: My answer will be similar to my answer to the question about standards. On audit, we have again taken the position that we probably need to maintain the status quo in the short to medium term in order to keep things moving, with systems that we are familiar with. We also have to be realistic. If we are to have frictionless trade with the EU, we will probably have to maintain certain audit standards that meet its requirements. Even if we think that there might be opportunities to reduce the audit burden, we will still need to maintain those markets.

As we move to a new system, further into the future, there may be opportunities, but it will all be critically dependent on the sort of system that we create. Certain things that happen in inspections at the field level and so on offer opportunities; however, until we know more about the structure through which we intend to support farming, it will be difficult to design an audit system that represents less of a burden. If we started by reducing the burden, we could create one sort of policy, but we need to begin from what we want the public money to deliver, and to make the policy defensible we need audit requirements.

All that I am saying is that we must accept that there will be an audit burden. There may be some opportunities to reduce that burden, but we will have to see as we develop the systems in the future.

The Convener: Vicki Swales is nodding. I will let Colin Smyth back in with a follow-up question before I bring her and Carmen Hubbard in.

Colin Smyth: Vicki Swales might want to touch on this. As the replacement system is brought forward, will we require new institutions—for example, to check on environmental compliance?

11:30

Vicki Swales: I will come on to that specific point. In general, if we spend public money in order to deliver certain outputs, we need inspection and compliance regimes to make sure that we are delivering those outcomes. I agree with Andrew Midgley that there is an inevitable burden in that, but we can do a lot to reduce some of the frustrations that we have experienced under the CAP system.

As I mentioned, there will be new approaches that we can test. For example, there are a lot of interesting results-based approaches to environmental schemes, and we can engage farmers more in the process of monitoring, evaluating and testing what is happening on farms.

On accountability and the enforcement of our laws and legislation, there will clearly be a governance gap as things come back from the EU. The EU institutions fulfil certain roles, through the Commission, the Parliament and the European Court of Justice, in holding member states to account and ensuring that they are enforcing and enacting European legislation. The question is where the responsibility will sit when those functions come back.

It is a bit like the frameworks issue. It is quite likely that there will be a need for a body or bodies—or an institution or institutions—to replace those functions, hold the Governments to account, in a sense, and ensure that we are not infringing the laws that we have set for ourselves. There is clearly a role for Parliament in that, but it is a big job and I am sure that it is beyond the time and resources of members such as you to carry out that level of scrutiny. Something will probably have to replace the functions that are currently carried out by the EU institutions.

The Convener: Thank you, Vicki. I am going to let Carmen have the final word, if she would like.

Dr Hubbard: I have no further comments to make, convener. I agree with what has been said.

The Convener: That is perfect. Vicki had the final word on that. I am afraid that we have run out of time—

Martin Kennedy: Convener, may I add a final point?

The Convener: You may, if you are really quick.

Martin Kennedy: I will be very brief. I talked about higher-level audit but, at the farm level, farmers are already audited fairly heavily and I do not think that we need a replacement audit body beyond what we have at present. I agree with Andrew Midgley that what we have at present will suffice.

The Convener: That is probably a consensual point on which to end. Thank you very much, Martin, Andrew, Vicki and Carmen, for giving evidence this morning. The fact that we have been pushed for time shows the interest in the subject. Thank you for your time.

I will suspend the meeting briefly to allow a changeover of panels.

11:32

Meeting suspended.

11:36

On resuming—

The Convener: I reconvene the meeting with our second panel, which will discuss fisheries. I welcome Simon Collins of the Scottish Fishermen's Federation; James Cook, director of the Scottish Creel Fishermen's Federation; Dr James Harrison, senior lecturer in international law at the University of Edinburgh; Calum Duncan, head of conservation Scotland at the Marine Conservation Society; and Andrew Charles, the vice-chair of the Scottish Seafood Association.

We are going to run through a number of themes, which will be introduced by the committee members. Those of you who have done this before know that you do not have to push any of the buttons on the machinery in front of you; the microphone will come on automatically. You have to catch my eye if you want to speak, and I will try to bring everyone in; it is a question of managing the time to make sure that everyone gets a fair chance.

The first theme will be introduced by Stewart Stevenson.

Stewart Stevenson: I want to ask the witnesses about coming out of the common fisheries policy. Other themes will cover what will happen after that.

It is fair to say that the fishermen who fish beyond the 12-mile limit out to 200 miles might be the community that has the most obvious opportunity to benefit, but that is not unconditional. I want to ask some questions about that, particularly about quota and how it might work across the transition.

Ten per cent of Iceland's catch is caught by non-Icelandic boats and 16 per cent of Norway's is caught by non-Norwegian boats, but 60 per cent of the UK's catch is caught by non-UK boats. In Iceland and Norway, those percentages are traded off for the benefit of fishing, whereas it is not clear that we get any benefit in return for our 60 per cent. What process should be put in place for coming out of the CFP to manage that, knowing that the Scottish Fishermen's Federation is very clear that the starting position has to be that 100 per cent of the quota is owned and controlled by Scotland? That might not be the view of everyone.

Simon Collins (Scottish Fishermen's Federation): I am glad that Stewart Stevenson is here, because he was one of the first people who came forward with a debate in the Scottish Parliament on the sea of opportunity. He was the first to recognise the opportunities for that part of the catching sector.

The Scottish Fishermen's Federation's position is that control over access is essential. Without

that, we are not in a strong position to wrestle fairer shares of internationally agreed quotas back for our vessels in any reasonable timeframe. Because the EU fleet that catches the 60 per cent that is taken out of our waters is, in most cases, unable to catch the species that we are talking about anywhere else, they need access to fill their quotas. If we control that access, we are in a strong position to demand that, if any of that fleet requires access—and they will—they should be prepared to give up some of their quota.

We could take an extreme position in which we insist on 100 per cent control of access, and we require all the quota that falls within our waters. In the long term, that is a reasonable objective. It is our natural resource, after all. In the medium term, there are good political arguments for saying that we should not make an immediate adjustment. We can imagine EU vessels being allowed into our waters in return for some handover of quota to our vessels, for example, as an expedient. However, that is nothing to do with ceding the principle of control, which is absolutely essential.

That is why we sometimes get nervous about the talk of transition periods, when it is implied that conceding control or long-term sharing of access or quotas should be part of some deal. We do not want any part of that. We insist that control comes back to us.

At that point, we can be as generous or as aggressive as we like with quota. The important thing is that we should stick to the overall pot. How much of it we claim is a political claim that will be made in annual talks, as is done in Norway, Iceland, the Faroes and many other places.

Seeking to have 100 per cent of the quota on day one would be unreasonable, but 100 per cent of control of access is extremely important to us.

Stewart Stevenson: Before we move on to hear others' views, can I ask for some clarity? I am in slight doubt that the Scottish Fishermen's Federation is looking at the transition point being aligned with the end of a calendar year, because that is the point that relates to current negotiations. In the first year, which would be 2019, we would be three months in and nine months out, so the best time would be at the end of that negotiating period. Is that the SFF's position?

Simon Collins: That is correct. The annual quota cycle is year end to year end, and there is a whole cycle of talks within the EU and third countries that set opportunities for the following year. For the sake of business stability, never mind anything else, it would not make sense for a deal that is struck on quota at the end of 2018 to be torn up three months into the fishing year. Apart from the damage that that would do, our vessels would not know what they were up to.

If we said that we were going to renegotiate a whole bunch of quota from the end of March 2019 onwards, the timing would pretty much run to the end of 2019 anyway so, for the sake of stability and clarity for everyone, we might as well say that, as long as the UK and therefore Scotland get a good deal at talks at the end of this year when we are still part of the EU, there is no reason why we cannot run that agreement right to the end of 2019. It fits with the science and the annual cycle of talks. We will not call it a transition arrangement or anything like that; we will just call it a bridge, because that is all it will be. It is a business stability issue.

The Convener: I will bring James in.

James Cook (Scottish Creel Fishermen's Federation): Right—

The Convener: Sorry, wrong James.

Dr James Harrison (University of Edinburgh): Which James?

The Convener: I am going to have to call you Dr James or it will result in further confusion.

Dr Harrison: I agree with Simon Collins to some extent, but it depends on the nature of the stock, where the stocks are located and who can fish them. Many stocks are transboundary. Some of our stocks even cross into the high seas. For those stocks, we need some agreement on a quota for a fisheries management system to work.

For a number of years in the north-east Atlantic, coastal states have been unable to agree on a quota or their share of a quota, and that has led to unilateralism and overfishing, which is not good for anybody.

International law, which is what I teach and research at the University of Edinburgh, imposes on states a duty of co-operation to try to agree on total allowable catches and quotas, but it does not prescribe how they should do that, and there are clearly different views among the EU and the UK about how quota should be allocated. That is going to be one of the most difficult issues.

There is no common practice around the world on the allocation of quota, and there is a big difference between using historical catches, which is what has been done under relative stability in the EU, and so-called zonal attachment. Neither has priority, and it is going to be a matter of compromise.

11:45

Calum Duncan (Marine Conservation Society): I want to back up the point of principle. We must seize the opportunity to make fishing and fisheries management even more sustainable, and to ensure that we do that, we would like to focus

on the important principle of following the science. James Harrison alighted on that in talking about straddling stocks, and I said something similar to the committee almost a year ago when I talked about the other side of the ecological equation. The most valuable stock in Scotland is mackerel, which spawns off Ireland and elsewhere in the EU, and there will be lots of other examples.

Our chief concern is to ensure that all fisheries management is based on sound science, following the principles that we heard my colleague Vicki Swales talk about earlier—the precautionary principle and the ecosystem-based principles. On fish and shellfish, it is easy to get into discussing quotas, and people start thinking in terms of bars on charts, but these are wild animals that happen to be tasty and they are part of the ecosystem.

The position from which we come at the subject is that we must take the opportunities to improve fisheries management within the context of securing good environmental status in the wider marine environment. We need to look at that wider picture and then allocate stock quota and effort according to the carrying capacity of the marine ecosystem, where the fish and shellfish spawn, where the different parts of their life history take place and where they feed and breed, and we need to provide protection as part of that.

While we are talking about quota, my other thought—not that I am necessarily advocating this—is that it is interesting to look at what is being done in the Faroes, where it is asserted that the fish and shellfish belong to the people of the Faroe Islands. There are some interesting examples from other countries that we should look at as well.

Stewart Stevenson: I have a small point to make. We will cover trade and the London fisheries convention later, but I want to ask the creelers in particular, who largely fish inside the 12 nautical mile limit and are therefore largely detached from the CFP, whether there are any issues for them arising from the UK leaving the EU. As I said, you can leave aside the London fisheries convention and trade, which I think are probably your primary concerns.

The Convener: James Cook, that is definitely for you.

James Cook: Yes, indeed. Speaking on behalf of our inshore group, I note that the CFP is not really applicable to them. There are only mild issues around creel-caught langoustine, and that quota is not really caught anyway because it is a high-value and low-volume product, although it is, nevertheless, a big component of Scottish exports.

We fully support the SFF's fight for 100 per cent of quota, because that is a logical stance to improve everybody's opportunities within the fishing community. There are frustrations—

Andrew Charles will probably illuminate you on them later—that, if the fishery does grow, we in Scotland will not be able to exploit that fully because of lack of investment in processors.

However, on the main issue, we have only a marginal number of creel static-gear fishermen who fish outside the 12 nautical mile limit, and they have no real quota restrictions at the moment, so they are free to fish as and when required. There is no TAC for lobster or brown crab. Going forward, the matter needs addressed, but we fully support the SFF in its quest to gain 100 per cent.

Andrew Charles (Scottish Seafood Association): From a processing perspective, the right avenue would be 100 per cent of the quota. However, I would never go down the road of excluding the European boats completely from our waters. If a Scottish fisherman wishes to buy quota, they pay for it.

This is a wonderful opportunity to take the revenue stream from the European fleets and reinvest it in the industry. A great way to manage it would be slowly to take more and more back over a long period.

The Convener: We will move on to the next theme.

Mike Rumbles: A UK-wide fisheries bill is expected soon to enable the UK to exercise responsibility for access to fisheries and the management of our waters. Does the panel have any concerns about what will or will not be in the forthcoming bill?

Simon Collins: We were told in the Queen's speech that the fisheries bill would be limited to high-level principles. The legal powers to control access to what will become our waters and the legal powers to set fishing opportunities, which in the end boil down to quotas, are very important for us. In our view, it would be important that the fisheries bill sticks to those. There is a wide measure of consensus about the high-level principles governing fisheries management.

I would be wary of the UK Parliament delving into anything more and adding bits on to the bill because they sound like a good idea at the time. As the Scottish Fishermen's Federation has said in this Parliament on many occasions, we are convinced that responsibility for access and fishing opportunities rightfully belongs in Scotland. It makes sense for as much of the day-to-day fisheries management stuff as possible to be devolved to Scotland. The last thing that is wanted is a fisheries bill with no end of good ideas appended to what should be a simple structure.

Our plea to the UK Parliament would be to keep the bill simple and to the point, and then let the

devolved Administrations take on their responsibilities.

Andrew Charles: I would like to see the bill highlighting the importance of fish processing. It is a unique industry, one of the last that processes a wild product. It is not like engineering or manufacturing and it is certainly not like oil factories in central cities. It needs to be nurtured. If we are to realise the full value of a potentially larger share of the cake, we must have the processing facilities to maximise profit in our regions and breathe life back into our coastal communities. Otherwise, it is an opportunity lost.

Dr Harrison: As important as the fisheries bill is the way in which what will become retained EU law under the withdrawal bill is adapted. Putting aside the constitutional question of who should be responsible for adapting retained EU law, how the existing common fisheries framework in Europe is adapted and amended to make sense for the UK is as important as, if not more important than, what will be in a framework fisheries bill before the UK Parliament.

Calum Duncan: I echo what the previous two speakers have said. As Simon Collins said, we would prefer the fisheries bill to be simple and the provisions to be in primary legislation to avoid the potential lack of parliamentary scrutiny of secondary legislation. As I have said to the committee before, it is important to have a four-country agreement on how we manage fisheries. At the very least, that must respect the current devolution settlement, and there is scope to go further.

I am grateful for the opportunity to highlight some of the principles that we would like to see the legislation reflect. One that I touched on previously is that fisheries are a public resource and must be managed for long-term sustainability, using precautionary ecosystem-based approaches. Fishing limits must be set in line with the best available science, to make sure that stocks are managed below MSY. Fishing opportunities must be allocated on the basis of transparent and objective environmental and social criteria. There must be inclusive, transparent and robust Government frameworks to deliver fully documented fisheries. Legislation should secure high environmental standards for everybody fishing in UK waters, but also for UK vessels that are fishing in non-UK waters. Those are the key things that we would like to see from the legislation.

Gail Ross: For clarification, could you tell the committee what "MSY" means?

Calum Duncan: I beg your pardon. It means "maximum sustainable yield".

Gail Ross: Thank you.

Calum Duncan: Please pardon the jargon. Fisheries science is very complex, but it is not an exact science. If we try to aim for what science thinks is the maximum sustainable yield, we risk overshooting it. Therefore the best thing to do is to be comfortable that our stock biomass is big enough and our fishing mortality is low enough for us to be sure that we are within the maximum sustainable yield.

James Cook: I agree with my colleagues here. However, an area on which we would like to focus is inshore fisheries, which seem to be lost in the focus on bigger fisheries. We would like some recognition of their contribution, given the limited amount of fishing opportunities that they get. We have underlined in several papers that, given more access to more waters without gear conflict, they would make a much bigger contribution to the economy, especially on the west coast of Scotland, where the issue is paramount.

We would also like recognition of the fact that, without producers organisations, we have no access to quota, which means that we cannot access some of the key species that are in the fishing grounds at key times of the year. Although they are not year-round fisheries, historically there have been opportunities on fishing grounds in which herring and mackerel are available, but access to them is not formally recognised. We would like to improve fishing opportunities for all inshore boats. Hand-line fisheries have proved the value of that approach by creating a mini-regeneration of economies and small communities. There is evidence to support that in my own area of Eyemouth and St Abbs, in which there has been a huge investment in smaller boats, with fishing opportunities for a single fishery in hand-line mackerel. Given that background, we would like some sort of recognition of the importance of fishing opportunities for inshore boats.

The Convener: You said that there are limited opportunities on the west coast. Please clarify what the limits on such opportunities are within the 12 miles.

James Cook: Without getting too messy, as it is a prickly subject, gear conflict with the mobile sector and the scallop dredgers is one of the main issues. That limits inshore fisheries, because they are more or less condensed into a single safe area in which they can operate, which means that they are denied fishing opportunities in a lot of fishing areas. MPAs have opened the debate on that and have proved to be very successful. The displacement of catches coming from them has proved to be a small bonus already, although it is a very new fishing opportunity. We would like to raise everybody's awareness about that.

The Convener: Some of the people watching this might not know what MPAs—marine protected areas—are, so if witnesses are going to use acronyms, I ask them to introduce the full terms to start with.

Peter Chapman wants to come in briefly before we move to the next theme, which is Fulton MacGregor's.

Peter Chapman: James Cook spoke about getting access to more water. Does that mean outside the 12-mile limit, or are you speaking about MPAs when you say that?

James Cook: There are opportunities in several areas. The west coast is particularly problematic because of the geography of the coastline, but there are fishing opportunities. The strategy of being able to access MPAs has been very beneficial. If MPAs are supported by all the proper groups, the strategy will be beneficial and increase fishing opportunities; although it is very young, the evidence already shows that.

12:00

Fulton MacGregor: I will focus on policy and the marine environment, which I appreciate was touched on by Calum Duncan in an earlier answer. A briefing from the London School of Economics and Political Science states:

"One of the key failings of the Common Fisheries Policy was its failure to directly incorporate environmental legislation."

How does the panel think that fisheries policy post-Brexit will link with the management and governance of marine ecosystems?

Calum Duncan: As Fulton MacGregor said, I emphasised that point earlier. Fish and shellfish are obviously part of the marine ecosystem, and that is why we value the marine strategy framework directive that places fisheries management in the wider range of management that we need to look at to achieve good environmental status by 2020. That directive is transposed into the UK Marine Strategy Regulations 2010, and a lot of the outputs of the Scottish and UK marine acts—in terms of marine planning and the marine protected area network that we have heard about—are important management tools for the context in which fishing has to operate.

"Scotland's Marine Atlas" highlighted fishing and climate change as the two most widespread pressures on Scotland's seas. We all want to see a thriving, sustainable fishing industry in Scotland—a mixed diverse fishery that also ensures sustainable benefits from inshore fisheries as well—in order to secure those benefits for operators, the fishers, and the onshore

processors and communities that they support. "We all want to keep the lights on around the coast" is the phrase that I have heard, and we are four-square behind that. To do that, the starting place needs to be the health of the ecosystem. We know that nephrops burrow in mud, that mud communities are associated with whiting, and that gravels and sands are associated with cod and other ground fish, so we need to look at our marine environment spatially and temporally. We need to manage fisheries with the grain of the ecosystem, so that we continue to secure the benefits for Scotland as a whole, and particularly for coastal communities. That is why the frameworks are really important.

I have with me "Scotland's National Marine Plan", which has ecosystem objectives. An example is:

"Management of fisheries on a regional sea-basin ecosystem basis with appropriate stakeholders empowered in the decision making process".

We have lots of frameworks already in place. Just before I finish, I go back to the four-country point. The "UK Marine Policy Statement", which was agreed a number of years back, recognised that the overall aim of what was called at the time a "reformed CFP"—for which term we could insert the term "new fisheries management arrangements—should be

"to attain ecological sustainability"

and

"contribute to the delivery of effective management of our seas and be integrated into wider marine policy".

Existing UK-wide agreements, four-country agreements and international frameworks are absolutely key to sustainable fishing and fisheries management.

The Convener: That was quite a full answer. I will bring in Andrew Charles and then we will move to the next theme.

Andrew Charles: From a processors' perspective, good provenance is needed when selling a product, and having that provenance requires solid science. Having a strong scientific link and proving how well a fishery is managed are vital. Cutting links from management tools would be very harmful to the stock valuation, so anything that retains the quality investment in the science of the stock would be welcomed by the processing sector.

The Convener: You are saying effectively that the fishing sector needs to prove sustainability to be able to market its product.

Andrew Charles: Absolutely.

Stewart Stevenson: I have a tiny point. The overarching framework, under the International

Council for the Exploration of the Sea, has existed for more than 100 years. We hope that that framework survives any other turbulence that will happen but, more to the point, that the contribution from our scientists continues to be connected directly with ICES. Is that everyone's view?

Andrew Charles: We have invested hugely in fisheries science over decades. That investment must increase and continue, and it must be valued.

Simon Collins: To back up Andrew Charles's point, I would say that industry and science work together very closely already. In Shetland, where I am from, a lot of work is being done on marine planning—which we are very proud to be part of—food webs, carbon footprints and so on, and we intend to do more work.

One impetus that Brexit gives for industry and science to work together is the sense that something might come from it. The thing that is holding back industry has not been its unwillingness to co-operate with science; it has been the industry's unwillingness to spend its time funding things that do not get anywhere, so the common fisheries policy is what has happened. Once we see that there could be a practical outcome in terms of management, we can expect the industry to be more enthusiastic. Every fisherman will say in their own particular way that we absolutely depend on science.

The Convener: We will move to the next theme.

John Mason: Mike Rumbles has already asked about the fisheries bill and what might happen at a UK level. I want to talk a little more on the theme of frameworks, which is a word that a lot of people understand in different ways, as we found when we spoke to the agriculture witnesses earlier.

Presumably, frameworks could be wider than just legislation; it might be a memorandum of understanding or something like that. Can you be a bit more specific about what should be done at a UK level and what should be done at a Scottish level? I think that Mr Duncan talked earlier about sustainability, which is a very high-level idea that everyone signs up to. However, on issues such as net size, the number of days at sea, the size of the boats, whether we will expand the fleet, and the take-up of the 60 per cent of the catch in our waters that is caught by non-UK boats, will the detail be a UK or Scottish responsibility? Where is the line drawn between what happens at the UK level and what happens at the Scottish level?

The Convener: All the witnesses are looking the other way at the moment. Would you like to start, Andrew?

Andrew Charles: I will move away from the catching sector and say that it is vital that the

processors in the United Kingdom have a level playing field. A very good start would be to remove the destructive business rate values on specific regional areas and have a flat rateable value throughout the whole United Kingdom. That, in itself, would produce jobs in the very short term and lead to huge reinvestment in the processing industry, particularly in the north-east.

The Convener: That sounded like a plug for your industry, which I am sure has been noted.

Andrew Charles: No, I am talking about the UK. It is vital that the uniqueness of fish processing is understood in fishery policy. It becomes this constant—

John Mason: Would you accept that business rates are a devolved matter and there is no way that they will be decided at the UK level?

Andrew Charles: Business rates are devolved by regional valuation, but they are a UK tax. If the UK wants to maximise the massive Brexit potential, it should have a uniform rate throughout the whole UK and fish processing should be done at that level. That will immediately lead to reinvestment in the processing sector.

John Mason: You mean from England to Scotland.

Andrew Charles: In all regions, I believe, because at the moment we are dying. We have had our Brexit in this industry. We have had eight years of growth and the fishing sector is booming, but the processing sector is dying on its feet because of the environment in which it is having to work. If we can solve that problem, we can reignite the investment in the industry and not have our valuable fishing asset being trucked outside this country to be processed elsewhere. That is the reality just now.

John Mason: We need to get into other areas apart from rates, but I will just say that everybody would like lower business rates, if that is what the point is.

Andrew Charles: I am sorry—I do not understand that.

John Mason: I thought that you meant business rates.

Andrew Charles: Yes, but what do you mean by that?

John Mason: Well, every business would like lower business rates. That is true, but I think that it is a separate question and not really what we are at today.

Andrew Charles: It is a separate question. What the industry needs is fairness and not an unfair tax that is regionally destroying it.

The Convener: I am tempted to park that issue, having given it quite a bit of air time.

Stewart Stevenson: Just to be clear, is Andrew Charles's concern primarily about rateable values, rather than the level of the tax? I think that the rateable value per square metre in Hull is less than half—

Andrew Charles: It is £39.

Stewart Stevenson: Yes. That is less than half. That is the issue that Andrew Charles is raising.

The Convener: I am parking that now, or we will get into the competencies of being a surveyor, which will drag me into it because I have been one.

I want to move on to frameworks and to bring in Simon Collins to answer on the wider UK and down to Scotland levels.

Simon Collins: I will give a short commentary. We are told that the framework is a work in progress; I guess that the committee has seen some of it. There is nothing objectionable, in principle, on the agreed UK and Scottish lines. It is all fairly woolly and there is not much to disagree with.

The fishing industry—the catching sector and, I presume, the rest of it—is interested in workable outcomes, which means devolution within the limits of what is reasonable. The constitutional arrangement seems to work perfectly well at the moment, so we would like that to continue. Powers in respect of mesh size and all the other things that were mentioned earlier should be devolved. There is nothing wrong, however: we are saying that the devolved Administrations should do their own bits in terms of day-to-day management, but there is no reason for them not to sit down and get things as seamless as possible between them before something becomes law.

At the end of the day, we are talking about practical outcomes. At the level of practicalities, the question is no longer political, which is very helpful. I am sorry to say that in here, but that is the case. A practical solution to a technical fishing matter either works or it does not. I am sure that such things could be worked out between the Department for Food, Environment and Rural Affairs, Marine Scotland and the other devolved Administrations.

John Mason: I will push on that a bit, because even the EU has, over the years, changed its view about what works and what does not, has it not?

Simon Collins: It has, but the key word is “years”. Change takes many years and is not nearly as fast as we want. The fishing industry would prefer to be able to place a phone call to Marine Scotland or to discuss matters with this

Parliament. That is something that could be introduced very quickly. Calum Duncan will bear out my saying that the marine ecosystem sometimes changes very quickly, so we need to be fleet of foot.

John Mason: Could you, for example, live with net sizes for Scottish waters being different to those for English waters?

Simon Collins: Yes, absolutely—if it makes sense to do that. As long as the English and Scots know what they are doing and why, there is no reason why that could not happen. There is a boundary, but the fisheries are very different in many cases, so such differences would be appropriate.

Dr Harrison: John Mason is right that the EU has changed its view over time. Even within the common fisheries policy there has been a lot of flexibility for member states to adopt higher standards for their vessels when and where they want to do so, with those standards being applicable only to their vessels. Derogations have been allowed from minimum landing sizes where the science has backed that up. We do not want to lose that flexibility in a common UK framework, whatever else it will mean.

The international element comes back in even on things such as net sizes and gear regulations because in the negotiating position that the EU set out on shared stocks at the end of last month, it indicated that it would be pushing for harmonised fishing regulations—not just agreements on quotas but going down to a more granular level.

We see flexibility in the coastal state agreements on mackerel; everybody agrees to certain minimum standards in relation to their own fleet. That will also have implications for flexibility that will have to be reflected across the UK.

12:15

Richard Lyle: The London fisheries convention was signed in 1964. It allows vessels from five European countries to fish within 6 to 12 nautical miles of the UK coastline. In 2017, the UK Government announced that we will withdraw from the London fisheries convention. Are the witnesses content with the UK's withdrawal from the convention? What impact will that have on Scotland?

James Cook: That is mostly a white-fish issue. As I said, our people on the east and west coasts of Scotland have differing views. I would prefer to pass the question over to Simon Collins, who is more qualified to answer.

Simon Collins: The other James—Dr Harrison—is even more qualified.

On day-to-day issues relating to the London fisheries convention, James Cook is right that it is a white-fish issue as far as UK access to other waters is concerned. The convention is a reciprocal agreement with the other countries. That is an opportunity that we will not miss. It does not matter greatly now because we have enough quota in our own waters. Even without Brexit, we do not have to go very far to catch the fish, to say the least. Fish stocks have recovered to the extent that we do not need to go hunting in the Skagerrak to exercise quota rights.

My limited legal understanding suggests that perhaps we did not need to revoke the London fisheries convention: perhaps coming out of the EU would have been enough. James Harrison will know more about that than I do. If things go well, we will not miss the convention.

Andrew Charles: We have the opportunity of a blank canvas: we do not want to restrict what we can do with ancient deals and regulations. It is time for a fresh start so I welcome withdrawal from the convention.

Dr Harrison: The convention has been denounced; denunciation will take effect two years from last July or on Brexit day, whichever comes later. That was in the denunciation notification.

We will have a clean slate, but that does not necessarily mean that we will not in the future have new arrangements that will allow access. Coming out of the London fisheries convention will allow us to negotiate such arrangements from scratch, so it puts us in a positive position.

Calum Duncan: I take this chance to highlight the importance of inshore fisheries, in which there are opportunities. We have a commitment to an inshore fisheries bill, which is urgently needed in Scotland so that we can address the gear conflict that we have heard about, and so that we can manage our inshore fishing more effectively and with greater granularity with the ecosystem. We must not lose sight of that—it is really important.

Peter Chapman: One of the biggest issues is trade and tariff and non-tariff barriers. The strange thing about the UK market for fish is that we export the majority of what we catch, but import the majority of what we eat. That seems strange, but it is backed up by the figures. We catch 660,000 tonnes and export almost 500,000 tonnes of that. We import 720,000 tonnes of fish to eat, much of which comes from the European Union. Tariff-free access to the single market for fish products is obviously important. What are your concerns about possible tariff and non-tariff barriers after Brexit? How might the problems be overcome?

Andrew Charles: There should be a quid pro quo. What is sauce for the goose is sauce for the gander. If there are tariffs, the processing sector

will deal with them only if there is a competitive environment in which to process the product. We would love it if there were no tariffs because that would mean the best flow, but if there are tariffs we will handle them if we are given the proper environment in which to do so.

Simon Collins: I draw a distinction between our attitude to tariff and non-tariff barriers. When the Brexit vote came through, the first thing that we did was scurry over to look at the WTO rules and get people to plough through all that mass of stuff to figure out what impact it could have.

We, like most sectors, would like zero-tariff frictionless trade. One thing that comforts us in the seafood sector is that zero tariffs are mutually beneficial, as they are in other sectors. We did not realise until we started looking that the figures are pretty much balanced—at least, they were in 2015 and 2016, which are the most recent years for which I have information. Given the phenomenon that I have talked about whereby we import the fish that we eat and we export the fish for other people to eat, the figures are remarkably similar—roughly £1 billion-worth of seafood goes in each direction every year. Our stuff is a little bit different—it is often relatively unprocessed.

A couple of our biggest markets are relatively insensitive; I do not mean to be glib about it. Mackerel is the biggest single export from Scotland's catching sector, and is the biggest single export species for the EU, for that matter. The catch is sold largely outside the EU.

If you look down the list, you will see that the next biggest export is nephrops—although that depends on which year you look at. Nephrops are often in a strong position, because in many markets it is very difficult to see what could replace them—certainly, in the same quantity.

There are small things that give us comfort—or, at least, they do not plunge us into pessimism. The problem is not insurmountable; as Andrew Charles said, we can live with it. The industry is in a strong place, in terms of the catching side. There might be additional costs to absorb, but the industry absorbs bigger costs year on year anyway, as a result of fuel prices and exchange rates, for example. We are relatively relaxed about tariffs without being complacent: we are, at least, not pessimistic.

The non-tariff barriers are a much more serious practical concern. Regardless of whether we have a free trade deal, if we are outside the customs union there will be customs paperwork, and we trade perishable goods. That short-term issue needs to be resolved. Again, however, given that a lot of perishable stuff is coming here from the continent—not just seafood—one would think that it would be in our mutual interests to have

between ourselves and the Europeans an arrangement that is as frictionless as possible, if we are outside the customs union. It is now half a century since the Americans put a man on the moon: one would think that there would be enough information technology whizzes out there to get something that works for both sides. I am sure that there is a commitment, and an equal need, on both sides to make this work.

There is a short-term concern, but it should not blind us to the much bigger prize that we see lying out there.

James Cook: The Scottish Creel Fishermen's Federation is very concerned. A paper by the Economic and Social Research Institute in Dublin in November 2016 gives all the different parameters and classifications that fish, processed fish and shellfish fall into. In summary, it suggested that we will see a fall of about 40 per cent if there is no trade agreement. I love the term "frictionless movement": that is the aspiration, but the reality will be quite different. I can supply the committee with the paper, if anybody would like to read it. It gives a lot of the facts behind the WTO tariffs and classifications, which are alarming. We have to look at that.

Andrew Charles will remember well the horrible experience that we had in July 2015 with the migrant crisis in Calais, which just about brought the industry to its knees, even though during that period we were only infrequently unable to get our vehicles and products to market. During that six-week period, our company wrote credit notes for more than £200,000 worth of business. We could not measure the cancelled business—that figure refers only to credit notes that we had to issue against product that had failed.

Especially in the creel-fishing sector, Scotland has a lot of very high-value premium products that the European market loves—especially live langoustines, live lobsters and live brown crabs. We are therefore very exposed to problems, and we are very concerned. As I have said, I love the term "frictionless movement", but I think that what it suggests is more aspiration than reality.

The Convener: I am afraid that time is marching on, so I will bring in Jamie Greene to ask about theme 7.

Jamie Greene: Good afternoon. First, I apologise because I will have to leave after this line of questioning to attend another meeting.

The fisheries market accounts for only about 0.05 per cent of Britain's gross domestic product, which means that it is relatively small compared with the agricultural scene. Nevertheless, as Mr Cook has pointed out, it is highly valuable and important to Scotland's economy. How can we ensure that in the Brexit negotiations on trade and

tariffs, or in deals with the EU or others, protection of Scotland's fishing interests and the industry is at the forefront and that the industry has a loud voice?

The Convener: Who would like to head off on that? I would have thought that Simon Collins, Andrew Charles or James Cook would have strong views on the matter.

Simon Collins: The answer is that we are doing our best. We are a very small industry, but collectively we make a lot of noise.

It is not as though nobody cares about us. In January, the SFF commissioned an opinion poll throughout the country—both east and west, and people who voted to remain and people who voted to leave—in which 79 per cent of respondents said that the UK should take control of its own exclusive economic zone and fishing opportunities in 2019. For some reason, which I think is historical, it is an iconic industry, which is helping us at the moment in that people are giving the fishing industry's case a kind of iconic importance. It is the one gain that even remain voters across the board, not just in Scotland, can see, and we are encouraged by that.

However, apart from making noise and continuing to exercise whatever influence we have, I am not sure that we will get a seat at the negotiating table. Given the size of our industry, perhaps we should not. That said, we are doing what we can.

Calum Duncan: Because MCS and Scottish Environment LINK, working with the Environment Links UK network and the Greener UK non-governmental organisation, are focusing on the principles, we do not necessarily have any recommendations to make or policy preferences to highlight on the matter.

However, I flag up to the committee the New Economics Foundation's report "Not in the Same Boat: The economic impact of Brexit across UK fishing fleets", which sets out a range of Brexit scenarios. I am not an economist, so I am not advocating for the accuracy of the scenario planning in the report, but it should interest the committee.

Andrew Charles: It would be helpful to the industry if some value were to be put on the stock, because that would focus our MPs and MSPs—and our MEPs not-to-be—on what we are actually giving away. A great way of doing that would be to highlight the quota rental to the other European nations and the knowledge that that lifetime revenue stream is available. That would push things right to the front, and we would have members of Parliament fighting for their lives to retain that value, that stock and that tradition. The people of Scotland are very passionate about the

fishing industry, but so, too, are people in the United Kingdom as a whole. It is wild, and it feeds us—it is a no-brainer.

James Cook: We would like to focus the Government's attention on the fact that, although the creel fishing industry is very small, it is still relevant to Scotland. We are talking about traditional small coastal communities fisheries that have supported mixed and varied areas for quite some time. The industry is now a major contributor; as the figures show, we have 1,400 member vessels operating in and around the coast, and they will be greatly impacted by all this.

In terms of gross domestic product, our industry is maybe not as relevant as bigger industries. However, given the pressure that coastal communities have been under for a number of years, it is time that the industry got the recognition and support that it deserves. If there is a 40 per cent loss of opportunity because of a hard Brexit, we will have major issues regarding jobs and opportunities, which would translate very quickly to all coastal communities.

12:30

The Convener: I will bring in James Harrison, but we will have to move to the next theme after that, because of the time.

Dr Harrison: I have a very quick point to make. I encourage the committee to think about the matter in the longer term and not just in terms of the Brexit negotiations. The UK will be negotiating with coastal states in all future years, so we need to ensure that the Scottish voice is represented in those negotiations, be they bilateral with the EU, bilateral with Norway, multilateral with coastal states or within an organisation such as the North-East Atlantic Fisheries Commission. Arrangements need to be in place for the Scottish Government, the Scottish fishing industry and the Scottish Parliament to have oversight of those negotiations to ensure that Scottish interests are best protected.

The Convener: Thank you. The next theme will be introduced by John Finnie.

John Finnie: Good afternoon, panel. I have a brief question about the European maritime and fisheries fund. The information that I have before me is that, for the period 2014 to 2020, Scotland was allocated 44 per cent of the total UK fund. A recent Scottish Government news release set out that the £4.8 million of EMFF funding would be awarded to 43 projects. What are the implications of the loss of that funding for sea fisheries, aquaculture and the processing industry? Is there an expectation that that funding would be replaced post-Brexit?

Andrew Charles: The loss of the EMFF funding would be a huge setback. The farming industry has been given a five-year guarantee that funding will remain in place, and the same guarantee should be extended to the fishing sector. In addition, the funding should be available without a ceiling, because many large companies cannot gain access to that funding at present due to rules about turnover and so on. The funding is important if we are to see the huge investment that we need in processing. We have lost over a year of growth for 36 per cent of our processors. If we are to have a huge uptake in quota, we will need huge investment in fish processing, which will require funding. That funding will be vital for bringing those projects forward.

Simon Collins: I agree with that point. The amounts involved are not always enormous in comparison to the fishing opportunity that we have. We conducted a little study in Shetland on the value of the EMFF funding coming into Shetland, and it worked out to be less than 1 per cent of the value of the fish caught by EU vessels within 50 miles of Shetland. In that sense, the funding is relatively unimportant. However, it is vital for particular targeted areas. It is difficult to build business cases for infrastructure in rural areas, for example, and we need that funding seed or kernel around which other structured finance can be built—it is essential for infrastructure. The funding is also important for dealing with regulatory change, which can sometimes be onerous, especially for small vessels—for example, regulation ILO 188 on standards at sea. There is a need for targeted grants to deal with such onerous changes.

There are also general issues such as the need to update our fleet and maintain the sustainability and reputation of our seafood. There would be a need for targeted financing in that regard, which would be very useful, as it would be for applied science.

The numbers involved in the funding do not have to be huge, but we would expect the present funding to be replaced in the future for all the reasons that I have outlined. Even a small amount properly targeted could make a big difference to some of the communities that we have been talking about.

The Convener: Does James Cook want to come in on that issue?

James Cook: I reiterate that, like the farming community, we should have a framework in place that would guarantee us access to funding so that investment can follow in what we hope will be a very profitable catch sector where opportunities will abound. It would be ironic if those opportunities were presented but no funding was

in place for anybody to access them. Again, we would be very supportive of having such funding.

The Convener: John, do you want to follow that up?

John Finnie: I think that Simon Collins has something to add.

Simon Collins: I will mention one point that relates to frameworks. Under the EMFF, a pot of money comes to the United Kingdom and is then divvied up among the devolved Administrations. It is a clumsy arrangement, or maybe no arrangement. Funds cannot be transferred across, and it is unsatisfactory when, sometimes, there is a need in Scotland and we cannot tap into the English pot. If we are to replicate an EMFF-style system in the UK, it is important that devolved Administrations are able to use untapped resources. There should be some mechanism to allow that.

Calum Duncan: Whatever funding arrangements are in place, public money should be used for public good. It should incentivise sustainable fishing and a race to the top. That is what we would like to see.

There is also an opportunity to consider novel ways of funding. Other industries help to fund marketing, data collection and strategic environmental assessment, so perhaps the Government should explore introducing a cost recovery system, maybe with a small levy on the industry. That would help the industry in the long term, because it would fund monitoring and data collection that could inform a more sustainable fishery.

The Convener: I ask the witnesses to give us one thing that they have not mentioned already that they think the Scottish Government or UK Government should concentrate on or should do at the moment. It should be something that the Governments are not doing or not doing enough of.

Simon Collins: I have a general want of the Scottish Government. We are all aware of its position with regard to Brexit. Nonetheless, there is a need to get practical things done in preparation for Brexit. On some of the fisheries management issues, the Scottish Government should look to the future and ask what we can do differently. There needs to be more zeal—if not about Brexit, then about the opportunities and the work that could be done now to prepare for it. That is my plea.

James Cook: The one area on which we have not really touched is the customs situation at the Channel ports, which is very relevant. There has been no consultation with anybody regarding customs documentation or clearance, nor is there

any clear principle of how clearance will work. I know that that work is in its infancy, but it is a relevant problem for us. Currently, we enjoy CMR documentation to access Europe, because of the nature of the freedoms.

The Convener: I am sorry, but I did not quite pick up on that TLA—three-letter acronym.

James Cook: The CMR is a customs document that allows us access to export our goods into the EU. It is a frictionless operation at the moment. We would like some focus to be put on that issue and some consultation with our industry about the preparation of customs documents that are relevant to us.

The Convener: Thank you, James.

Calum Duncan: I would like there to be more collaborative working across the UK Administrations—I said something similar a year ago. We know that the officials are doing what they term “deep dives” to explore policy detail and inform ministers, so the collaboration would be for the officials to communicate more about those issues and feed back from those meetings to their relevant ministers, the relevant Parliaments and wider stakeholders on where discussions are at. There needs to be collaboration.

Andrew Charles: I would like every species in our sea to be given very good provenance supported by solid scientific data and research. Our cod, haddock, mackerel and coley all have good provenance, but I would like there to be investment in all species, because we have wonderful species that do not have the backing of the science. With that investment, we could maximise the Brexit opportunity and get the most out of the extra 60 per cent that we hope the United Kingdom will process over the next 30 or 40 years as we slide towards catching all our own fish and not having foreign people catch our fish and enjoy the benefit of it.

Dr Harrison: Fisheries management policy cannot be dealt with as an isolated issue. In the UK and in Scotland, we have a really good marine spatial planning system, particularly for inshore waters, and fisheries need to be dealt with in that context and plugged into the marine planning system.

The Convener: Thank you very much.

We have slightly overshot our time. Rather as with the previous panel of witnesses, it is an interesting subject and the evidence taking has been worth while for the committee. I thank all the witnesses.

I will briefly suspend the meeting. I ask members to stay in their seats and the witnesses to leave as quickly as possible so that we can deal with the last item on our agenda.

12:40

Meeting suspended.

12:42

*Meeting closed at 12:42.**On resuming—*

Subordinate Legislation

Plant Health (Import Inspection Fees) (Scotland) Amendment Regulations 2018 (SSI 2018/22)

The Convener: Agenda item 2 is consideration of one negative instrument that concerns the import inspection fees for plant health. No motions to annul have been lodged in relation to the instrument. Does the committee agree that it does not wish to make any recommendation in relation to it?

Members *indicated agreement.*

This is the final edition of the *Official Report* of this meeting. It is part of the Scottish Parliament *Official Report* archive and has been sent for legal deposit.

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