



OFFICIAL REPORT
AITHISG OIFIGEIL

Rural Economy and Connectivity Committee

Wednesday 19 February 2020

Session 5



The Scottish Parliament
Pàrlamaid na h-Alba

Wednesday 19 February 2020

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RURAL ECONOMY AND CONNECTIVITY COMMITTEE
6th Meeting 2020, Session 5

CONVENER

*Edward Mountain (Highlands and Islands) (Con)

DEPUTY CONVENER

*Maureen Watt (Aberdeen South and North Kincardine) (SNP)

COMMITTEE MEMBERS

*Peter Chapman (North East Scotland) (Con)

*John Finnie (Highlands and Islands) (Green)

*Jamie Greene (West Scotland) (Con)

*Emma Harper (South Scotland) (SNP)

*Richard Lyle (Uddingston and Bellshill) (SNP)

*Angus MacDonald (Falkirk East) (SNP)

*Mike Rumbles (North East Scotland) (LD)

*Colin Smyth (South Scotland) (Lab)

*Stewart Stevenson (Banffshire and Buchan Coast) (SNP)

*attended

THE FOLLOWING ALSO PARTICIPATED:

Mark Arndt (Amey)

Fergus Ewing (Cabinet Secretary for Rural Economy and Tourism)

Michael Matheson (Cabinet Secretary for Transport, Infrastructure and Connectivity)

Dr Hazel McDonald (Transport Scotland)

Donald Morrison (Scottish Government)

Lawrence Shackman (Transport Scotland)

Lee Shedden (Scottish Government)

Chris Wilcock (Scottish Government)

CLERK TO THE COMMITTEE

James Johnston

LOCATION

The Mary Fairfax Somerville Room (CR2)

Scottish Parliament

Rural Economy and Connectivity Committee

Wednesday 19 February 2020

[The Convener opened the meeting at 08:46]

09:30

Meeting continued in public.

Queensferry Crossing

The Convener (Edward Mountain): Good morning, and welcome to the Rural Economy and Connectivity Committee's sixth meeting in 2020. I ask everyone to please ensure that their mobile phones are on silent.

We come to agenda item 2, under which we will take evidence on the recent closure of the Queensferry crossing as a result of safety concerns. I welcome the Cabinet Secretary for Transport, Infrastructure and Connectivity, Michael Matheson, along with Dr Hazel McDonald, chief bridge engineer, and Lawrence Shackman, Queensferry crossing project manager for the design and construction phase, both from the Scottish Government, and Mark Arndt, who is representing Amey, the Forth bridges operating company. I invite the cabinet secretary to make a short statement of up to two minutes.

The Cabinet Secretary for Transport, Infrastructure and Connectivity (Michael Matheson): Good morning. I thank the committee for giving me an opportunity to provide an update on the closure last week of the Queensferry crossing. First, I thank those who were affected for their co-operation and patience, and I reassure them that public safety is of paramount importance in this area.

The decision to close the bridge was not taken lightly. On Monday 10 February, I was made aware that, despite monitoring arrangements being in place, ice had unexpectedly fallen from the bridge's cables, causing damage to a vehicle travelling below. Our operating company recommended the closure of the bridge—a decision that Police Scotland fully supported. A road diversion was implemented and measures were taken to strengthen public transport until the bridge reopened on Wednesday 12 February. Although the closure of the bridge was unexpected and most unwanted, the engineers have used the period to better understand the circumstances that gave rise to the problem, which will help to improve the future management of the bridge.

Issues with ice were first noted in March 2019, and since then a range of actions have been taken. Ice sensors will be installed in the next few months. However, visual monitoring will remain the principal method of monitoring the bridge, as it is the most effective way to observe any development of ice.

In order to assist MSPs in understanding the nature of the challenges and the data that has been collected from the most recent incident, my officials have offered to provide a technical briefing, which will be held in Parliament tomorrow.

I am happy to respond to any questions that the committee may have.

The Convener: Thank you. The first question is from Richard Lyle.

Richard Lyle (Uddingston and Bellshill) (SNP): I note that the possibility of ice accumulating on the Queensferry crossing was considered at an early stage in the development of the bridge design. In view of the rarity of incidents of falling ice affecting bridges in the United Kingdom, it was considered that the risk would be best addressed through operational management of the completed bridge. Can you tell me who was on the original design committee, and who chaired that committee?

Michael Matheson: That was prior to my time in my current portfolio; I suspect that Lawrence Shackman is better placed to give you some of the history of the bridge design process. Nonetheless, I know that issues relating to ice build-up on cable-stayed and suspension bridges in the UK occur only very occasionally. There have been issues with ice on the Severn bridge and the Prince of Wales bridge, and on one occasion on the Forth road bridge, but such occurrences are rare. The assessment that was undertaken at the planning stage would have involved an acknowledgement that the risk of such an occurrence was very limited and should be dealt with through operational management.

On Richard Lyle's wider point, the selection of a design for the bridge was part of the parliamentary process. Parliament considered the proposed designs and came to the decision that the current design was the most appropriate one. A parliamentary committee considered the legislation.

Richard Lyle: So there were members of political parties on that committee.

Michael Matheson: Yes, there were. It was convened by—

Richard Lyle: Can you confirm that Jackson Carlaw was the convener of that committee?

Michael Matheson: Yes—he was the convener of the committee that selected the design.

Richard Lyle: And he said at the time that the bridge was fantastic and “stunning”.

Michael Matheson: I think that he was quite right in stating that.

Lawrence Shackman can give the committee some background, from an engineering point of view, as to why icing was not viewed as a particular problem.

The Convener: I ask Mr Shackman to be as brief as possible—seven other members want to come in on the back of Richard Lyle’s question, so a quick answer would be appreciated.

Lawrence Shackman (Transport Scotland): Certainly, convener.

The issue of icing was considered fully throughout the design process. As the cabinet secretary said, it was decided that a monitoring regime would be used rather than implementing any physical means such as heating chains, or any other heating mechanism, to alleviate issues with ice, because—based on knowledge at the time—such events were considered to be relatively rare. A lot of bridges around the world were managing their bridge structures through the observational method.

Throughout the design process, plenty of consideration was given to a whole range of factors. The committee will be fully aware of the wind regime, and the fact that we put windshields on the bridge to make it more resilient, which is one—

Richard Lyle: I took up your invite to walk over the bridge when it opened.

Lawrence Shackman: Yes—

The Convener: Sorry—I will drag you back to the issue of ice, which is where we are at.

Lawrence Shackman: That aspect was considered in detail. However, in all the preparatory work and during the parliamentary bill stage, it was a very small aspect of the whole project, bearing in mind that we were talking about connecting roads, the type of bridge, hard shoulders, intelligent transport systems and all the other factors involved. I cannot recall that the Forth Crossing Bill Committee, during the bill process, went down to that level of detail to consider the build-up of ice, so I do not think that members would have been sighted on that particular issue at the time.

Jamie Greene (West Scotland) (Con): Last winter, falling ice was identified as a potential problem—indeed, a risk—and the committee was reassured that the matter would be looked into

and addressed. I appreciate that the weather is outside the control of everyone in this room. However, last week, a car had its windscreen smashed in quite a serious incident that involved ice falling from the bridge, and the driver was very lucky not to have been injured. Do you regret the fact that an accident had to happen before we got to the stage of taking prompt action to resolve the issue of ice?

Michael Matheson: No, and I do not accept your characterisation of what has been done as involving very little work. That would be a gross misrepresentation of the work that has been undertaken since the incident occurred last March. My officials can give you some details of the nature of that work and the challenges around identifying the conditions in which issues with ice tend to occur.

Those who have suggested that, from now on, we will experience the same problem whenever it snows are factually wrong. It has happened on two occasions. During adverse weather periods such as the beast from the east, and during other periods of snow, there have been no such problems. Part of the challenge with what happened last March was that icing was not expected to take place. After the vehicles were damaged last year, the engineers faced a challenge in seeking to identify exactly where the ice had come from. Three possible areas were identified: the towers, the cables and the overhead gantries.

As the incident happened in a very short period of time, the engineers were unable to identify exactly where the ice had accumulated and fallen from. They thought that it had come largely from the towers as the principal source. However, their understanding of the weather at that time and the impact that it had on the bridge was limited—they did not have a data set to show that, if circumstances of a particular nature bring together a certain range of factors, the likelihood of icing is greater. Their level of knowledge on what had led to that particular incident was very limited.

The engineers sought technical expert advice on the matter, including international advice relating to other bridges that had experienced similar problems and the measures that had been taken. That work, which included hosting a conference to bring together experts in the field to explore what could be done to address the issue, was completed in October last year. The actions that were recommended as a result have already begun to be taken forward. The specifications for the weather-sensor equipment have been developed and tested, alongside the additional weather forecasting measures that have been put in place. In addition, this winter, we introduced a visual inspection regime that is to be put in place

during periods of adverse weather. The bit that takes longer is the technical aspect, given the technical nature of the ice sensors and the way in which they have to be installed on the bridge.

A significant level of work has been undertaken. I refute any suggestion that nothing, or very little, has been done since March last year; that would be a gross misinterpretation of the work that has been undertaken. I highlight the challenging nature of that work, in which the engineers have had to try to pinpoint where the ice is coming from and the circumstances in which it occurs, as it develops only in certain circumstances. Mark Arndt may want to say a bit more about the work that has been done over the past year and the specific challenges associated with the very limited weather environment in which the issue starts to occur.

Jamie Greene: Before Mark Arndt enlightens us further, I have another point to make. Let us assume, given that we are talking about the Forth in winter in Scotland, that we may experience similar weather conditions. I would like to hear how we are going to ensure that no other vehicles will have their windscreens smashed by falling ice.

Mark Arndt (Amev): As has been explained, we saw a unique set of weather circumstances that resulted in ice formation on certain areas of the structure. That was the first time that we saw it happening on site; the engineers out there observed the ice falling on to the carriageway. We have analysed the meteorological data from those instances on site, and we now understand, and have a better insight into, the climatic conditions that resulted in the issue. We will be analysing that data along with the forecast information and the live data coming from the site.

We have now enhanced the monitoring regime, because the ice formation that we observed last Monday was very different from the slow build-up of ice that a lot of other big bridges have experienced. What we saw on Monday involved sleet and slush conditions that resulted in ice and slush and the like forming very quickly on the cables and parts of the towers. That was dissimilar to the experience of our counterparts in Sweden and elsewhere, with whom we have been liaising. We have taken that experience on board and adapted the monitoring regime. There will now be permanent monitoring patrols on the bridge throughout any inclement weather period, and all traffic management will be pre-mobilised in order to effect any closure, should that be necessary—

The Convener: I am sorry—I want to narrow the discussion a little, as we have so many questions. Before Jamie Greene comes back to his last question, can you remind the committee exactly where the ice was forming? The cabinet

secretary said that the options included the towers, the cables and the gantries.

Mark Arndt: We observed the majority of ice falling from the cables. The engineers also observed ice on the side of the tower, but most of it fell from the cables.

The Convener: Jamie Greene has a final question, and then we will move on to questions from Colin Smyth.

Jamie Greene: Are the witnesses saying that, although issues with falling ice occur on other bridges, what happened last week on the Queensferry crossing was unexpected? Is it the case that it was not anticipated, and no one could have known that it was going to happen? Given what we now know about the way that the bridge reacts in certain weather conditions, how quickly will measures be put in place to improve its reliability and safety?

Mark Arndt: We have a three-phase plan to address that. As I said, enhanced monitoring will be in place from now on, throughout the winter period. We are also actively looking for permanent viable solutions to mitigate the formation of ice in the first place. That will take time, as it will involve research and development and the like. In the medium term, in anticipation of next winter, we will be looking at options to activate traffic management protocols more quickly, which could involve using the Forth road bridge in emergency circumstances. As I explained, the ice sensors will be installed over the next few months—

Jamie Greene: By next winter?

Mark Arndt: Yes—by next winter. The longer-term solution involves consolidating our research and development to enable us to introduce permanent viable solutions where they are appropriate to the climatic conditions and design activities of the Queensferry crossing.

09:45

Colin Smyth (South Scotland) (Lab): Cabinet secretary, when the icing problem first emerged last March, you said that it was extremely rare. However, the same problem has occurred this year. Based on the data that you have been able to analyse, how often is the problem likely to occur before you find any potential viable solutions?

Michael Matheson: Mark Arndt would be better placed to advise you on that, given that he has been involved in collecting the data.

Mark Arndt: We saw a unique set of circumstances that resulted in the formation of ice. That does not mean that those are the only such circumstances in which ice formation might occur—as I said, big bridges around the world

experience various challenges in that regard. Without a doubt, I can say that all those whom we have consulted follow the same procedure, in which visual inspection is the primary monitoring method to see whether bridge closure is merited. I cannot quantify the number of occurrences that we can expect, but I can say that an enhanced monitoring regime is in place to safeguard the public, which is ultimately what we are trying to do.

Colin Smyth: So you are not able, based on the modelling, to provide a projection of how regularly it is likely to happen. Would it be once or twice a year? It is clear that there is a problem for which you have not yet found a solution, but you are not clear as to how often it might occur.

Mark Arndt: The historical analysis that we have done, in which we looked back over the couple of years' worth of data that we have, indicates that the only two circumstances in which those unique characteristics arose were the incidents that took place in March last year and on Monday. On Tuesday last week, the climatic conditions were very similar, and on that basis we were proactive and the bridge remained closed while full-time monitoring took place, but there was no ice accretion on that day. The parameters are very sensitive to the variables on site. We are undertaking a data-gathering exercise, but monitoring is in place to safeguard the public.

Colin Smyth: I have a final point—

The Convener: I will have to stop you there, unless it is very brief.

Colin Smyth: I want to make a point about viable solutions. We can monitor the situation and then close the bridge, but that is clearly not what people want to happen. We want to find a solution that will prevent the bridge from requiring closure. Based on the evidence that you have so far, how realistic is it that we will find a solution that will prevent the bridge from being closed while ice is cleared off?

Mark Arndt: We need to look at various options that are suited to the specific design characteristics of the Queensferry crossing. One option could involve coating the cable sheath in a particular hydrophobic material, and another could involve heating—there are a number of options.

We will gather intelligence on other bridges around the world, together with information on whatever modern technology and systems are available, and we will engage with a specialist research facility to carry out a laboratory simulation of the weather characteristics so that any solution that is taken forward to prevent ice from forming on the cables is suited to the specific characteristics of the Queensferry bridge.

Colin Smyth: Will that take months or years?

The Convener: I am sorry, Colin, but I said that that was your last question, and I have to be hard. Peter Chapman is next.

Peter Chapman (North East Scotland) (Con):

There was a problem in March last year, and there is a problem again this year: the bridge has been closed for two days. The thinking was that ice formation would be a rare occurrence but, obviously, the evidence proves that it is not. Sensors are not enough—they simply tell us that there is a problem. What we need is a solution that enables the bridge to remain open. Mark Arndt illuminated what a solution might look like, but we need to find that solution. We need to find a way to prevent the ice from forming and allow the traffic to flow on a daily basis. That is the crux of my question. How do we do that, and when?

Michael Matheson: Let us be clear about the extent of the problem: it has occurred on two occasions. We should keep in mind that the cables were in place for several years during the construction of the bridge, and no problem was identified at that time.

Until March 2019, no problems had occurred. There have now been two occasions on which problems have occurred. Prior to the Queensferry crossing being built, a suspension bridge—I think that I am correct in saying that the Forth road bridge is a suspension bridge—was in place, and icing on the cables took place on only one occasion. Elsewhere in the UK, icing has occurred once on the Severn bridge and once on the Prince of Wales bridge; the problem has never happened on the Erskine bridge. If we look at the issue historically, we see that it has been a rare occurrence. However, it has now occurred on the Queensferry crossing on two occasions. The challenge has been to understand exactly why it is happening on the Queensferry crossing in a way that is different from the experience to date with any other cable-stayed or suspension bridge in Scotland.

It is also important to recognise—the international evidence supports this—that there is no off-the-shelf solution for bridges that experience such problems. The international experience shows that bespoke methods that are specific to the bridge and the particular circumstances that it experiences often have to be looked for.

The research to which Mark Arndt referred is partly about trying to identify the specific circumstances that have given rise to the issue with the Queensferry crossing and the potential mitigation options to address them. It is also about considering whether bespoke measures are required if they can be put in place within the bridge's existing structural parameters.

Emma Harper (South Scotland) (SNP): Good morning. I have a quick question. You said that eight vehicles were damaged and that safety measures have been put in place. Can you clarify—I have my nurse hat on now—whether any person was injured or hurt as a result of the falling ice?

Michael Matheson: No persons were hurt by it. One of the challenges that was presented on the Monday involved the speed at which the ice formation took place. A squall of sleet and icy weather came in, and the ice built up very quickly and fell off very quickly. It happened over a fairly limited period of time. That was one of the major observations that the engineers were able to make on this occasion; they were not able to observe what happened last year. This time, they were able to observe how the ice behaved in a way that they had not previously been able to see.

No individuals were hurt. However, we need to look at ensuring that, where possible—it is always difficult to give guarantees on such matters—we can try to predict where there is a greater risk of ice forming. That is part of the work that is being taken forward. Observations are being made and, if there is a need to take action, a diversion can be put in place very quickly. That is part of the debriefing work and the further arrangements that have been taken forward based on what was found to have happened during the incident last week.

The Convener: There are still a lot of questions to come, so I am afraid that each member will get to ask only one question. We will hear from Stewart Stevenson, followed by John Finnie and Maureen Watt.

Stewart Stevenson (Banffshire and Buchan Coast) (SNP): I want to explore the statistical risk associated with the issue. On 9 February 2018, a street cleaner adjacent to Kew gardens station in London was narrowly missed by a 20kg block of ice that had fallen off an aircraft. There were 25 such incidents in the UK in 2013, 12 in 2014, 12 in 2015 and 10 in 2016. According to the Civil Aviation Authority's figures, it is statistically more likely that aircraft flying into Edinburgh airport will drop ice on nearby inhabitants than that ice will drop from the Queensferry bridge on to people who are travelling below. Are you going to close Edinburgh airport next time there is a risk of icing?

The Convener: That question is about Edinburgh airport, and we are discussing the Queensferry bridge. Stewart Stevenson has made his point, so I will bring in John Finnie.

John Finnie (Highlands and Islands) (Green): There are a number of significant structures in the Highlands, such as the Skye bridge, the Kessock bridge and the Dornoch bridge—I thank all the

staff who keep them open in very demanding circumstances. Can you reassure us that, if there are lessons from the Queensferry crossing that are of any relevance, they will be rolled out to those other structures, which are important for connectivity in the Highlands?

Michael Matheson: Of course, although some of those structures are not cable-stayed or suspension bridges, which have cables. Hazel McDonald, as the chief bridge engineer, is probably best placed to advise the committee on where there are any other lessons that need to be learned.

The Convener: I ask Hazel McDonald to be brief, as we are drifting away from the Queensferry crossing.

Dr Hazel McDonald (Transport Scotland): The Kessock bridge is the only similar bridge, as it, too, is a cable-stayed structure. We have a number of estuarial crossings on which there is a possible risk of icing, but the Kessock bridge is the only cable-stayed structure. Anything that we learn from the Queensferry crossing will be applied to all our cable-stayed and suspension bridges.

Michael Matheson: I am not aware that there has been a problem with icing taking place on the Kessock bridge.

Maureen Watt (Aberdeen South and North Kincardine) (SNP): It has been suggested that the Forth road bridge should have been available as an alternative when the Queensferry crossing was closed because of ice. However, is it possible that the road bridge would not have been available either, given that the icing was accompanied by very high winds? During this winter, how often has the Forth road bridge been closed while the Queensferry crossing has remained open?

Michael Matheson: I will start with the latter part of your question, on whether there have been occasions on which the Forth road bridge has been fully closed while the Queensferry crossing has still been operating. In fact, that happened last weekend: on Sunday, the Forth road bridge was completely closed because of high winds, but the Queensferry crossing continued to operate. There have now been 55 occasions on which restrictions on the Forth road bridge would have applied when the Queensferry crossing continued to provide full access to vehicles. It is a much more resilient and reliable crossing than the road bridge, given the considerable disruption that was associated with the restrictions that often had to be applied to that bridge.

The Forth road bridge could not be used as a diversion route last week because of a number of different factors. First, the northbound carriageway is currently undergoing a major piece of refurbishment work that includes the removal of

the joint spans, so there are gaps. Secondly, the southbound carriageway is currently in a contraflow, which is being used as a public transport corridor. There is no hard shoulder so, if a vehicle breaks down, the whole place comes to a halt—quite literally.

During the incident last week, the decision was made to increase the public transport offering. There was a 50 per cent increase in the buses coming across the bridge in the peak morning period and increased rail capacity to try to assist people in making journeys by public transport rather than using the bridge. We have also asked officials—

The Convener: Michael, I think—

Michael Matheson: I think that it is important that I give a full response.

The Convener: It is important that we try to get through as many questions as we can. The committee absolutely understands that there are a lot of administrative reasons why the other bridge could not be opened.

Michael Matheson: They are not administrative reasons—they are practical reasons, convener. Another reason why the road bridge could not have been opened was that we had a situation in which some works were taking place off the bridge that would need to have been completed to enable the bridge to be opened. For those reasons, it could not be opened. However, I have asked officials to look at whether, in future years, it would be possible for us to minimise the repair works that take place on the Forth road bridge during the winter months so that it can be used as a diversion should an incident of this nature happen again. That is part of the work that we are looking at taking forward.

The Convener: I will bring in Mike Rumbles.

Mike Rumbles (North East Scotland) (LD): The cabinet secretary has answered my question—thank you.

The Convener: That is perfect. I have one question to finish; the rest of the questions will have to be answered during the cabinet secretary's question-and-answer session and briefing for MSPs at 5.15 tomorrow.

Cabinet secretary, the problem that you have described is not unique. As you have alluded to, there were two incidents on the Severn crossing in 2009, and there have been incidents on similar bridges in Canada, Norway, Sweden, the United States and Japan, which all date back to well before the Queensferry bridge was built. Why were sensors not included in the original specification, considering the problems that had previously been faced on those similarly constructed bridges?

10:00

Michael Matheson: Lawrence Shackman is probably best placed to explain what happened at the time of the design process.

Lawrence Shackman: At the time of the design, leading up to the bill process, the team looked at other bridges around the world and how they dealt with those sorts of issues. We found that there was no common ideal solution to get rid of the problem.

To go back to what was said at the beginning of the meeting, the most tried-and-trusted method is to manage the risk by observation. Other mechanisms, which we have started to discuss, have been employed on other structures since we made the decision to go ahead with the observation method. A lot of those mechanisms have intrinsic problems. They are very costly to install, or they are unreliable in respect of the heating and the mesh on the cables—Mark Arndt alluded to that. In order to go down the path of any one solution, we need to do the research that Mark mentioned to find the most appropriate solution.

The Convener: Using my own rules on myself, I guess that I will have to wait for an answer about why the sensors were not put on when the bridge was originally built, given that the problem was experienced worldwide before then. I will find that out tomorrow when I question the cabinet secretary.

I thank the cabinet secretary and the panel members, and I suspend the meeting briefly.

10:01

Meeting suspended.

10:03

On resuming—

Budget Scrutiny 2020-21

The Convener: We move to item 3, which is scrutiny of the Scottish Government's budget for 2020-21. We have two sessions on the budget today. The first is with the Cabinet Secretary for Transport, Infrastructure and Connectivity on the issues relating to the budget that fall within his responsibilities. I welcome again the cabinet secretary, Michael Matheson, along with Lee Shedden, who is director of finance; Donald Morrison, who is head of asset management and procurement; Chris Wilcock, who is head of the ferries unit; and Lawrence Shackman, who is head of major rail projects and technical services, all from the Scottish Government. Cabinet secretary, do you want to make a brief opening statement?

Michael Matheson: I thank you for inviting me to give evidence on the budget as it relates to my portfolio. The overarching aim of my portfolio is to promote sustainable inclusive economic growth by providing the transport, energy and digital infrastructure and connectivity that communities need to deliver real economic and social benefits while protecting our climate and environment and improving the lives of people across urban, rural and island communities.

We recently published a new national transport strategy—NTS 2—which sets out the role of transport in reducing inequalities and taking climate action while helping to deliver inclusive economic growth and improving health and wellbeing. The strategy, along with the recommendations from the Infrastructure Commission for Scotland, will help to shape our future plans for transport infrastructure through our work on the second strategic transport projects review—STPR 2.

In addition to transport infrastructure, we are focusing on extending superfast broadband access; investing in mobile infrastructure; investing in low-carbon transport and promoting active travel; supporting economic development in cities and the regions; modernising Scotland's energy system; tackling fuel poverty and improving energy efficiency; and supporting low-carbon energy transition. That is reflected in an additional £579 million of funding, which represents an increase of 20 per cent in the transport, infrastructure and connectivity budget from 2019-20.

Road maintenance to enable the safe operation of the motorway and trunk road network, on which the committee focused its pre-budget scrutiny, is an important priority for us. Additional funding has

been allocated for routine and winter maintenance, network strengthening, structural repairs and the Forth and Tay bridges.

I highlight that 2020 will be a milestone year for digital connectivity in Scotland. We will continue to deploy digital infrastructure across the country through the digital Scotland superfast broadband programme, and we will also make progress with the reaching 100 per cent programme. We have increased our commitment to invest £85 million in active travel infrastructure and support, and we will begin to deliver on our commitment to invest £500 million in improved bus priority infrastructure to improve bus journey times while supporting greater investment in green buses. We will continue to invest in Scotland's electric vehicle charging network and introduce low-emission zones in our four big cities. We will continue to provide concessionary travel for older and disabled people while supporting bus services with lower emissions and smart ticketing.

Our focus on making the best use of our existing infrastructure is reflected in the funding for capital maintenance and renewal of the trunk road and rail networks, and for Scottish Canals and Highlands and Islands Airports Ltd. We continue to invest in existing projects to improve our trunk road network and to increase resilience in response to unplanned events such as flooding and high winds. We will further enhance Scotland's railways through the rolling programme of electrification, the redeployment of Glasgow Queen Street station and improvements to the routes between Aberdeen and Inverness and Inverness and Perth.

The 2020-21 budget for transport, infrastructure and connectivity provides significant additional funding for achieving a more inclusive and sustainable economy for Scotland. I look forward to responding to questions from the committee.

The Convener: Thank you, cabinet secretary. The first question is from Colin Smyth.

Colin Smyth: I start with a question about the significant increase in rail payments to Abellio, Serco and Network Rail for the operation of the Scottish rail network. The explanation in the Scottish Parliament information centre's level 4 budget spreadsheet states:

"Reflects profile of Caledonian Sleeper and Scotrail franchise payments following no rebasing announcement."

How has the rebasing process increased the amount of funding that is going towards rail services?

Michael Matheson: We need to give the committee some more detail on the level 4 figures. The increases in funding for the ScotRail franchise and for the Caledonian sleeper franchise are both

in line with the commitments that are set out in the respective franchise agreements. If revenue growth does not increase to the expected levels that were set out in the franchise agreements, we are required to provide further funding to the franchise provider. That is one of the challenges that the increase in funding has to address. Both those increases are in line with the contractual requirements that are set out in the franchise agreements. Lee Shedden might want to say a bit more about the specific nature of those requirements.

Lee Shedden (Scottish Government): I can advise the committee that if rebasing had gone ahead, the numbers would be significantly greater than they are now. That was part of the reason why the no-rebasing decision was taken. The contract for the ScotRail franchise, which is the much larger of the two contracts, requires us to share in the revenue shortfall. That is limited as a result of the no-rebasing notice, so the contract will now end in 2022.

Colin Smyth: So there is nothing that is caused specifically by the rebasing notice; the situation would have been different had the rebasing gone ahead. How much more has gone to Abellio ScotRail, and to Serco and the Caledonian sleeper, as a result of the franchise commitments on revenue growth that you have just described?

Lee Shedden: I cannot give you the specific numbers as they are commercially confidential, but I can say that the bulk of the funding goes to Abellio because that is far and away the largest contract of the two.

Colin Smyth: There is an increase from somewhere in the region of £989 million to £1.25 billion. How much of that is to do with the franchise? Is there any other part?

Lee Shedden: Yes—if you look at the level 4 budget line, you will see that rail franchise is specified there. The Abellio ScotRail franchise is the significantly larger of the two franchises. The sleeper franchise works in a slightly different way, in that we are required to take a share of profit support rather than revenue support.

Colin Smyth: Can you clarify something? The funding is provided because the revenue for those companies was not as high as was projected. That is why you are making those additional payments to the companies—that is part of the franchise agreements.

Lee Shedden: That is correct.

Colin Smyth: And that is somewhere in the region of—I do not know—£300 million.

Lee Shedden: On the franchise line at level 4, you will see that the amount has increased overall from £416 million to £520 million.

Colin Smyth: With regard to the other payments that are required to make up the £1.25 billion, where does the increase come from?

Lee Shedden: If you look at the further level 4 line on rail infrastructure, you will see that there is an increase from £362 million to £529 million. That budget is for the operation, maintenance and renewal of the railway in Scotland as undertaken by Network Rail and as specified by the Office of Rail and Road.

Colin Smyth: Sorry—my question was not clear. I just want to know specifically what that money is being used for. The additional funding is going to Network Rail, but what is the breakdown?

Michael Matheson: It covers a variety of things such as maintenance and renewal programmes, infrastructure improvement programmes—

Colin Smyth: Sorry—I am not making myself clear. I know what the overall funding goes towards. I am trying to get my head around why it has suddenly gone up by X hundred million. What has changed?

Michael Matheson: That figure is part of the programme of work that Network Rail intends to take forward through control period 6. It reflects the ORR's assessment of what should be allocated specifically to Network Rail for taking forward the work in the forthcoming financial year as part of what it has outlined for its control period 6. We do not specify that figure—the ORR does that.

Mike Rumbles: The budget includes no new funding for Prestwick airport. When do you believe Prestwick will be in private sector ownership, which will mean that it will require no more funding from the taxpayer this year?

Michael Matheson: There are a couple of reasons for there being no new funding. Before I move on to the sale issue, I note that the management team at Prestwick airport has been making good progress in growing the business. We saw growth in several areas including cargo and fuel, and in returns from the use of assets around the site, which has reduced the losses that the airport has been making. The projection into the next financial year indicates that the airport does not require direct support from the Scottish Government to assist it. It has made good progress on generating income and sustaining the business, and that is reflected in the budget for next year.

With regard to the sale, we are happy with the progress that has been made in that area. The process is currently at a sensitive stage, so I am very limited in what I can say to the committee but, as things stand, good progress is being made. As I have said previously, I will keep Parliament up to

date as soon as any decisions about the sale of the airport are finalised.

The budget line reflects the progress that the business has made over the past year and the projections into the next financial year.

10:15

Mike Rumbles: As I understand it, around £40 million of taxpayers' money has been loaned to Prestwick. Is the loan part of the sale? Will any new purchaser in the private sector—whoever pitches successfully, as we hope will happen—take on that responsibility? Can you confirm that the £40 million will not be written off and that it is expected to come back to the taxpayer? When do you expect that to happen?

Michael Matheson: The amount outstanding is just under £40 million—it is around £39 million. Mr Rumbles is tempting me to get into a discussion of the sales process and where negotiations are with the preferred bidder for the airport. I can assure the committee that we will work to get the best deal for the taxpayer. That is the current approach of the Prestwick airport management team. I will not get drawn into a discussion about what the specific outcomes will be, because a deal has not yet been finalised.

Mike Rumbles: We would all expect you to work on behalf of the taxpayer to get back the £40 million that the taxpayer has loaned—it is a loan, not a grant—to Prestwick airport. The Government will surely expect any new purchaser to honour the loan agreement and repay the money within a specified time. I understand that you do not want to go into the commercially confidential details, but it is clearly a matter of principle. Do you agree?

Michael Matheson: I will not get drawn into a discussion on where we are with the negotiations and the position that we are taking on any loans that are associated with Prestwick airport. I simply reiterate my earlier point: we will seek to get the best deal for the taxpayer in the circumstances as part of ensuring that Prestwick airport, given its importance to Scotland's regional and national economy, is maintained as an aviation facility.

Mike Rumbles: I can see that I am not going to get any further—

The Convener: I can see that you are not going to get any further.

Michael Matheson: Mr Rumbles is tempting me, but he is not getting any more information.

The Convener: I will bring in Jamie Greene.

Jamie Greene: I have a brief supplementary on a point of clarification. When we originally saw the draft budget, there was no line in there for

Prestwick, so an assumption was made that perhaps a sale was pending—

Michael Matheson: That it had been sold? No.

Jamie Greene: For clarification, you are saying that there will be no public subsidy for the airport in the next financial year because it might remain in public ownership but it will not require a subsidy because it will be self-sustaining.

Michael Matheson: Yes, because of the progress that the business team has made in taking business forward.

The Convener: Can you clarify that point? The figures that the committee has looked at in the past suggest that Prestwick airport costs about £8 million a year to run, which is about £650,000 a month. You are telling me that the team has clawed back all that money—£8 million in running costs—through increased fuel sales and increased use of the airport, so there will be no subsidy. I want to understand the situation, because £8 million seems to be an awful lot of money for a business to turn around in one year.

Michael Matheson: You will be aware that the airport has been reducing the overall level of subsidy that it requires from the taxpayer over the past couple of years as a result of the way in which it has been turning the business around. It has been able to drive up income in other areas—

The Convener: So the airport does not need the £650,000 a month that it used last year—it has cut that out this year.

Michael Matheson: I would like to finish the point that I am trying to make. Give the trajectory that the business is on and where it is currently at, it believes that it does not require funding from the Scottish Government in the form of a loan to sustain it into the next financial year.

The Convener: So the airport will break even or make a profit.

Michael Matheson: Whether it makes a profit will be determined, but at present the management team does not believe that the airport requires funding in the form of a loan for the next financial year.

The Convener: That is a huge turnaround. The next question is from Angus MacDonald.

Angus MacDonald (Falkirk East) (SNP): In the ferry services budget, there is an increase of £22 million, with increases in the contractual payments to CalMac and Serco. The largest single change—an increase of £19.6 million—concerns the voted loans for Caledonian Maritime Assets Ltd. There is also an £18.64 million reduction in piers and harbours grants due to the profile of grant investment. Voted loans to CMAL have increased

effectively by 138 per cent between 2019-20 and 2020-21. Can you explain why that is?

Michael Matheson: The increase of £33.8 million in voted loans reflects the voted loan requirement for CMAL's activities around the procurement and construction of the vessels that are currently with Ferguson Marine Engineering Ltd, and the plans for a new vessel for Islay. The voted loans reflect the required funding that it is anticipated that CMAL will need in the next financial year to meet the instalments that are associated with the existing contracts and with the plans to develop a new vessel for Islay. The principal money from the voted loans in respect of Ferguson Marine will be largely for vessel hulls 802 and 801.

Chris Wilcock (Scottish Government): It will be for any remaining payments that are due under the CMAL contract if particular milestones are reached. That is the purpose of the voted loans, and the increase reflects where it expects to get to in the forthcoming financial year in respect of both those elements.

Angus MacDonald: There is a new Ferguson Marine budget line of £49.6 million for 2020-21. How much of that is to support the general running of the yard, and how much is to fund the completion of the MV Glen Sannox and hull 802? How do you expect that budget to develop over the coming years?

Michael Matheson: That budget line reflects the Government's decision to provide additional finance for the purpose of completing the existing vessels at the Ferguson Marine yard, over and above what was provided for in the contract, which is paid for through the voted loans mechanism. The £49.6 million is the anticipated figure that is required as additional money to enable the continuation of the on-going work on both the vessels.

I cannot specify how much of that will be for the running of the yard and how much will be for the work that is undertaken on the vessels. That is largely because quite a bit of the costs associated with the work on the vessels is money that will also have to be used for the purpose of sustaining the yard. I cannot separate out those figures for you at this stage, but that is the additional funding that the Scottish Government is making available for the completion of the vessels, and part of it will help to sustain Ferguson Marine as a business to generate the income that it requires for the purpose of maintaining the yard.

The Convener: Does Jamie Greene want to come in on that?

Jamie Greene: Yes—I would like to have those numbers clarified. There is a £50 million line in the budget for Ferguson Marine, and there is a £56

million line for vessels and piers, which is relatively flat in comparison with this year's budget. There is a monthly running cost for keeping the yard under public ownership, but it is still unclear.

The committee has heard that the two vessels that the yard is building for CalMac—vessels 801 and 802—might cost around another £100 million to finish. With regard to the £50 million that you have allocated to Ferguson Marine, does what is left once we take away the annual operating costs and staffing costs contribute to the completion of vessels 801 and 802, or is there another line for that in the budget somewhere?

We know that the yard is also being funded directly through other Government directorates. How will the completion of the vessels will be funded? Is the funding in the budget line that I have described or in other lines?

Michael Matheson: There are two parts to that. The voted loans element is part of the contract that CMAL had with Ferguson Marine for the construction of both those vessels. We have agreed that the cost of those vessels will exceed what was set out in the contract. The additional £49 million that has been made available as a new funding stream this year reflects the additional costs that will be associated with the completion of that work.

There will be costs associated with that which are wrapped up in the running of the yard, such as paying staff and buying materials. It is not possible to say that X amount is purely for staff and materials and Y amount is for work on the ships, because the costs are all interlinked.

The committee will be aware that, as part of the governance arrangements that have to be put in place at the yard, work has already been undertaken to look at how that can be improved and how we can ensure that the governance arrangements give us greater insight into, and oversight of, what some of the costs may be going forward.

The figure in the budget that Jamie Greene highlights reflects the expected cost for the on-going work on the vessels, over and above the contract that CMAL has with Ferguson Marine, which includes a voted loans provision—

Jamie Greene: I guess the premise of my question is whether the Government is putting the money directly into the yard to finish the job or giving the money to CMAL to give to the yard to complete the contract that it has with Ferguson Marine.

Michael Matheson: No—the money will be paid directly from the Scottish Government to the yard itself. The money that is paid from CMAL is paid

purely on the basis of the original contract and goes through the voted loans mechanism.

Richard Lyle: The committee carried out an extensive pre-budget inquiry into roads maintenance and made several recommendations. What changes to the budget for 2020-21 did you make in response to that scrutiny?

Michael Matheson: I was grateful for the committee's scrutiny on roads maintenance, and we made several changes to our budget as a result of that. We have increased the funding for structural repairs and network strengthening on trunk roads and bridges by £7.5 million to £123 million for the forthcoming financial year. We have made additional provision for routine winter maintenance on trunk roads—the budget has increased by £2.6 million, which takes it up to £94.4 million. We have also increased by £15.8 million the funding for works to be undertaken on the Forth and Tay bridges, taking the figure to £37.3 million. That funding is to ensure that the essential repair and maintenance works that are required to be undertaken on the bridges are taken forward in the forthcoming financial year.

Richard Lyle: What impact will your budget plans for 2020-21 have on the condition of Scotland's trunk roads and local roads? Some people say that local roads are deteriorating. Will the state of our roads, especially local roads, improve?

Michael Matheson: My budget provision is for the trunk road network rather than the local road network, which is managed through the local government settlement by local authorities. The budget should allow us to maintain a stable approach to the essential maintenance of the trunk road network and to continue our programme to enhance road safety at key points in the network for which Transport Scotland is responsible.

Richard Lyle: I have one last question. Given the priority that is attached to maintaining existing infrastructure in the Infrastructure Commission for Scotland's report, "Phase 1: Key findings report—A blueprint for Scotland", and in the new national transport strategy, can you explain how you arrived at the balance between investment in roads maintenance and investment in new roads as set out in the budget? John Finnie will love that question.

Michael Matheson: As the committee will be aware, the Infrastructure Commission said that our priority should be to maintain and improve existing trunk road assets and bridge assets, which are critical to transport connectivity. We have provided an increase in funding to do exactly that.

With regard to future investment priorities, the sustainable transport and sustainable investment hierarchies that we set out in the new national

transport strategy will be used to shape the investment priorities that we set out in STPR 2, which is at an advanced stage and will be published next year, for transport investment over the next 10 to 20 years. That work will be informed by the various transport modes that STPR 2 covers and the sustainable transport and investment hierarchies that have been set out—

10:30

Richard Lyle: Can politicians feed into that process?

Michael Matheson: The process for STPR 2?

Richard Lyle: Yes.

Michael Matheson: Yes—it is very much an open process. It has previously been taken forward at a national level, but this time round we are doing the work at a regional level—although it will reach a national stage at some point—to enable us to capture as much information as we can and engage with communities as much as possible. For example, the south-west Scotland strategic transport study, the results of which were published recently, involved an extensive public consultation exercise. There was an initial public consultation followed by a further consultation exercise; several thousand people—including politicians around this table, such as Emma Harper and Colin Smyth—participated in that process. There will be an opportunity, when the pre-appraisal process has been undertaken, for politicians at a local and national level to participate in the process.

The Convener: I have the next group of questions. I thank you for your letter in response to the committee's pre-budget scrutiny. In it, you say that future governance structures for the delivery of road maintenance will be considered by the national transport strategy roles and responsibilities group. Who is in that group?

Michael Matheson: The group is co-chaired by Transport Scotland and the Society of Local Authority Chief Executives and Senior Managers. It includes representatives from a range of organisations including the regional transport partnerships, the Society of Chief Officers of Transportation in Scotland and the Convention of Scottish Local Authorities. There is a range of stakeholders involved in considering any potential structural changes that may take place.

The Convener: Perhaps you could flesh that out a wee bit in a written response to the committee. Are there other members of the group, or is that it?

Michael Matheson: I am not sure—perhaps Lee Shedden can tell me whether I have missed out any members.

Lee Shedden: No, you have covered the main members.

The Convener: In the committee's pre-budget scrutiny, we identified from the evidence that we took that there is a huge maintenance backlog on trunk roads and local roads. I listened carefully to your response to Richard Lyle in which you described all the work that would be scheduled for trunk roads, which was interesting. However, you did not mention the £1.8 billion backlog in local roads maintenance. How will you help local authorities with that? How do you respond to the question that the committee raised in its report?

Michael Matheson: As you will have seen from my response to the committee, the democratic process for deciding on what priorities should be at a local level for local roads is through local authorities and elected members. It is for them to determine the proportion of their budget that they wish to allocate for road maintenance and improvements.

You will be aware that in the draft budget for 2020-21, there is a 4.9 per cent cash increase for local government in local revenue day to day, which amounts to approximately £494 million. It is for local authorities, through the local government settlement, to determine how they wish to set their budgets for road maintenance and road improvements.

The Convener: The evidence that we heard in our inquiry suggested that there was no increase in any budget for road maintenance. The Infrastructure Commission made it clear in its report that we have to look after the assets that we have before we start to expand on future assets. The work has to be done in conjunction—we cannot focus on one and ignore the other. Are you comfortable that the provision in the budget allows for the £1.8 billion backlog in local roads maintenance to be rectified? I have not yet heard from any council that it does so.

Michael Matheson: In my budget or in the local government budget?

The Convener: Well—the transport budget. Do you feel that the repair of local roads is covered in the budget?

Michael Matheson: My budget does not cover local roads.

The Convener: Okay, so you are not interested in local roads and the maintenance of them.

Michael Matheson: No, that is not what I said. What I said is that my budget does not cover the local government settlement for local roads. The way in which—

The Convener: Okay. Let me try one—

Michael Matheson: No, because you characterise what I am saying as if I do not care, when I do care. Funding for local government comes through the local government portfolio and is allocated to local authorities to determine how they choose to use it for their priorities through democratically elected local members. It does not come through my portfolio.

The Convener: Let me phrase the question differently. The committee made it clear that we had heard that there was a £1.8 billion backlog in local roads maintenance. Did you make representations to the Cabinet Secretary for Finance that that money should be made available so that local roads can be maintained?

Michael Matheson: Responsibility for local roads rests with local authorities. If representation on that matter was made, I would expect it to come from local authorities, given that local roads are their responsibility.

The Convener: So the answer is that, as you expect local authorities to do that, you did not do it.

Michael Matheson: No, hold on—do not put inaccurate words in my mouth, convener. Let us be clear about what the process is. The process for deciding what maintenance and improvement work is carried out on local authorities' roads rests with local authorities. Several committee members have previously been members of local authorities. That is the responsibility of local authority members: they decide what the allocation should be. My budget does not provide for local roads—historically, it never has done.

Do we all wish to see improvements to local roads or indeed to any roads? Of course we do. However, we have to manage in very difficult financial circumstances as a result of the reductions to our block grant by the UK Government. In addition, we have experienced challenges since 2010 due to austerity being imposed by the UK Government, which has had an impact on the Scottish Government's budget and on local authorities' budgets.

We seek to give local authorities as fair a settlement as we can. That has historically been our approach, and the current budget settlement reflects that. If you think that additional funding should be provided for local roads, it would have to be provided through the local government settlement. As a member of the party that has been systematically cutting our budget since 2010, convener—

The Convener: Now, Mr Matheson—

Michael Matheson: You would have to identify exactly which budget you wanted to see cut in

order to put more money into budgets for local roads.

The Convener: Michael, I was making a point. There is no point in smiling at me—

Michael Matheson: Well—

The Convener: Mr Matheson, you listen to me—I have listened carefully to you. In fairness, I point out that I asked you a question about the committee's report, in which we identified from the evidence that we were given that there was a shortfall of £1.8 billion. I was trying to identify where that money was going to come from, given the fact that the call for it to be made available was supported by the Infrastructure Commission—

Michael Matheson: No, that is a mischaracterisation of what was said.

The Convener: I am sorry, but I think we have got as far as we can on that. I would like to ask one further question. In your written response to the committee, you made it clear that the sustainability, inspection and repair duties that are placed on trunk road operating companies will be made more stringent in the next round of contracts. Can you indicate briefly how you intend to do that?

Michael Matheson: Of course. One of my officials is probably best placed to give you an idea. There are going to be some changes to the key performance indicator process, to ensure that there is a greater focus on the quality of work.

The Convener: I ask you to be brief, if possible.

Donald Morrison (Scottish Government): We have introduced a number of improvements to our trunk road operating company contracts. The first round of those contracts will start in August this year and will cover the south of Scotland. A new performance management regime has been introduced, and we will monitor throughout the duration of the contracts a number of indicators that relate to repair timescales; repairs being completed on time; inspections being completed on time; various cyclical maintenance duties; the efficiency of winter treatments; responses to customer correspondence and complaints, and the response process being completed on time; and new targets on carbon emissions and waste management.

Those indicators have been written into the contracts, and performance will be monitored over time. When operators fall short of any of the targets, payment adjustment factors will apply under the contract. In effect, the new requirements are incentivised through the contracts in respect of a number of those factors, of which there are 32 in total—I have given you just a flavour of the ones that have been introduced.

I will highlight one significant programme of work that we have taken forward. We have been converting all our lighting stock on the trunk road network from traditional lighting to LED lighting, and the conversion programme has produced significant financial benefits for us. Three or four years ago, we were spending about £5 million on the electricity bill for trunk road lighting, whereas, in the current year, the bill has dropped to £3.5 million. The drop in cost is down to the fact that we are using far less electricity, which has also had an impact on our emissions. The programme has been quite successful, and it will continue with the budget that has been made available in the coming year until it has been completed.

The Convener: The next group of questions will come from Emma Harper.

Emma Harper: I am interested in a couple of areas. I thank the cabinet secretary for mentioning south-west Scotland, as it saves my doing so. I know that he is aware of how important those roads are for all of us in the south-west. Perhaps he can explain how the balance of expenditure in the transport budget and the capital investment plans, in particular, support the policies that are set out in the new national transport strategy and the Infrastructure Commission's recommendation—which we heard about last week—that we should maintain and improve existing assets.

Michael Matheson: The Infrastructure Commission's report recommended that, prior to thinking about building or creating new assets, we should look to make the best use of our existing assets. That was reflected in my earlier comments on the increased funding that we are making available for trunk road maintenance, in addition to funding for the winter maintenance programme and the major structures programme in respect of the Forth and Tay crossings. All those decisions are about maintaining and protecting existing assets and ensuring that they continue to serve their intended purpose.

With regard to future investment decisions and major capital priorities for transport, those will—as we set out in the new national transport strategy—be informed by the investment hierarchy that the strategy sets out, which will be reflected in STPR 2 when it is published. We are undertaking a major piece of work to look at all modes of transport across Scotland, which will be covered by STPR 2. All those elements will be picked up in the investment hierarchy that has been set out in the national transport strategy when STPR 2 is published, next year.

Emma Harper: The budget highlights that £500 million will be invested in bus priority measures “over the next few years”.

What do you mean by “the next few years”? Can you define the timescale a bit more accurately and give examples of projects that will be funded through that budget line?

Michael Matheson: Sure. The £500 million bus partnership scheme is about ensuring that we give greater prioritisation to public transport in urban areas, in particular, where we know that there is an opportunity to make a real difference through bus prioritisation. That will also benefit rural communities, as we will see growth in bus usage overall.

You asked me to define “the next few years”. Part of the challenge in taking this policy forward is that local authorities need to develop proposals and programmes to make use of the capital investment. It will take some local authorities a couple of years to develop a programme to the point at which they will start, quite literally, to put spades in the ground. That might take place at any time over the next five or six years, given the time that will be needed to develop, plan and execute each programme, and the funding will be gradually ramped up as those proposals are approved and begin to be developed.

There is £10 million in the budget line this year that reflects some of the initial work that has been done by local authorities in developing their ideas, which also aims to support their development work around bus prioritisation and what that will look like. It is about not simply digging up roads or replacing existing car road space with public transport, but ensuring that the programmes align with active travel investment. We will look at how bus prioritisation measures can be aligned with active travel provision and at the wider bus service improvement partnership arrangements plan for the area where the investment will be made.

As I have said to local authorities, I am clear that the funding will be available not purely to make bus journeys faster and more reliable, thereby increasing passenger numbers, which we want to do, but to improve bus services across an area. Part of the work will involve taking forward bus service improvement partnerships with local bus service providers alongside infrastructure investment to ensure that each programme delivers a much wider benefit to the area that is served by the bus services rather than only a corridor or the areas where bus prioritisation measures will be put in place.

The Convener: Colin Smyth wants to come in on that.

10:45

Colin Smyth: I want to be clear on one point. Of the £500 million that you mentioned, there is £10 million in this year’s budget for bus prioritisation

measures—that is obviously capital funding. The Transport (Scotland) Act 2019 gives local authorities powers to establish their own bus companies. Is there any provision in the budget to support that aspect of the 2019 act?

Crucially, how does the budget that has been set tackle the fundamental issue of the loss of bus services in rural areas? That is to do with not a lack of capital projects—there are only so many places in a rural village where you can build a bus lane—but revenue pressures on bus services, and it will not go away simply as a result of bus prioritisation measures.

Michael Matheson: I recognise the challenges to the provision of local bus services in rural areas, in particular, given the reduction in services that we have seen. We have maintained our commitment to support the bus industry through the bus service operators grant and the funding that we are providing to support companies to move to low-carbon buses.

You are right about the revenue element, but part of the idea behind using the capital element for bus prioritisation arrangements is that bus improvement plans will be implemented in areas where that type of capital investment is being made. We do not expect the taxpayer to provide half a billion pounds for bus prioritisation without also placing an expectation on the bus industry to come to the table to demonstrate how it will improve bus services in the area as a result of that investment. I have been very clear with the bus industry and local authorities about that. They welcome that approach and are prepared to work with us in that regard.

On your initial point about whether there is provision in the budget to give local authorities funding to set up their own bus services, there is no provision for that purpose.

The Convener: The next question is from John Finnie.

John Finnie: I will pick up on the comments of my colleague Colin Smyth. The bus priority measures that most of my constituents want involve having a bus service at all, never mind infrastructure support.

I want to ask about the active travel budget. It is fair to record that it has increased by 2.25 per cent—a relatively modest sum—since 2018-19. However, as a proportion of the total transport budget, the amount has decreased in successive years. Do you consider that to be an appropriate response from a Government that has declared a climate emergency?

Michael Matheson: The budget doubled in 2018-19, and we have sustained that provision and increased it by a further £5 million in this

financial year. Since 2018-19, there has been a very significant increase in funding for active travel.

John Finnie: I acknowledged that there has been a 2.5 per cent increase, but, as a proportion of the overall budget, the funding in that area has decreased in successive years.

Michael Matheson: Are you—

John Finnie: I am happy to dig out the figures that I have if it helps, cabinet secretary. I am just summarising the situation—

Michael Matheson: All that I am saying is that the budget has increased—it doubled in 2018-19 and it is increasing again. We sustained that funding in the 2019-20 budget, and we are increasing it again in the 2020-21 budget.

John Finnie: I presume that you thought that it was a very good idea to double the amount from an extremely modest sum to a relatively modest sum. Notwithstanding that, the funding has, as a proportion of the overall transport budget, decreased in successive years. That is not the response that I would expect from a Government that has declared a climate emergency.

Michael Matheson: Given that we have, in effect, doubled the budget over the past couple of years, it would be wrong to say that we do not recognise the value and importance of active travel. With regard to how that funding compares with other parts of the budget, most of the capital investment, which is currently going into road projects, is focused on maintenance and existing improvement programmes such as the works on the A9 and the A96.

The Convener: I can perhaps help John Finnie on the question of the increase. Has the budget—all the money that has been allocated—been spent each year? That might help Mr Finnie to understand whether the increase is bigger or maybe not so big.

Michael Matheson: Again, some of the projects involve local authorities working up proposals and taking them forward. Over the past year, more than £70 million of projects were in delivery. An element of the budget is used for behavioural change programmes and for cycling and other active travel programmes. My understanding is that, over the past year, most of it has been used for the programmes for which it was intended. Perhaps Lee Shedden can confirm that.

Lee Shedden: That is correct. To answer the convener's specific question, most of the money has been spent, although, when the budget was first doubled, from £40 million to £80 million, there was a considerable challenge in ramping up the activity that was required.

John Finnie: Cabinet secretary, do you think that people will, in the future, reflect on the fact that, although the Government has declared a climate emergency, it has committed to an extensive road building programme of £6 billion and a decreasing proportion of its budget is directed to active travel? That is completely inconsistent with the declaration of a climate emergency.

Michael Matheson: No, I do not accept that. I have made it clear that we are taking forward a range of measures, not just in my portfolio but across Government, to meet our net zero obligations. More such measures will be taken forward, as members will see when the climate change plan is published. The investment hierarchy and the sustainable transport hierarchy that are set out in the new national transport strategy will inform our decisions for new projects and policies around transport provision. That, in itself, is a clear indication of where the Government's priorities will lie in years to come.

Having said that, issues such as the need to ensure that we continue to improve our road connectivity will not disappear as a result of the climate change challenge that we face. An example is the safety issues on the A9. We know that dualling that road will assist us considerably in dealing with those issues.

John Finnie: Can you describe those safety issues? I understand that they have all been designed out: there is an increased speed limit for heavy goods vehicles, and safety cameras are in place. It is my understanding, and I accept, that the current position is that any collision is the result of irresponsible driver behaviour. Are you saying that that is not the case?

Michael Matheson: In the long term, the road will be safer as a result of the dualling programme that is being taken forward. There are also safety issues and concerns around the A96, which are often raised with me as an example of the challenges on the existing road network.

There will still be a need to improve our road connectivity, but, at the same time, we are looking to increase the use of public transport, to encourage people to use active travel and to encourage those who use vehicles to move to ultra-low-emission vehicles to reduce their impact on the environment. A whole suite of measures has to be taken to address those issues, and we have sought to achieve a balance in that regard. For example, we are providing a significant increase in funding to improve rail infrastructure in order to make rail travel a more attractive proposition. All of that contributes to supporting people to use public transport and assist us in meeting our climate change challenge.

John Finnie does not seem to be persuaded.

John Finnie: Any investment in rail is to be welcomed. I will give you the opportunity to outline to the committee a breakdown of the programmes that are being funded through the future transport fund.

Michael Matheson: The future transport fund covers a range of different areas. It is currently at a record level of £83 million, which is planned for investment in the 2020-21 budget. Some of the figures are not finalised, but I will give you the broad figures for the various areas that it will cover.

There is £40 million for fleet transformation, for the switched on towns and cities programme to increase electric vehicle charging provision, and for sector transition. There is £10 million for zero-emission bus investment and infrastructure to support that, and there is £6 million for the Scottish ultra-low-emission bus scheme, which was announced just last week, on 13 February. Do you want me to continue with the rest of the detail?

John Finnie: It is a lengthy list, and I am sure that we can all access the information. I have a specific question on the Scottish ultra-low-emission bus scheme, for which you gave a figure of £6 million. How many electric buses will that buy next year?

Michael Matheson: The scheme has been opened up to enable bus operators to apply for funding from it. The numbers will depend on the number of bus operators who apply to the scheme and the number of buses that they seek to purchase through it.

John Finnie: What is your impact assessment of that proposal? What numbers do you suggest will be delivered?

Michael Matheson: It is difficult to give a specific figure, because it depends on—

John Finnie: How did you arrive at the figure for the funding of low-emission buses if you did not know how many would be delivered?

Michael Matheson: Part of the funding is to help with the transition to low-emission zones—it can be used to support bus companies to move towards ultra-low-emission vehicles. The number of buses is likely to be in the 20s or 30s rather than the hundreds, but the actual figure will depend on how many bus companies apply to and secure funding from the fund, as well as on how many buses they are looking to purchase at any given time. The funding does not buy all the buses for those companies—it covers a proportion of the cost, to meet the cost differential in buying an Arriva electric bus rather than a Euro 6 diesel engine bus.

The Convener: Members have some brief follow-up questions. We will start with Richard Lyle.

Richard Lyle: Given all the questions that the cabinet secretary has been asked in the past hour or so, and all the criticism that he has faced, this has to be asked. Cabinet secretary, do you intend to inform the Scottish public about exactly what the Government subsidises and how much it costs to subsidise our roads, buses, rail network and ferries? People do not know what the Government pays for. They know what they are paying for, but perhaps we can tell the public how much we subsidise their travel in this country.

Michael Matheson: I am more than happy to take your suggestion away and look at how we can maybe explain more fully how the budget is used for—

Richard Lyle: Then people will know that you are supporting them.

Michael Matheson: We can look at setting out more clearly how we are helping to support rail and bus travel, and road and rail infrastructure. By and large, however, the budget, which amounts to £3 billion of revenue and capital funding over the next year, is all about addressing the issues that I highlighted at the start—

Richard Lyle: The Government is really subsidising transport by £3 billion.

The Convener: We will park that there, Mr Lyle. Two members still want to come in and we have about three minutes left—that is the timeframe.

Jamie Greene: I am sure that people are over the moon that the cabinet secretary is subsidising all their public transport needs.

I have a couple of specific questions, cabinet secretary. You can respond to them in writing if you do not have time to answer them today. Two matters of concern jumped out at me from the transport budget. One is the reduction in the budget for regional transport partnerships, which has gone down significantly. Will you explain the reason for that and comment on the effect that it might have?

Secondly, given that we are trying to get people out of their cars and increase modal shift, why has the budget line for support for bus services gone down? I accept that the concessionary travel budget has gone up, but perhaps you can explain that to the committee at some point.

Michael Matheson: I am more than happy to come back with specific details on those points if it would be helpful.

The Convener: Thank you—a written response would be helpful. The final question is from Peter Chapman.

Peter Chapman: I want to follow on from what John Finnie said and ask about the hydrogen bus scheme in Aberdeen, which is under financial pressure. Are there any thoughts on how the Scottish Government can help to keep that scheme running?

The Convener: That sounds like a constituency question, so you may wish to—

Peter Chapman: It is a fairly general question. We have discussed electric buses, and hydrogen buses are part of the same issue.

Michael Matheson: The ultra-low-emission bus scheme, which is for the purchasing of new buses, aims to support the industry to move towards ultra-low-emission vehicles. Given the cost differential between those buses and standard Euro 6 diesel buses, the fund aims to meet some of the costs in order to support companies in that transition.

In fairness, if Peter Chapman wants to give me more details about the specific issue in Aberdeen—I do not know whether it is a Scottish Government issue or a local government issue—I will be happy to give him as helpful a response as I can.

The Convener: Mr Chapman, I suggest that you take up that constituency point with the cabinet secretary after the meeting.

Peter Chapman: I will do so, convener.

I have one last question. The low-carbon transport loan fund increases by £35 million in the budget. Have you conducted an analysis of who benefits from that fund? There is an assumption that, in effect, it subsidises those who are already well off to buy relatively expensive electric vehicles.

Michael Matheson: It is an important scheme to support people to move towards low-emission vehicles given that they are more costly than normal combustion-engine vehicles. I share some of the concern that those on lower incomes might not be able to afford an ultra-low-emission vehicle, even by securing a loan. I changed the terms of the scheme last year so it can now be used for second-hand vehicles. I believe that it is the only scheme of its type in the UK that allows second-hand vehicles to be purchased in order to help people on lower incomes who may want to secure a loan to buy such a vehicle.

I am clear about the need to ensure that we do not leave people behind as the transition takes place. We have also provided about £1 million to social housing providers to allow them to develop electric car clubs so that their tenants can make use of a hub of electric cars at a very low cost. That scheme, which I launched last year in Bridgeton with the local housing association, helps

to support people who are on lower incomes who wish to have access to a low-emission vehicle.

Peter Chapman is right to make the point that we need to be careful that we do not allow people to be locked out of the process because of their income group and that we must ensure that we arrange the schemes in such a way that we help to accommodate people and meet their needs. I have given a couple of examples of actions that we have taken in the past year alone to make sure that we do that.

The Convener: We have come to the end of our questions. I thank the cabinet secretary and the other panel members for their attendance.

11:03

Meeting suspended.

11:10

On resuming—

Subordinate Legislation

Direct Payments to Farmers (Legislative Continuity) (Scotland) (Miscellaneous Amendments) Regulations 2020 (SSI 2020/18)

The Convener: Item 4 is consideration of an item of subordinate legislation. First, we need to make some declarations of interest. I am a member of a family farming partnership, as is recorded in the register of members' interests.

Peter Chapman: Likewise, I need to declare an interest as a member of a farming partnership.

Stewart Stevenson: I have a joint interest in a very small registered agricultural holding, from which I derive no income.

The Convener: Thank you.

Under this item, the committee will consider one affirmative instrument, on which it will take evidence from Fergus Ewing, the Cabinet Secretary for Rural Economy and Tourism. The motion seeking approval of the instrument will be considered at item 5. Members should note that there have been no representations to the committee on the instrument.

I welcome the cabinet secretary, Fergus Ewing; Andrew Crawley, a lawyer in the Scottish Government's legal directorate; and Lynne Stewart, the head of direct payments in the rural payments and inspections division. I invite the cabinet secretary to make a brief opening statement.

The Cabinet Secretary for Rural Economy and Tourism (Fergus Ewing): Thank you, convener, and good morning, everybody. Thank you for considering the Direct Payments to Farmers (Legislative Continuity) (Scotland) (Miscellaneous Amendments) Regulations 2020, which were made under the Direct Payments to Farmers (Legislative Continuity) Act 2020. Their main purpose is to correct deficiencies in Scottish legislation relating to direct payment.

I acknowledge that the committee might have concerns about the tight timetable for considering this Scottish statutory instrument. However, I am afraid that responsibility for that rests with the UK Government, as it introduced the bill that became the 2020 act only on 9 January, with the act receiving royal assent on 30 January. That was despite the fact that—to be fair to myself—I had been pressing the UK Government for action on the matter since July of last year. The SSI could be made only when royal assent had been

received, and it needed to come into force in advance of the UK's withdrawal from the European Union, which took place at 11 pm on 31 January.

The instrument does not amount to a change in policy and has been made to avoid technical operational deficiencies arising in our domestic regulations. The Scottish Government recognises how critical the direct payment schemes are for Scottish farmers and crofters and had to make preparations for the exceptional circumstances that arose as a result of the UK's withdrawal agreement with the EU. The SSI ensures the continued functioning of our domestic Scottish regulatory framework, guaranteeing that farmers and crofters can make claims and receive direct payments for the 2020 claim year, which will assist them to maintain and continue their businesses.

I and my officials are happy to take any questions that the committee might have.

Richard Lyle: Basically, you are saying that, although you continually contacted the UK Government, you could do nothing regarding the regulations before us until the UK Government had passed its legislation. Is that right?

Fergus Ewing: Yes, I think that that is right. I have never believed that this issue is party political; it is a workaday, bread-and-butter issue. Whatever the rights and wrongs of Brexit—let us park that for the moment—everybody wanted to ensure that all farmers and crofters and other people who are entitled to receive payments continued to receive those payments. I always saw the matter as one of process, not one of party politics.

To be fair to myself—[*Laughter.*] I think that it is reasonable to make this point. In order to foster the constructive approach that was necessary to achieve the objective that I have just described as being achieved, I pressed the UK Government on the matter in July of last year. I said to Theresa Villiers—possibly in my introductory call with her—“Look, Theresa, you need to do this bill now, because if you don't you'll be hobbling around at the last minute.” As I said, the UK Government could have chosen to get on with that last July. It did not do so, for various political reasons, although I will not make anything of that. Then, what I feared would happen did happen—namely, there was scrabbling around at the last minute, with the committee and I having to do the work that we did last month to correct that.

11:15

To be fair to myself, and thanks to the good work of my officials and their predecessors, I identified a procedural lacuna and, as soon as we had identified it, we said to the UK Government,

"Let's sort this out by working together." Today, we are completing that process.

There are an awful lot of other things that we should be discussing, and the SSI before us is about finishing off a matter of process. I hope that it will be seen in that light by all members.

The Convener: There are no further questions. I thank the cabinet secretary for that explanation.

Item 5 is formal consideration of motion S5M-20849, in the name of the cabinet secretary.

Motion moved,

That the Rural Economy and Connectivity Committee recommends that the Direct Payments to Farmers (Legislative Continuity) (Scotland) (Miscellaneous Amendments) Regulations 2020 be approved.—[*Fergus Ewing*]

Motion agreed to.

11:17

Meeting suspended.

11:18

On resuming—

Budget Scrutiny 2020-21

The Convener: Item 6 is budget scrutiny. This is our second session on the Scottish Government's budget for 2020-21. We will take evidence from the Cabinet Secretary for Rural Economy and Tourism on issues related to the budget that fall within his rural economy responsibilities.

I welcome the witnesses: the cabinet secretary, Fergus Ewing; Annabel Turpie, the Scottish Government's director of agriculture and rural delivery; Shiree Donnelly, head of finance, agriculture and rural economy; and Richard Rollison, deputy director in the directorate for economic development.

Cabinet secretary, I invite you to make an opening statement of up to three minutes.

Fergus Ewing: We want to maintain and grow further a prosperous rural economy in Scotland. The budget seeks to create as much certainty and assurance for our farmers, crofters, foresters and producers as possible while recognising their ability to deliver a positive contribution in the face of the climate emergency.

Setting our budget has been made very challenging because of the decision by the UK Government to delay announcing its budget. It is even more challenging because of the uncertainty surrounding future funding that comes with leaving the EU, the lack of clarity on future trade arrangements and, just this morning, the alarming news about a lack of ability to employ people in the rural economy. All those things present real and present concerns for our farmers, crofters and producers, who could face a loss of markets and/or excessive tariffs.

The budget is focused on providing as much stability as possible and on supporting our rural businesses and communities in playing their key part in transitioning to a net zero future.

The total capital spend has increased by £67.5 million, and resource spending has increased by £81.6 million. Scotland planted 11,200 hectares of new woodland last year. Building on that achievement, the budget contains significant increases in spending on forestry, including £5.8 million to support tree planting, and investment of £40 million in a new agricultural transformation programme.

Our rural enterprise agencies play a key part in delivering a strong, inclusive, low-carbon economy in rural Scotland. That is why we have provided £28 million to deliver the new south of Scotland

enterprise agency and £58 million for Highlands and Islands Enterprise to support rural businesses and communities and to unlock economic opportunities across that region.

We will invest £6.6 million in our world-class food and drink sector. We want to protect our reputation for higher welfare and environmental standards, and we will do that by spending £22 million on animal welfare and food safety.

In real terms, this is an increased budget for the rural economy. The clear focus on support for rural Scotland, alongside programmes that will allow for the transition to a low-carbon future, strikes the right balance in a difficult financial year and will result in strong and vibrant rural communities.

Richard Lyle: Cabinet secretary, many other parties have complimented you on your new role. On behalf of the party that you and I are in, I compliment you on that, too. You are well respected, and I welcome you to your new role.

Can you explain how the evidence and information in the national performance framework influence your budget plans? Has the NPF ever caused you to make any specific changes to those plans? If so, can you give examples?

Fergus Ewing: Thank you for your kind and unexpected remarks. It is a great privilege to be the tourism minister once again and be a voice for tourism in the Cabinet. We have a great tourism sector in Scotland, which terrific people are involved in. I look forward to that work.

In response to your question, the first chapter of the budget summarises the primary and secondary national outcomes in a narrative section that covers, for example, the need to promote wellbeing and to address climate change. This budget does that in a way that no previous budget has done. I am particularly pleased that the rural economy is making a major contribution to tackling climate change.

Chris Stark—who used to be a Scottish Government civil servant but is now chief executive of the UK Committee on Climate Change—said that we can achieve the target five years ahead of England precisely because the landmass asset that we have means that we are primary or even monopoly providers of some of the carbon sequestration solutions.

I am very pleased that the £40 million agricultural modernisation fund, which I was able to announce at the NFU Scotland annual conference on 7 February, will play a part in that, as will other measures such as Roseanna Cunningham's peatland restoration commitment, which has also been groundbreaking.

Overall, we are contributing to the national performance framework at a high level of

influence. I would be happy to address any further questions from members on that, but I will stop there for now, as I want to be brief today.

Richard Lyle: How is the spend that is allocated within the rural economy portfolio monitored against the national outcomes that are related to that portfolio? The areas covered include communities, the economy, the environment, health, fair work and business, some of which might not be in your sphere.

Is the 40 per cent cut in the technical assistance budget affecting the Scottish Government's ability to monitor the outcomes of the Scottish rural development programme?

Fergus Ewing: The national performance framework has indicators, and we are obliged, in an independent way, to state whether the status is improving, maintaining or worsening. That is how the indicators work. The information is published as soon as the data becomes available.

The cuts to which the member alludes have no impact on our ability to monitor the outcomes of the programme. SRDP monitoring is carried out annually in line with EU requirements. It is the responsibility of the rural development operation committee—alongside reporting to the EU—to monitor the quality of implementation of the programme and to monitor the programme by means of financial output and target indicators. I hope that that provides some reassurance.

John Finnie: Good morning. I have a number of questions. The first relates to Scotland's economic action plan, which falls within the committee's remit, particularly as it relates to Highlands and Islands Enterprise. HIE faces a real-terms reduction of 6.5 per cent in its total budget and a 15 per cent real-terms cut in its resource budget. Given that one of the headline actions in the Scottish economic action plan is to provide significant funding to that body, why is its budget being reduced?

Fergus Ewing: We are committed to working with HIE through programmes and interventions, in this portfolio and others, to support the economies and communities of the Highlands. The budget provides £53 million of support for HIE, including a stable capital budget of £25.5 million. It also includes a doubling of the financial transactions from £1 million to £2 million.

However, I acknowledge that there has been a reduction of 13.6 per cent in the resource budget, and HIE will need to focus and profile its resources very carefully over the next year.

I know that this matter is very important to everyone in the Highlands, just as it is to me. I had a very positive discussion with Lorne Crerar on Monday of this week, and senior Scottish

Government officials attended the HIE board yesterday to make clear on my behalf my commitment to working with HIE to manage budgets and to consider potential in-year pressures in a way that continues to meet the needs of businesses and communities across the region. I refer, in particular, to support work on the Cairngorm funicular railway and the wider Cairngorm masterplan. The feedback that I have had from my officials who attended yesterday's meeting was that it was a constructive and workmanlike exchange, and that dialogue between me and HIE will continue throughout the year.

At the same time, we must recognise the many other interventions that we are making. City deal finance is new, and there is massive investment in other areas such as road transport. As members know, the dualling of the A9 is continuing, with the Luncarty section coming to completion fairly soon; there is also investment through rural development, the European maritime and fisheries fund, affordable housing, capital investment and the agricultural transformation programme.

Looking at things in the round, it is clear that there has been an injection of far greater levels of investment than before, and that that plays a part in promoting the economy through improved transportation and in other ways in the Highlands and Islands.

John Finnie: It is very positive that there is engagement between your senior officials and HIE, and I hope that that continues. I note what you said about Cairngorm, but the Highlands and Islands is of course much bigger than that single project. What assessment was made, if any, of the implications of the budget reductions for the organisation? I acknowledge what you say about various other strands of Government work, but what are the implications for the organisation—which, after all, has played a significant role in moving things on the Highlands and Islands?

Fergus Ewing: First, I give my personal assurance to Mr Finnie that the close engagement will continue and will be overseen by me personally.

Secondly, there has been extremely thorough joint working in relation to managing the in-year pressures. We have examined individual items of expenditure in a great deal of detail, and we are absolutely committed to ensuring that the economic benefits of Cairngorm, for example, continue to be fully realised but, as Mr Finnie says, there is far more to the Highlands than that. We are working closely with Lorne Crerar and his board to ensure that HIE's ability to support economic development in the whole of the Highlands and Islands is not impaired. I give my personal assurance that that is something that we will do.

11:30

There has been much press coverage of the issue, and some of the figures that have been quoted in the press are grossly misleading. I can go into that if the committee wishes. There has not been an enormous reduction in the HIE budget since 2007. Sadly, that has been misreported.

We appreciate that this is a difficult budget for the Scottish Government this year all in all, and we have had difficult decisions to make. However, I am confident that we can work through those various matters with HIE. Mr Rollison is ready to answer any further questions if members wish to go into any more detail and if time permits. If there are specific, more detailed questions, I would of course be happy to answer them in writing.

The Convener: I have a brief question to ask, if John Finnie is finished.

John Finnie: I am conscious that there are a whole load of questions to come, although I could spend all morning asking questions. I will leave it at that, however. Thank you, cabinet secretary.

The Convener: Cabinet secretary, you mentioned the funicular railway. According to the HIE estimates, repairs will cost around £10 million—the agency does not know exactly. I could not find anything in the budget for any spend on that this year. If, once all the surveys have been carried out, the works start this year—which you have said you would be keen to see—how will you find the funding for them?

Fergus Ewing: My understanding is that there has been no final estimate. We should be careful about this, because the situation needs to be addressed as a matter of urgency. We have indicated to HIE that the project is important to Scotland as a whole, and it is therefore appropriate that funding is prioritised to support the work.

You are right that it is HIE's intention to repair the funicular, and we are working in close partnership with it to ensure that the provision of the relevant information about the cost of the repairs is sufficient for budgetary decisions to be made. Once we reach that stage—which is a priority—we will work closely with HIE to address the funding pressures that will ensue.

Given that the timing of that is not certain, it is difficult to make more precise allowance for it in budgetary terms, but I am happy to provide assurance that the task is a priority, as the Scottish Government accepts in working with HIE to deliver it. The funicular is hugely important to the local economy. It gives access to snow sports and summer activity. People with limited mobility, for example, can enjoy the mountain experience:

they can go to the top of Cairn Gorm and enjoy the unique experience there.

There is a lot of work to be done on the business plan, on the use of natural resources, on renewable energy and on all-year-round use. By comparison, and to strike a cheerful note, the Nevis range has diversified away from snow sports, and a substantial part of its revenue—most of it, in fact—now comes not from skiing or snow sports but from a variety of other areas, such as renewables, mountain biking and other activities near the base. That shows what can be done. Locally, there is a desire to be positive about the situation, and that is certainly how I am approaching it.

Mr Rollison has a lot more information—

The Convener: I think that—

Fergus Ewing: I know that we are short of time.

The Convener: Given the tightness of time, I would like to move on. This could drift into a constituency question, for which I should criticise myself.

Colin Smyth: My question is related to the Highlands and Islands Enterprise budget, as its per capita funding is the same as the budget for the south of Scotland enterprise agency. As the committee noted when it was scrutinising the South of Scotland Enterprise Bill, its financial memorandum anticipated that the budget would be £32 million for 2020-21. The actual budget is around £28 million. What is the reason for the shortfall of more than £4 million compared with the projected budget?

Fergus Ewing: There has not been a reduction at all; there has been an effective doubling of the money for the south of Scotland. Between 2019-20 and 2020-21, we have increased our overall funding commitment to support the south of Scotland economy from £13 million to £28 million. The figure to which Mr Smyth alludes was that contained in the financial memorandum to the South of Scotland Enterprise Bill. The figures in the memorandum were clearly stated as illustrative and were based on the HIE spend profile at the time. At that time, the spend profile included a high element of non-cash budget, which has since reduced. Non-cash items are technical accounting adjustments, such as appreciation.

In reality, from the point of view of the historical funding provided over this financial year and part of 2018-19 to the south of Scotland economic partnership, the budget has effectively risen from £13 million to £28 million. In addition to that, the borderlands deal provides £85 million from the Scottish Government but only £65 million from the UK Government. Incidentally, the UK is supplying

£200 million for the English part of the borderlands deal. There is a £20 million lower contribution for the borderlands deal from the UK Government—of £65 million, as opposed to £85 million from the Scottish Government. I would be very grateful for support from members for my representations that that is unfair to Scotland, and that the UK Government should at least match the Scottish Government's contribution of £85 million, instead of imposing a niggardly reduction of £20 million for the south of Scotland. I hope that all parties, including the Secretary of State for Scotland, whose constituency is in that part of Scotland, will agree that it is wrong that that area should be short-changed in that way.

Colin Smyth: The failure with the borderlands agreement is something on which you will not get me to disagree, but I am not here today to have an argument over which Government is cutting spending most compared with what it promised.

The reality is that the south of Scotland economic partnership is a very different body from the south of Scotland enterprise agency. The partnership brings existing bodies together to the table, with their own staffing and resources, whereas the south of Scotland enterprise agency is a new agency that will start work on 1 April. When they gave evidence to the committee, your officials were very clear that the projection of the budget for that agency would be up to £42 million after the initial interim period. The financial memorandum was clear: it was £32 million. All the evidence given to the committee said that that would be the projection for the agency's budget. What decision has the Government taken such that it believes that Highlands and Islands Enterprise and south of Scotland enterprise need less money than you thought they would need this time last year?

Fergus Ewing: I am afraid that I completely disagree with Mr Smyth's analysis. I have already said that the figures in the financial memorandum to the bill were stated as being indicative and illustrative. That is almost always the case, incidentally.

Moreover, the comparator was based on an HIE figure that included high non-cash budget items such as depreciation. The difference between the two amounts relates entirely to a reduction in non-cash accounting items.

I would have thought that it was good news that we are going from a budget of £13.2 million for SOSEP this year to a budget of £28 million in the coming year. We are doubling the money. I would have thought that even the Labour Party would accept that as a pretty good outcome for the south of Scotland. I am astonished that this line of questioning should be pursued in such a way. However, each member is entitled to pursue

whatever arguments they think may have any validity.

Colin Smyth: I am astonished that you think that the financial memorandum to the bill is worthless. You put the figures on the table in the first place. I will ask you one more time: what is the basis of the decision to reduce funding? We talk about the HIE budget having increased significantly. It would have been in the region of £130 million, had it risen each year since 2007 based on inflation. There has been a systematic reduction in that amount, however.

People in the south of Scotland are concerned about whether you intend to make further reductions in the HIE budget. If you do, that means that we will never get to the £42 million figure that your officials gave to the committee when talking about the anticipated budget for the south of Scotland enterprise agency.

Fergus Ewing: I am afraid that, again, I respectfully disagree with Mr Smyth. He pointed out in a press release that the budget for HIE was very high in 2007. He failed to point out that, in 2007, there was no business gateway, and Skills Development Scotland funding was entirely different. The nature of supporting economic development has substantially changed since 2007. You are comparing apples with pears, Mr Smyth.

Regarding the financial memorandum to the South of Scotland Enterprise Bill, I have clearly indicated why the budget is £28 million. The basis on which I set out and confirmed that in oral evidence when the bill was going through was very simple. The principle that we are applying here is that there should be broad parity in funding between HIE and the south of Scotland agency pro rata and per head of population. We are endeavouring to put that principle into practice, while recognising that we must of course scale up south of Scotland enterprise by recruiting staff. We are in the course of getting offices and taking on staff. That process is on-going. We have an interim chief executive and a chair, and we are moving to appoint a board and staff.

All that work is being done, but it will take time. New bodies need to walk before they can run, as everybody will recognise. However, the commitment to double the money for the south of Scotland—

Colin Smyth: It is not doubling it; it is for a different organisation. This is nonsense.

Fergus Ewing: I would hope that everybody would welcome it.

Colin Smyth: It is for a different organisation, convener.

The Convener: I do not think that you will get any further with the cabinet secretary on that, Colin, so we will move to the next question.

Jamie Greene: We are doing budget scrutiny on the rural economy, so I wonder if I could direct the attention of members and the cabinet secretary to the economic action plan, which I presume the cabinet secretary is aware of. That plan was originally produced in 2018, and a refresh was recently distributed to members.

I am trying to get to the bottom of this. A number of key initiatives within that economic action plan relate specifically to the rural economy. We have gone through the rural economy budget and indeed the entire Scottish budget for this year, but those initiatives are notably absent. I will point the cabinet secretary towards a couple of specific things, and he could perhaps enlighten me about how they will be funded. The first is the five-year food and drink export plan, which the economic action plan makes great hay with. The other is the creation of a food and drink academy. Where is the funding for those initiatives coming from if it is not in the coming year's budget?

Fergus Ewing: The Scottish Government support for both those initiatives—the export plan and the food academy—is provided through our food and drink budget of £6.6 million in 2020-21. The five-year export plan, in which we invest £500,000 per annum, is funded jointly with SDI and the industry. In the main, that programme supports the provision of 15 in-market specialists around the world. I have met almost all 15 of them, and they do a terrific job for Scotland. They are salespeople for Scotland's food and drink, I have met them on several occasions, and they are returning very large amounts of extra business for major Scottish food and drink producers. That is a great thing.

The reason why Mr Greene and other members may ask that perfectly reasonable question is perhaps that that component is a joint exercise with SDI, which has an export ambition and therefore recognises that food and drink is in the vanguard of exports, particularly given the success of Scotch whisky—at least until the recent Trumpian tariffs that were unilaterally imposed.

The food and drink academy represents a new programme that will be taken forward this year, in partnership with the industry. The principle of the programme is to provide intensive support to and collaboration with about 50 businesses with high growth potential. It is a very exciting programme. I could say a lot more, but I always like to be brief, so I will park it there.

The Convener: I welcome your brevity.

Jamie Greene: Thank you for clarifying that, cabinet secretary. I guess you are saying that we

do not need to look for a line in the rural economy budget for the plan, because it will be funded through the SDI line. Apologies: I have not had time to go through the budget and find that line to see whether it is up, down or flat.

Fergus Ewing: That is fair enough. The plan is a collaborative effort.

Jamie Greene: The industry will obviously play its part in that growth, too.

You have clarified that the funding for creating the food and drink academy will come from your budget. Is that the case?

Fergus Ewing: I can go and check that. Because we are in partnership with SDI, we did an overall deal. I was keen to press SDI to make a sizeable contribution to food and drink from its budget line. From memory, I think the amount is £20 million, so we got a fairly sizeable chunk of that after a bit of internal discussion.

The Convener: We look forward to getting clarity on where to find your portion.

Fergus Ewing: We will clarify that.

Jamie Greene: I am sure that you are more than capable of arguing your case for your element of that funding.

Fergus Ewing: Thank you.

Jamie Greene: Another part of the Scottish economic action plan is relevant to the rural economy: the £110 million in grant support for business research and development. Is there a line for that in the 2020-21 budget? Will rural businesses be able to access that support and, if so, how?

11:45

Fergus Ewing: In the 2017 programme for government, we set a target to double business spend on research and development from £870 million to £1.75 billion across the whole of government, between 2017 and 2025. To support that, we committed an extra £15 million on top of the £22 million already provided by Scottish Enterprise to support business expenditure on R and D. The £110 million that has been referred to covers the three years from 2018 to 2021. The additional £15 million for R and D comes under a national programme that is available to businesses across Scotland, and the baseline £22 million is part of the SE budget, not my budget, although our rural enterprise agencies will obviously support the activities concerned.

Jamie Greene: The Scottish Government has stated that it will develop a global climate emergency skills action plan—that has a nice, easy acronym. Is that plan under way already?

Will funds be allocated to it? Will that include upscaling the rural workforce so that they can play their part?

Fergus Ewing: I think it will be published in September this year, and I believe that Skills Development Scotland will be funding it. The initial plan's focus will be on those critical sectors that were identified in the 2019 programme for government. One of those sectors, obviously, is agriculture, with land-based skills coming under the action plan, so the answer is yes: we will be looking to play our part, as is correct, along with oil and gas, construction, hydrogen, manufacturing and a comprehensive plan to tackle climate change.

Jamie Greene: To summarise, the theme of my line of questioning is: how confident are you that the budget that you have been allocated for the rural economy will help the Government to meet the objectives that are set out in its economic action plan? Do you feel that you have been allocated enough resource and finance to play your part in helping to meet those objectives?

Fergus Ewing: Yes—broadly speaking, I am confident. The budget is a difficult one, for reasons I will not repeat but, broadly, I am.

Emma Harper: Turning to the skills that are required for our rural areas, some relevant issues have been raised this morning, with Scott Walker and Andrew McCornick talking about the UK immigration changes to be made for employees in our rural areas. Our rural skills depend on EU citizens working on our farms, crofts and rural areas. What does the cabinet secretary think about Scott Walker's comments? He tweeted this morning that the

“proposed new immigration system will not deliver the skilled staff needed for the farming, food and drink industries. We need a system that recognises the different regional requirements across the UK. Scotland-specific work permits would do that.”

I am interested in your thoughts on that. Andrew McCornick, the president of NFU Scotland, said that the announcement from the UK this morning was a “disappointment”. Our rural economy depends on our skilled EU citizens, does it not?

The Convener: Just before you answer that, cabinet secretary, you mentioned the matter of skills in your opening remarks. We are specifically examining the budget. I know that you want to answer that question, and I will give you some leeway. However, I ask you to be as brief as possible on this, please.

Fergus Ewing: Scott Walker and Andrew McCornick spoke very well, and I thoroughly endorse what they said on the radio this morning. I heard Andrew speak then, and there was also a press release. The matter is very serious.

I subsequently got an email from a very experienced forestry contractor, who said:

“Who’s going to clean the prawns landed in Peterhead? Who’s going to clean the hotels and serve the breakfasts? Who will assist in old folks homes? Who will plant the trees? Who will assist the tree nurseries? Who will work in the slaughterhouses? Who will work in the fish processing factories?”

I do not know the answers to those questions, because the rules that have been set are, frankly, a ligature around the rural economy.

The reason I said “broadly” in answer to the previous question is that, although I am broadly confident that our action plan can cope with the challenges ahead, what we cannot do is cope with impossible consequences of absurd policies imposed from London on who can be in Scotland that are quite repugnant to most people in Scotland, as Ben Macpherson has eloquently said in the media over the past 24 hours.

Emma Harper: I asked that question because we are trying to better understand the skills that rural employers need, so that we can provide individuals with accessible education and skills, and upskill and reskill the current workforce. That is especially important if there are going to be challenges finding employees. The actions required may need resources, so this is indeed a budget-related question. How will we fund that upskilling and reskilling and support wider education and skills development?

Fergus Ewing: At the south of Scotland convention, which met a few weeks back, I and the Deputy First Minister and other ministers addressed that point with representatives of colleges and universities in the south of Scotland. We have already provided £6.7 million through the south of Scotland economic partnership to support the skills and learning network there. We can do much more, building on that good work in the south of Scotland, working with those who are helping young people and equipping them with skills in areas such as forestry and farming. The Ringlink scheme is a good one, for instance. There is also work going on in textiles. We are doing and will continue to do a lot of good work in that regard.

I am excited about the south of Scotland enterprise agency. We are delivering it for the south of Scotland, it will be there, it will have double the budget, and it will have committed, enthused people working to regenerate the south of Scotland economy. In particular, it will look to help with the skills challenge, especially for younger people, so as to allow more of them to stay in the south of Scotland—they will not necessarily have to leave their native heath to find work elsewhere.

The Convener: The next questions are from Peter Chapman.

Peter Chapman: Sorry—is that right?

The Convener: Have I missed someone? I have. I was just seeing whether you were following, Peter—and you were following better than I was.

Next on my list is in fact Stewart Stevenson. Gosh—I will pay for leaving him out.

Stewart Stevenson: Not at all, convener.

I have a couple of questions that relate to some of the practicalities around our having left the EU. I will ask both questions together, although they are different.

The first is simply about what provision there is in the budget and what related work is being undertaken under your portfolio to replace some of the functions that are currently fulfilled by the EU. One example is the oversight of permissible pesticides, which falls within your interests.

The other point is in the same domain, but it is a different question, and it is of particular importance to the three of us here who represent areas in the north-east. It concerns the need for additional certifying officers for export health certificates for fish exports. I recognise that that falls under trading standards services, which are provided through local authorities; I simply ask whether the Government is working with local authorities on that particular issue. It is a substantial issue for the north-east, where figures for the number of export health certificates that will be required in the future vary from as little as four times as many to as much as 10 or 12 times as many.

Fergus Ewing: There is quite a lot in there. Generally, processes that have been carried out at EU level by the likes of the European Food Safety Authority up until now have to be converted into national processes. That is a post-Brexit process that has not yet begun.

The Health and Safety Executive has a role to play. It is a reserved body, as members will know. There is an expert committee on pesticides to inform the longer-term approach with scientific advice. I think that the consultation on that is not due to take place until the end of the transition period, so that may not necessarily have budgetary consequences in this coming financial year.

Broadly speaking, we do not have a budget for things that were done at an EU level. We do not have staff for them, we do not have a budget for them, and there is no plan for them. Those are all post-Brexit issues, and I do not know that I can add too much more on that.

On the issue of EHCs, I have been spending a huge amount of time, quite rightly, with representatives of the fishing industry and fish processors, in Mr Stevenson's constituency and elsewhere. The DFDS facility in central Scotland is a hub of excellence. I have visited it, and we are working closely with South Lanarkshire Council, which has a speciality in this area. It will need more compliance officers. The estimate is that there may be a need for a couple of hundred thousand EHCs, with an estimated cost of between £7 million and £15 million. Incidentally, the impacts for Northern Ireland could be even greater.

Sticking with Scotland, we have said to the UK Government that we are talking about a Boris Brexit bill, which is directly resultant from the UK Government's decision to eschew dynamic alignment with the EU. All it had to do was to agree to dynamic alignment with EU regulations. Then, there would have been no need for EHCs. Because the UK Government is not doing that and because it wants a different type of regulatory regime model, that cost will arise.

On Monday of this week, in congratulating the new Secretary of State for Environment, Food and Rural Affairs, George Eustice, on his appointment, I asked him whether the UK Government would pick up the tab for a Boris Brexit bill. The answer is no: businesses will have to pick up the tab. I suspect, sadly, that that is just the first of many such instances.

It is not just that: the sheer extra bureaucratic impost of all those export health certificates is troubling, as is the issue of delayed delivery of perishable goods to European markets in what is an extremely sophisticated, just-in-time delivery system. I am afraid that the answer is quite a gloomy one, and I am seriously worried about the north-east economy and the impact on processors, especially in the shellfish sector on the west coast and the inshore sector; this is a very hot issue.

I am very disappointed that the UK Government's initial view is that it will not pick up the tab for that bill that it has created. It seems illogical and unfair, but perhaps it will be forced to do a U-turn on that at some stage in the future. I thank the convener for allowing me to air that point today, because it is very serious indeed.

Stewart Stevenson: The cabinet secretary mentioned the DFDS facility in Lanarkshire. One issue that I have been made aware of but which I do not fully understand concerns situations where containers contain goods from multiple suppliers. The administrative arrangements for that are very unclear, as are the financial implications. Is that a subject on which you are working?

Fergus Ewing: Yes. A particular risk arises with a lorry that is carrying 20 different individual consignments, for example. If there are 19 valid EHCs but there is one that is not valid or is absent, what happens to the other 19 consignments? Do they get to go through, or is the whole consignment held up? That is the sort of practical worry that businesses are grappling with—unnecessarily.

The Convener: I will now turn—I hope that this comes as no surprise—to Peter Chapman, who has the next question.

Peter Chapman: Heart attacks aside, I will get on to my questioning now.

My understanding is that the cabinet secretary previously set out that £90 million of convergence funding would be distributed in 2020-21. However, the budget documents show that £95.7 million has been allocated for the coming year. Where has the additional £5.7 million come from, and what will it be used for?

Fergus Ewing: I think that there has been an element of confusion here. Let me try to clarify the matter—although I did make this clear in Parliament, I think on 23 January, in a statement or in comments in the chamber. We will be distributing the first tranche of the convergence money in this financial year—2019-20. The total sum earmarked for that is £90 million.

For the next financial year, which is what we are talking about today, the residue—which is a separate pot—is £70 million of the historical convergence moneys, subject to one technical caveat concerning the first tranche of the Bew money. There is the historical convergence money of £160 million—£90 million this year and £70 million in the budget year 2020-21, which is the year that we are considering. Alongside that, there is the additional money that Lord Bew recommended should be applied to Scotland, which is £25.7 million, with a further £25.7 million in subsequent years.

12:00

It is easy to be slightly confused on this point. I hope that that sets out the overall position accurately. I am looking at my officials to make sure that I have done that—I think that I have.

The convergence money for this year will be paid by the end of March. I stress that all recipients, perhaps including some of those present, will happily receive their first payment before the end of this financial year. That might help them, for example, to make investments in taking steps on climate change, and I recommend that they do so. They are free to access our agricultural modernisation fund of £40 million. It is

good to have the opportunity to make those constructive points this morning.

Peter Chapman: You mention the Bew funding. Have you identified how that money may be utilised?

Fergus Ewing: No decision has been made as to that. I do not want to be picky, but I return to one technical caveat to which I have alluded: that the letter that we received from the then Chief Secretary to the Treasury, who is now Chancellor of the Exchequer, which confirmed our allocation of funding, did not specifically reaffirm the UK Government's commitment to the £25.7 million, nor indeed did it confirm the second tranche of historical convergence money. We have made allowance for receipt of that in our budget plans because of the pre-existing commitment from the Prime Minister, which was given in a statement to the House of Commons. I am not making a political point here, but we need to get confirmation of that, which I hope will come in the UK budget, whenever that is.

Peter Chapman: You have announced that the convergence funding will be used to fill the £22 million hole in the less favoured area support scheme budget, to provide additional resource of £15 million for voluntary coupled support schemes, and to support farmers in regions 2 and 3 with an additional £10 million on top of additional direct payments distributed to every farmer—but capped at £55,000 per recipient. Does that account for the full £90 million of previously announced convergence funding?

Fergus Ewing: I think that I previously went over the breakdown of the figure. Incidentally, I would not characterise the issue of the LFASS budget as a whole in that way. In effect, we have made a top-up to the level of support that hill farmers are generally able to receive. That was the specific commitment that I made and that I said I would do my best to deliver.

Broadly speaking, the figures that have been mentioned are correct. I would have to go back to my earlier statements to Parliament, but there is £15 million for voluntary coupled support, with the additional £10 million to be applied to regions 2 and 3 following representations from stakeholders—particularly the Scottish Crofting Federation. I am very pleased that we are able to make the payment swiftly, before the end of this financial year. The intention, of course, is that the second historical convergence money tranche of £70 million will be applied in the next financial year. I reiterate that that money is ring fenced for the farmers and crofters who are entitled to it. I take the opportunity to reiterate that important assurance.

I am sure that we will return to further analysis of the matter, and we will of course keep the Rural Economy and Connectivity Committee fully informed.

Angus MacDonald: Let us turn to the subject of agricultural business development and advice, particularly with regard to SRDP schemes. Level 4 budget figures indicate that business development resource and business development capital have reduced by 14.3 per cent and 8.7 per cent respectively in cash terms. That amounts to a £2.1 million reduction in total. We need some clarity on which SRDP schemes are included in those budget lines. Which SRDP schemes are included in the business development resource and business development capital budget lines, and which schemes have had their budgets reduced?

Fergus Ewing: The schemes involved include the small farms grant scheme, which is a non-crofting counties equivalent of the crofting agricultural grant scheme—CAGS—as well as the Farm Advisory Service, measures for new entrants and the knowledge transfer and innovation fund, covered by the business development resource. The new entrants measures, the crofting agricultural grant scheme and the food processing, marketing and co-operation grant scheme are covered by business development capital.

As the member says, the business development budget has been reduced by £2 million, excluding financial transactions. Spending is front loaded, and the budget reflects the forecast spend under those schemes. That is part of the explanation.

The budget has been reduced for the small farms grant scheme and the Farm Advisory Service. Those schemes have committed the full SRDP allocation of £22 million over the past four years, including around £13 million in support of more than 250 new businesses. Those are indicative budgets, and we will continue to monitor scheme performance, along with the impact of future spending reviews, to ensure that the SRDP continues to develop and build growth across rural Scotland, as far as it is within our power to ensure that.

I have covered quite a lot of ground there, and I hope that I have answered the member's question.

Angus MacDonald: The situation is a bit clearer, but not much.

The Convener: You have another question to ask, so you can delve deeper.

Angus MacDonald: It will be good to look back at that response in the *Official Report* and give the matter some further thought.

Given the continuing challenges with Brexit and the need to respond to the climate emergency, has the Scottish Government considered that

there may be a need for increased funding for expert advice, business innovation and knowledge transfer? I am looking back a few years to when there were officers on the ground, giving down-to-earth advice. It would be good to get back to that at some point, particularly in relation to what individual farmers and crofters can do regarding the climate change emergency.

Fergus Ewing: The member makes a very fair point. Quite a lot of advice is provided by people who get out and about; it is not all online, office based or given over the telephone. Some advice is provided directly. Mr MacDonald's point is well made, however. The Farm Advisory Service provides support to farmers and crofters, and we are currently exploring the option of extending the service contract to the end of 2021, which will ensure continued support. In addition, we have allocated £40 million to the agricultural transformation programme. Those measures are broadly intended to enable us to meet the target of net zero, to improve environmental sustainability and to support land use change.

Mr MacDonald has raised a very important point. If we want farmers to farm more sustainably, there is a need for concomitant relevant advice to be provided. In principle that is correct, and I am happy to state that that will be necessary, not least because we might well be asking farmers and crofters to do things that they might be unfamiliar with—or they might be unfamiliar with the need for the execution thereof, the benefits of the measures or the approach that is to be taken.

That will all take time, and it will need to be done methodically and carefully, taking farmers and crofters with us on the journey and winning hearts and minds. That is the approach that we are trying to take. Advice at a certain stage will be critical, and I am therefore happy to give an undertaking that we will continue to consider the matter very carefully. Extending the option of the Farm Advisory Service contract to 2021 will help initially, I think.

Mike Rumbles: Can the cabinet secretary tell the committee which budget line the funding will come from to deliver the pilots under the anticipated bespoke system for agricultural support for Scotland's rural economy, which is being worked on at the moment?

Fergus Ewing: Where the funding will come from will depend on the nature of the pilot. It could come from existing budgets such as the agricultural transformation fund or, potentially, from the fund arising from the Bew review, noting the figures that we referred to earlier.

Some pilots will be under way in 2020. Scottish Natural Heritage is piloting an outcomes-based approach to agri-environment support, and I

expect that more pilots will be rolled out in 2021 and 2022. The answer to the question is that the funding could take a variety of different routes, depending on the nature of the pilot and what objective it was seeking to pursue.

Stewart Stevenson: Going back to fishing, I will ask some of the questions that I have in front of me. In particular, I will focus on where funding might come from to support our fishermen and fish processors in the event that there is a trade deal that is adverse to their interests—given that the Prime Minister's reneging on previous commitments to stay in the single market and the customs union seems extremely likely. Where is the support going to come from, and how will it be delivered?

Fergus Ewing: We knew where we were with the European maritime and fisheries fund, which was an invaluable source of funding for Scotland over a number of years. The EMFF and other pillar 2 funding—other funding for areas that were formerly funded by the EU—was, in principle, to be replaced by something called the shared prosperity fund. However, beyond those three words, no one really knows what that is. There was a small announcement of additional funding from the UK Government—from Mr Gove, when he was at the helm—but I understand that that has been less than what was available from the EU.

The main point is that, generally, EU funding for farming and fishing was allocated for a seven-year period, and that long-term planning seems to be being replaced with a one-year, year-to-year plan. Most rural economy pursuits are long-term businesses, with investment required over more than a year and involving projects that take longer than a year, such as building a new fishing vessel or developing a new drainage or agri-environment climate scheme. Those things are not generally done in 12 months. The move from a seven-year plan and budgeting period to one-year, annual budgeting is disastrous. I think that the UK ministers recognise that, but the dead hand of the Treasury prevails.

Stewart Stevenson: On a separate issue, you are continuing to support the addition of vehicle monitoring systems across the inshore fisheries fleet. That is an important safety measure as well as a monitoring measure. Where is the finance for that coming from? Do you expect to continue to increase the scope of VMS?

Fergus Ewing: I will double-check this, but I believe that that is already funded through the EMFF, so no additional funding is required in the next financial year. With the permission of the Parliamentary Bureau, I hope to provide some details about that next week in a statement on inshore fisheries—if the Parliament agrees to that.

The measures will bring a transformational benefit for safety, traceability and sustainability, and I am very excited about that. We are making good headway, and I hope to share some more information about that fairly shortly in Parliament, if I have the opportunity to do so.

Peter Chapman: I have a specific question. I am sure that you are aware of the Scottish Maritime Academy in Peterhead and of the role that it plays in training fishermen and skippers and in promoting safety at sea. There is an issue with funding there, too. Can you throw any light on the continued funding of the academy and on funding to train fishermen in the future?

12:15

Fergus Ewing: I will be happy to look into that matter if the member writes to me. I suspect that that might involve my colleagues, but I am happy to look into the individual issues, and I would be keen to see the good work that is being done at the academy continue, because it is obviously important for the sector.

The Convener: Another swift constituency question there from Mr Chapman.

Peter Chapman: A very important one.

The Convener: Indeed. You will encourage other members, no doubt.

John Finnie: The climate emergency response group recommended that £100 million be allocated to supporting agriculture to transition to net zero emissions, but the budget allocates only £40 million to the agricultural transformation fund. Can you clarify why that is?

Fergus Ewing: Yes, I hope that I can. We are allocated money on an annual basis, not a multiannual basis, and we have to work within those confines. Having said that, I was able to make a strong case for the agricultural transformation programme, and the £40 million that was announced on 7 February is a very substantial contribution, which will allow farmers, crofters and rural land managers to farm more sustainably.

We are not doing nothing at the moment. As Mr Finnie well knows, we are investing heavily in forestry, and the target for peatland restoration was smashed last year. I could also mention on-farm renewables, better slurry and manure management and improved grassland management.

Regarding the existing funding, about a third of the total pillar 1 and pillar 2 funding is attributable primarily or solely to green or environmental schemes such as AECS and forestry schemes. Livestock farming supports permanent grassland,

so support for farmers under LFASS or basic payments also contributes to good, sustainable practice.

Of the more than £500 million in total funding, a good chunk—around a third, or more than £100 million—is already attributable to environmental measures. Perhaps there is not a focus on that, however, and it is acknowledged that, for the greening component of pillar 1, for instance, more work could be done to ensure that the outcomes that we want are being delivered.

I am pleased with today's announcement of the £34 million investment that is going to the new agri-environment climate scheme applicants who were successful in the 2019 application round. I am pleased again to be the bearer of good news.

John Finnie: I readily acknowledge that we are not starting from a baseline of nothing happening and that a lot has been taking place.

On the agricultural transformation fund specifically, do you envisage that additional funds will be forthcoming in future years? What do you envisage the allocations being spent on? Will the interventions be in the form of grants, loans or a mixture of both?

Fergus Ewing: There will be a mixture of grants and loans, which will be spent on a variety of things. We are working on the details of that at the moment. I have mentioned some of the areas concerned—agri-environment, forestry, better slurry management and soil improvements.

An awful lot of farmers are already doing good things, so it is important to avoid the impression that farmers are doing nothing. Emissions have been going down for a while, which is a good thing, and a lot of good practices are being followed. We recognise that monitor farms are doing great work. Many farmers are pursuing agri-forestry schemes and many more want to, and they will now have the opportunity to do so.

Incidentally, the money has to be dealt with this year, so it is obviously a matter of priority that we bring forward details of the scheme reasonably swiftly, although it will take several months to devise the appropriate scheme. I have given some indication of the types of scheme that have been mentioned. I want to ensure, however, that we are not delimiting things unnecessarily or being overly prescriptive. An element of flexibility in the scheme, perhaps for considering projects of which we are unaware, is always desirable in order to prevent any exclusion of projects that could make a contribution to lower-carbon farming.

The Convener: Emma Harper is next. I ask her to be brief, as I do not want to have to cut down the deputy convener—I may pay for that remark at a later date.

Emma Harper: Sure—I will be quick.

I agree that we need to highlight as a good-news story the good work that farmers and crofters are doing to mitigate climate change.

The agricultural transformation fund, which John Finnie asked about, is funded by loans. I am interested to know how those loans will be repaid and what the terms will be. How does the agricultural transformation fund align with, or even complement, the Scottish national investment bank?

Fergus Ewing: I understand that the bank is intended to provide financial assistance for commercial activities that will be carried out by a wide range of non-public sector bodies including businesses, housing associations, universities, social enterprises and third sector bodies. The bank will also have a wider role, and I want to ensure that any funding that is offered through financial transactions via the agricultural programme will not double-fund activities—that would not be appropriate—nor offer products that compete with the Scottish national investment bank.

As to the costs, we are examining the terms of loans that could be made under those financial transactions. We have to consider state aid implications, the ability of those who receive loans to repay what is borrowed, the length of the repayment period, the interest rates that would be applicable and the type of projects that would be funded. All those factors need to be considered carefully, as with any other public finance scheme, to ensure that value for money is secured while benefit is provided to the applicants.

The Convener: We will now have questions from the deputy convener, Maureen Watt.

Maureen Watt: I understand that the rural economy portfolio is the third-highest-emitting portfolio and the most carbon intensive. Has there been any analysis of how the agricultural modernisation fund is intended to bring down the carbon intensity of that portfolio in terms of emissions per £1 spent?

Fergus Ewing: I am no expert on the statistical analysis, but it is a bit unfair to characterise the rural sector as the worst offender. First, it should be acknowledged that an awful lot of progress has been made over the years, thanks to the many farmers and crofters involved.

Secondly, although the sector is, indeed, an emitter, it is also a sequesterer. I am told that agricultural use is responsible for sequestering 9.7 megatonnes of carbon dioxide equivalent; however, that does not give the whole picture, because there are benefits in respect of carbon sequestration and carbon sink through tree

planting and peatland restoration, for example. My point is that things have to be considered in the round.

Our ambition is to go further, which is one of the reasons I invited the former NFUS president, Jim Walker, to set up a beef group on the climate. The group met on Monday this week, and it is due to report in March. It is working with bodies such as WWF, which recently produced an independent report that I discussed with representatives of WWF yesterday.

There is more to be done, and we are up for it. This is a very green budget. I know that Mr Finnie and his colleagues will be agog with enthusiasm in their desire to ensure that the budget is passed as quickly as possible, so that we can get on with it and get things done.

The Convener: I will come back to the deputy convener, because Mr Finnie is lost for words for the moment.

Maureen Watt: I take your point about the agriculture sector being a sequesterer as well as an emitter, cabinet secretary, but the Climate Change (Emissions Reduction Targets) (Scotland) Act 2019 requires the Scottish ministers to develop

“a whole farm approach to emissions accounting”

and to set out

“proposals and policies regarding ... the reduction of Scottish whole farm greenhouse gas emissions through the use of ... research ... knowledge transfer and advice”.

How will those interventions be funded? One of the climate change plans contained an objective to deliver a nitrogen balance sheet for Scotland, but that is not specified in the budget proposals. How will that be funded, and how will it fit in?

Fergus Ewing: Maureen Watt is correct in saying that we have not yet identified precisely how that objective will be funded, but that task will be carried out in the course of the year. We are, indeed, committed to establishing a nitrogen balance sheet. I understand that that work will touch on a number of portfolios, so the work of identifying who pays will have to be done concurrently, across portfolios, to ensure that the measure does what it is intended to do. It is a pan-Scottish Government development; it is not simply for this portfolio.

You are right in saying that the proposal is not identified in the budget, but that is because we have not yet embarked on the task of devising it, and it will be a cross-directorate task. We will have to work out who should pay, how the cost should be shared and so on. That will depend on the nature of the costs, which I hope will not be enormous.

Maureen Watt: The UK Committee on Climate Change recommended reducing food waste and the consumption of the most energy-intensive foods. In its climate change plan, the Scottish Government must set out proposals to reduce emissions associated with consumption in Scotland. That should be set in the context that Scotland's beef production accounts for only 0.3 per cent of the total world production, while the figures for lamb and pork are even lower. Has the Scottish Government committed any spend towards that aim?

Fergus Ewing: Zero Waste Scotland, which is the primary body for dealing with that issue, does not lie within my area of responsibility, but you are absolutely right in everything that you say: the target is to reduce food waste by a third by 2025. We have an action plan that says how that will be done. As I say, that does not come under my portfolio, but we obviously welcome the work that the delivery body, Zero Waste Scotland, is doing.

The role of the rural economy portfolio is plainly to provide healthy food—including for kids, through the food for life programme. Food for Life Scotland does great work in schools, including in Crown primary school, in my constituency, which I have visited. More local authorities are signing up to that programme, which involves good, locally produced fresh food and fresh meat as opposed to processed meat. Those are all good things, and we are working with public bodies to encourage procurement officers to do more on that issue.

We have already increased the range of procurement from Scotland by about 10 per cent. That is on-going work with our partners in local government.

Farm visits help to inculcate knowledge about healthy food among children, which is a good thing. Bodies such as the Royal Highland Education Trust and the Royal Highland Show help tens of thousands of children to learn about farming and healthy food.

I could go on but, as you will know, convener, I always want to be brief.

The Convener: It certainly concerns me. That is at least the second time today that you have said that.

I must apologise, because four members—Angus MacDonald, Richard Lyle, Jamie Greene and John Finnie—had questions that we are not going to get to. Those questions, which the members notified me that they wanted to ask, will be submitted as written questions to the cabinet secretary.

I am afraid that we have come to the end of our evidence session, taking into account the early sitting of Parliament this afternoon. I thank the cabinet secretary and his officials for attending the meeting.

Meeting closed at 12:30.

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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