

EUROPEAN AND EXTERNAL RELATIONS COMMITTEE

Tuesday 20 December 2005

Session 2

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EUROPEAN AND EXTERNAL RELATIONS COMMITTEE

19th Meeting 2005, Session 2

CONVENER

*Linda Fabiani (Central Scotland) (SNP)

DEPUTY CONVENER

Irene Oldfather (Cunninghame South) (Lab)

COMMITTEE MEMBERS

*Dennis Canavan (Falkirk West) (Ind)
Mrs Margaret Ewing (Moray) (SNP)
*Phil Gallie (South of Scotland) (Con)
*Mr Charlie Gordon (Glasgow Cathcart) (Lab)
*Mr John Home Robertson (East Lothian) (Lab)
*Gordon Jackson (Glasgow Govan) (Lab)
*Mr Jim Wallace (Orkney) (LD)

COMMITTEE SUBSTITUTES

Ms Wendy Alexander (Paisley North) (Lab)
Derek Brownlee (South of Scotland) (Con)
Richard Lochhead (North East Scotland) (SNP)
Nora Radcliffe (Gordon) (LD)

*attended

THE FOLLOWING GAVE EVIDENCE:

Dr Andy Bishop (Scottish Executive Enterprise, Transport and Lifelong Learning Department)
Diane McLafferty (Scottish Executive Enterprise, Transport and Lifelong Learning Department)
Allan Wilson (Deputy Minister for Enterprise and Lifelong Learning)

CLERK TO THE COMMITTEE

Alasdair Rankin

ASSISTANT CLERKS

Nick Hawthorne
David Simpson

LOCATION

Committee Room 1

Scottish Parliament

European and External Relations Committee

Tuesday 20 December 2005

[THE CONVENER opened the meeting at 14:00]

Proposed European Institute of Technology

The Convener (Linda Fabiani): Welcome, everyone. I will start the meeting, as it is now 7 minutes past 2—

Mr John Home Robertson (East Lothian) (Lab): Seven seconds.

The Convener: Sorry—seven seconds. Welcome to the committee's 19th and final meeting this year. I have apologies from Margaret Ewing and Irene Oldfather.

For the first two agenda items, we will take evidence from the Deputy Minister for Enterprise and Lifelong Learning, Allan Wilson, whom I thank for coming. The first item is the proposed European institute of technology, after which we will discuss the implementation of structural funds programmes in Scotland.

For the first item, Mr Wilson is accompanied by Dr Andy Bishop from the higher education and science division of the Executive's Enterprise, Transport and Lifelong Learning Department. Members will remember that we have discussed the issue several times at recent meetings. Paper EU/S2/05/19/1, which has been distributed, summarises the background and our correspondence with the Executive, which culminated in the minister's offer in November to meet the committee to discuss the matter further.

We are interested primarily in hearing from the minister the Executive's views on the proposed institute and what contribution the Executive has made or will make to the United Kingdom Government's consultation. I do not propose to spend too much time on the issue, but quite a lot of interest has been shown in it. That includes support from universities and colleges, Scottish Enterprise and the Federation of Small Businesses, so it will be interesting to hear the Executive's perspective.

I invite the minister to make opening remarks, after which we will ask questions.

The Deputy Minister for Enterprise and Lifelong Learning (Allan Wilson): Given that there is limited time at the committee's disposal, I

will be brief to allow more questions to be asked. I will summarise where we stand.

We welcome the consultation on a European institute of technology. We support the European Commission's vision of aiming to strengthen the potential of Europe as a whole in research and technological development. It is important to note that the Commission's consultation seeks not bids to establish an EIT, as has been suggested in some quarters, but views on what form—if any—such an institute should take.

We fully agree that a network of existing institutions would be preferable to creating a new institution. The convener mentioned a few stakeholders, principal among which are Universities Scotland, the Royal Society of Edinburgh and the Scottish Further and Higher Education Funding Council. They are cautious about the concept and are obviously concerned that an EIT could attract European Union funds that would otherwise go to other research, which might leave such research strands devoid of support and assistance.

That is our general position. I am happy to answer questions on anything that arises from that. We have made known our view to the UK Government and, through it, to the Commission.

The Convener: Would Dr Bishop like to add anything?

Dr Andy Bishop (Scottish Executive Enterprise, Transport and Lifelong Learning Department): No; that is fine.

The Convener: The minister said that bids were not being sought for centres, of which the preferred proposal suggests that there will be five. However, I know that institutions—the University of Edinburgh is one and the University of Cambridge is another—have responded to the consultation with requests for consideration as sites. Some member states have also written to ask for their institutions to be considered. I have read the UK's response to the consultation. Unless it does so in additional papers that have not been circulated to us, I do not believe that the UK Government has requested that anything be sited in Scotland or in any other part of the UK. Has the Executive considered the potential for economic benefits from having a centre, should the institute go ahead?

Allan Wilson: What we have done—wisely—in discussions with the UK Government and other stakeholders is to respond to the questions that the Commission asked. The principal question is not whether the institution should be sited here or anywhere else, but whether the overall idea is a good one. The response to that question has been mixed. Some prominent stakeholders are opposed to the whole concept, irrespective of its potential

location, while others have expressed a positive interest in its development. We have fully engaged with the UK Government and the Commission over the most important aspect: developing the concept. If the EIT were to be established in whatever format, our existing technological and research base would set us in very good stead to be strong participants in any future development.

The question is not—and neither should it be—where our economic interest lies. Instead, we must find the best format for further developing our common research base. I believe that such a format will involve a process of collaboration and co-operation rather than of competition with other member states.

Mr Home Robertson: I suppose that this is a question of tactics, and I acknowledge the minister's comment that people in science institutions and universities think that establishing a European institute of technology might not be the best approach—as mere politicians, who are we to argue with that position? However, given how European investment and ideas tend to evolve, such a position could be overtaken. If it looks as though the institute will be established, it will be an awful pity if Britain—never mind Scotland—is seen to be dragging its heels and saying, “We don't like this thing.” How is the Executive positioning itself on the matter tactically? After all, Edinburgh has an important and successful bioscience cluster—indeed, many people would say that it is a centre of global excellence—and is the obvious place to establish such an element of the EIT. As I say, it would be a pity if we missed such an opportunity.

Allan Wilson: We are fully aware that, as policy develops, we must be integral to the process—and indeed that is the case. We are working hand in glove with institutions and their representative organisations to ensure that the Scottish interest in this matter is protected. However, we must work with the institutions and take on board their reservations about the process. Indeed, two of the institutions that the convener mentioned—Cambridge university and Edinburgh university—are party to a response that is extremely sceptical about the development. I give John Home Robertson the commitment that if the EIT concept turns into a firm proposal—which, if it happens, will probably do so between now and the spring European Council—I will work actively with the Scottish institutions to establish how our higher education sector can benefit from the initiative.

I realise that there are many hypothetical ifs and buts in all of that—

Mr Home Robertson: Of course. That is the trouble.

Allan Wilson: I assure you that, if there is an opportunity for the Executive and our higher

education institutions to participate in and benefit from the process, and if all the existing reservations are overcome, we stand ready to assist.

Phil Gallie (South of Scotland) (Con): As the papers make clear, one attraction of the institute is that if it were to be established and if one of its arms were to be in Scotland, considerable extra funding would be available. That is fine, although funding is not currently available to allow certain European initiatives to spread their wings. Nevertheless, the idea is very good. Indeed, as John Home Robertson has pointed out, certain elements exist in the way that some universities already co-operate with each other. Would not it be reasonable for Scotland now to go it alone and to set up its own institute of technology with the universities' involvement? After all, if that happened and the European Commission went ahead with the measure, we would be in a really strong position to claim the additional funding.

Allan Wilson: I am sure that you would be the first to agree that it would be of no benefit to research and technological development more generally if Peter were to be robbed to pay Paul and we were to establish a European institute of technology that was funded by denuding other research programmes of much-needed resources. Therefore, our position—and, indeed, that of the institutions and research bodies more generally—is that moneys for the EIT should be additional to moneys for the proposed European research council, for example, and the positive programme of research that the European Union supports, much of which is in the UK.

The UK—and, within the UK, Scotland—is undoubtedly well positioned in the field. I mentioned the University of Edinburgh and the University of Cambridge, both of which have established links with, and collaborate with, the Massachusetts Institute of Technology. Our general research base is very well placed to benefit from any development towards an EIT and, I submit, would be in the forefront of such a development. I also submit that the European Commission and the relevant commissioner will take seriously the views of the higher education institutions and their representative bodies in this country in developing the proposal, because those institutions and bodies are well respected and are key players in the UK as in other developed nations of Europe.

Phil Gallie: Some of the universities replied positively to the committee when it contacted them about the proposed EIT. Have any of the universities made separate approaches to the Scottish Executive urging that it make interested submissions?

Allan Wilson: I am told that they have not. As I said in my preamble, we have involved stakeholders—principally, Universities Scotland as the representative of the institutions, the Royal Society of Edinburgh and the Scottish Further and Higher Education Funding Council. They all have concerns and are cautious about the proposed EIT, not least because of the funding issue that you raised. We anticipate taking forward the proposal in that way.

Mr Jim Wallace (Orkney) (LD): You have answered most of the questions that I was going to ask. You mentioned the European research council; how do you envisage that an EIT would interact with a European research council? Does last week's budgetary agreement allocate any more funds for research or would funding the EIT be a case of trying to divide the same cake or, even, a smaller cake more thinly?

Allan Wilson: Strangely enough, I asked that second question myself before I came to the committee. I am told that, although the figures in the most recent budgetary discussions have not been finalised, there has been no change to framework research funding, so there will still be the same amount of money for framework 7 as was originally proposed. Beyond that, there is no additional cash for the EIT—Dr Andy Bishop will correct me if I am wrong on that—so the big question of how it will be funded is still to be answered, which is one of the reasons why Scottish institutions and others are cautious about its establishment.

That said, we are positive about the concept. We have encouraged, and succeeded in getting, a positive UK response to the proposal. We would want its work to be complementary and supplementary to the work that the research councils do. If that could be achieved, we would consider the EIT to be a positive idea that we could develop. However, it cannot be top-down; it must be bottom-up. It is not about bricks and mortar; it is about building on the existing collaborations and networks—within which we are well placed—to add value to the process.

Mr Wallace: Are we discussing the creation of a virtual institute or would there be bricks and mortar somewhere? Would it use existing bricks and mortar?

14:15

Allan Wilson: The short answer is that we do not know. That may become clearer in February or thereabouts, when the Commission publishes its responses to the consultation and the conclusions arising from it. My firm view, which I know you support, is that we must take a bottom-up approach. We cannot impose an institute of

technology on existing higher education institutions. We must take what is there, build it and mould it into something that will add value to existing research.

Mr Wallace: I endorse the view that we cannot just conjure up a centre of excellence.

Allan Wilson: Precisely.

The Convener: I was interested that you said that you are glad to have received a positive response and that you worked for that in your submission to the UK Government, which then made a submission to the Commission. Are you happy that the UK response accurately reflects what would be best for Scotland?

Allan Wilson: Yes. We have worked very constructively with the UK Government to produce a positive response. We have flagged up the concerns of the individual institutions in the sector and the big questions of how the institute should be financed. In the event that a positive proposition is advanced, we are well placed both in Scotland and in the UK more generally to ensure that our interests are well represented. I am positive about the UK Government's response and our role in future policy determination in this regard.

The Convener: When I read the material that the Commission produced, I could not find anything particularly definitive about how the institute would be funded. One could interpret it as saying that there would be no effect on current research and development funding; one could also interpret it as saying that funding for the institute would come from the existing stream. Have you heard anything further from the UK Government or the Commission about how exactly the institute would be funded?

Allan Wilson: No.

Dennis Canavan (Falkirk West) (Ind): In your discussions with the UK Government, have you conveyed the concerns of Universities Scotland, the Royal Society of Edinburgh and the Scottish Further and Higher Education Funding Council? Has the UK Government taken those concerns on board and responded to allay them?

Allan Wilson: The concerns of the Scottish higher education institutions and their representative bodies are replicated in institutions in England, such as Cambridge university. The higher education sector, its representative bodies, the Scottish Executive and the UK Government have a common approach. We want to ensure that the perspective of the UK and its research institutes is taken on board by the Commission and that whatever comes out of the consultation takes account of the institutes' concerns. That is what we and the UK Government have been

doing. A copy of the UK Government's consultation response has been placed in the House of Commons library. We have not seen the rest of the responses and I suspect that we will not see them until next year.

Dennis Canavan: Is it conceivable that the Scottish Executive could take a different line from the UK Government on this matter?

Allan Wilson: That is always conceivable. As you know, representations to the Commission are a matter reserved to the UK Government. However, I see nothing other than a commonality of approach between us. Research institutes and the higher education sector more generally work collaboratively and co-operatively across national boundaries in any case. There are already collaborations between institutions north and south of the border, which have a commonality of interest. This proposal will not necessarily change that.

Phil Gallie: I want to pursue your last comment. It was always my understanding that there was co-operation and co-ordination between institutions. Why is a European institute of technology needed? The University of Edinburgh's links with the Massachusetts Institute of Technology were mentioned. Could such links with institutions beyond Europe's borders put us at a disadvantage with respect to the proposed EIT?

Allan Wilson: I agree with most commentators and those who are involved in the field that a European institute that replicated the groundbreaking work of MIT would benefit our research base and global competitiveness. Such an institution could seek to redress Europe's failure to turn good research into commercialised products—that is a common feature across European boundaries. If the EIT was successful in securing a better commercialisation of existing research, that would be a bonus. Such a positive development would be good not only for Europe but for the UK and our global competitive position.

Mr Charlie Gordon (Glasgow Cathcart) (Lab): It is early days but, given that John Home Robertson mentioned Edinburgh as the obvious city in which to site such a facility, I point out that Glasgow has a thriving bioscience park that is headed up by the University of Glasgow and an expanding information technology science park that is headed up by the University of Strathclyde. However, I do not believe that we should necessarily reach for the pork barrel either in the early days of the project or later on.

I am gratified that the minister has said, in effect, that if the idea crystallises a bit more, he will start to measure whether it can add value. I presume that he will then let the committee know.

Allan Wilson: Charlie Gordon has hit the nail on the head. It would be premature to start extolling our economic interests ahead of a decision in principle on whether and how such an institute should be established and funded. To engage in that sort of politics with other member states would be premature; it would be even more premature to start considering where such an institution might be located in Scotland.

As Charlie Gordon will know from his experience, higher education institutions throughout Scotland are collaborating more and more on common research programmes. That is as it should be. If we are to compete not only in Europe but internationally, it is important that our institutions collaborate and co-operate. All our research institutions are currently engaged in that process.

The Convener: It is just as well that we have no members from Dundee or Aberdeen; otherwise, this argument could go on all afternoon.

I thank the minister for his evidence.

I will wind up the discussion by clarifying the committee's views to ensure that I have picked them up correctly. As Scotland hosts no EU institutions, I think that our general wish is that, if the spring Council agrees that the EIT should go ahead, Scotland should be placed at the forefront of those that could host the new institution.

I note that at the recent European Council of 16 December, the proposal was for EU funding for research to increase by 75 per cent in real terms between 2006 and 2013. Therefore, I hope that the initiative will not simply use existing research and development funding.

On a positive note—I hate to say this, Charlie—I see that a recent Eurostat survey suggests that eastern Scotland is the leading region in Europe for research and development intensity in the higher education sector. Therefore, Scotland should be pretty well placed to be a host nation for such an initiative.

We have closed the discussion with the minister for the moment so that the committee can discuss quickly how to proceed. Do members have any suggestions?

Oh, come on now. There must be some.

Phil Gallie: I think—

Mr Wallace: I suggest—

The Convener: Do not all speak at once. We will hear first from Phil Gallie.

Phil Gallie: I am interested in what has been said, but we will need to wait for the deliberations of the council following the consultation. Like Charlie Gordon, I believe that we should ask the

Executive to report back to us whenever it gets any information.

Mr Wallace: I agree. The general view is that, if the institute should materialise, we would like a slice of the action. We are not quite sure what will materialise, or whether a substantial building will be required, so it is premature to discuss the issue. However, I endorse Phil Gallie's view. When the picture becomes clearer, the minister should advise the committee of developments.

Mr Home Robertson: The minister indicated that there would be developments soon, at an early meeting of the Council. That would be the trigger, would it not?

Allan Wilson: We expect that the Commission will make proposals, or at least respond to the consultation, around February, in time for the spring Council. That it is not long.

Mr Home Robertson: Therefore, there is nothing further that we can usefully do until proposals emerge.

14:25

Meeting suspended.

14:27

On resuming—

Structural Funds

The Convener: Agenda item 2 is on the implementation of structural funds in Scotland, which the minister has kindly agreed to discuss with us. I am pleased to welcome Phillip Raines and Diane McLafferty from the structural funds division of the Scottish Executive Enterprise, Transport and Lifelong Learning Department.

As I understand it, the budget deal that was agreed by the European Union last Friday means that Scotland will still receive structural funds during the 2007-13 period, albeit at a reduced level. Perhaps the minister will be able to confirm exactly what Scotland is likely to receive.

I thank the minister for agreeing to appear before the committee. The main reason for our inviting him was to discuss how the Executive proposes to deliver the new round of structural fund programmes in Scotland. I understand that planning for those programmes is well under way and that the Executive proposes to change the current structure for managing them. Today's meeting enables us to ask the minister why he thinks that such a change is necessary.

I invite the minister to make an opening statement.

Allan Wilson: In the immediate aftermath of the decisions that were taken over the weekend, it is good to have the opportunity to update the committee on the future of structural funds. We are clearly in a better position to fill you in on the outcome of the European Council, because we now have an agreed deal. However, it is equally clear that we still have to work through the exact implications for funding.

I will elaborate on a number of the headline points. The first proposal preserves much of the United Kingdom rebate, which is good news for Scotland. A large increase in UK contributions to the budget would have pinched our domestic expenditure and impacted on the Scottish block.

14:30

Secondly, the deal means continuing structural funds receipts for the whole of Scotland. In the different scenarios that were considered over the piece, that was not always going to be the case. We are calculating the exact number, but overall we could receive about 40 per cent of what we receive currently. That includes funding for the Highlands and Islands as a statistical effect region under the convergence objective and funding for lowlands and uplands under the competitiveness objective.

We need to push ahead with future programming. As members of the Scottish European structural funds forum, the convener and deputy convener know that in June we set out our proposals for future programmes, which included a proposal for four mainstream programmes in Scotland—single European social fund and European regional development fund programmes for the Highlands and Islands and for lowland and upland Scotland. Those programmes will need to focus on our domestic priorities. With less funding available and with pressure from the Commission to concentrate EU resources on areas in which they will have the most beneficial impact, it is essential that our structural funds complement and add value to our domestic programme for economic development.

We believe that the system for delivery of structural funds needs to change. The convener made passing reference to that. Most would agree that our Scottish model has served us well, but given the sharp reduction in funding we must re-examine whether the current approach is still fit for the purpose for which it was designed. With less funding, for example, we will need fewer than the five current programme management executives.

For that reason and others, we have commissioned consultants to research how the programmes are delivered in other countries. We are particularly interested in finding out how co-financing as a concept could work in a Scottish context. That means using the existing delivery channels to deliver some or, prospectively, all of the EU funding. That would undoubtedly reduce the administrative burden on the applicants, which is one of the reasons why it is an option, and thereby maximise the potential value to the recipients of the structural funds. It could, of course, also complement domestic funding and overcome some of the historical issues that surround match funding.

At the same time, we will talk to partners about their views on future programming and delivery arrangements. Four stakeholder events are being held in Scotland; one has already taken place in Inverness and another three are scheduled to take place in January. After those events, we will review how to progress.

At this juncture, and to make the committee fully aware of the facts, it is important to stress that no decisions have been taken on all or any of that. I am extremely open minded and receive delegations almost weekly from partners, regions and elsewhere. I listen to what they say about how they think their interests will best be served in future programming decisions.

That is where we are, and I am happy to answer any questions that members might have.

The Convener: Thank you, minister.

My initial question is one of concern. I am particularly interested in what you said about no decisions having been taken yet. The reduction in funding from the previous round is quite a cut. I note that you are doing research into the different methodologies that might be used. I understand that the Executive first said that it would start doing such research about two years ago, but the issue is still on-going. I am concerned that the new round does not start until January 2007, which is a year away. That is a long run-in time for many projects, which will create a lot of uncertainty for people who are trying to get projects—particularly large infrastructure projects—up and running.

When will the research be finished? When will you make those decisions? Do you share that concern about how little time is left?

Allan Wilson: The consultation process is important, and it would not be right for us to make decisions on future programming methodologies without it. Since I took this job, I have thought it right that we look at what happens elsewhere and that our internal debate should be informed about what works in other parts of Europe. Changes are occurring in the administration costs of the existing programmes. We should have the consultants' report by the end of January, and the stakeholder events will run concurrently. We will then be in a position to put forward our views, and I hope that a consensus will emerge that will enable us to implement a new programming process. That will take effect in the new programme period, which of course starts at the end of next year.

The Convener: Are you confident that in that fairly short timescale there will be sufficient co-ordination and that a strategy will be in place to allow a smooth transition to a changed system?

Allan Wilson: The EU budget deal has helped matters. Many commentators did not predict that deal, but expected the uncertainty to continue into the Austrian presidency and perhaps beyond. The EU deal is good news and is a positive development for our ability to deliver on the programmes in the next financial perspective.

Mr Wallace: You indicated that the Highlands and Islands will qualify under the statistical effect for the convergence element of the structural fund and that overall Scotland will get 40 per cent of what it currently receives. How will that 40 per cent be spread across Scotland? Will the Highlands and Islands get that 40 per cent or will they get much the same as they do now, meaning that the rest of Scotland will receive less?

Allan Wilson: The Highlands and Islands will get approximately 60 per cent of what they got in transitional funding by virtue of their complying with the convergence criteria. The overall

coverage for the rest of Scotland is 40 to 45 per cent. The actual delineation of what that amounts to has still to be determined. We are obviously continuing discussions with the UK Government about that.

Mr Wallace: You indicated that the rest of Scotland qualified as part of the competitiveness objective. Given that, do any particular measures directly address competitiveness?

Allan Wilson: Yes; in concert with economic development being a top priority in our domestic programme, we have identified innovation in enterprise development, community regeneration, and environmental and rural sustainability as key features of the next ERDF programmes.

Mr Wallace: Do those programmes focus more on the three issues to which you have just referred or do they have more of a geographical slant?

Allan Wilson: Given that we have reduced receipts, I am sure you agree that it is important that they are focused on our priorities. As I said, those priorities will be innovation in enterprise development, the Lisbon agenda, community regeneration, closing the opportunity gap, which is a key Executive priority, and environmental and rural sustainability, with general concentration on the sustainability agenda.

Those three strands will have more impact than any simple geographical split. I am sure that members would agree that it is more important that we concentrate on adding value through structural funds than on anything else. As members know, structural funds account for only 4 or 5 per cent of economic development spending, so it is important that they should add value to the process and complement other forms of spending.

Dennis Canavan: The Executive and, before the Executive was set up, the Scottish Office have never been very active in attracting funds through Interreg, which is due to finish at the end of next year. The Commission has proposed a new co-operation objective, under which funding might be available for projects involving co-operation between different member states of the European Union. Is the Executive actively looking into the possibility of Scotland attracting funds for such projects? In the past, we seem to have been sleeping.

Allan Wilson: I do not accept your criticism that in the past we have been sleeping. Recently I went to a conference in Latvia at which, with the commissioner, we looked at developing new international co-operation programmes. The Scottish Executive was proactive in explaining to the emerging countries of the east how we used Interreg programmes to assist in funding international co-operation programmes in the North sea, north-west Europe and the Atlantic

area more generally. We have been proactive in the past. We have also been keeping a close eye on what has been happening to the co-operation objective. Funding for the objective has been reduced, but it is still intact as a strand. We anticipate that there will be opportunities for the west of Scotland to take advantage of programmes internationally—for example, with Ireland.

Dennis Canavan: I was going to mention Ireland, because the Republic of Ireland is our closest neighbour in the European Union. However, to my knowledge, Scotland has never had an Interreg programme with Ireland. Wales has had such a programme, so it is possible for a devolved Administration to have very good projects involving co-operation with the Republic of Ireland. I suspect that people in the Scottish Executive and the Scottish Office before it did not realise that Scotland, too, might have been able to qualify. However, that is water under the bridge—we must now look ahead.

The Commission's proposals for the new co-operation objective stipulate that, where cross-border co-operation involves a sea border, there should be a maximum distance of 150km between the two relevant coastlines. The distance between the south-west of Scotland and some of the islands and the north-west tip of the Republic of Ireland is less than 150km, so would it not be possible to have projects involving co-operation between the devolved Administration here in Scotland, the devolved Administration in Northern Ireland—when it is re-established—and the Government of the Republic of Ireland? We could have tripartite co-operation and the strong possibility of attracting European Union funding for such projects.

Allan Wilson: I agree with the general thrust of what you are saying. I reiterate that it is not correct to say that we have not taken advantage of the provisions in the past. We have four programmes: for the North sea, for north-west Europe, for the Atlantic area and for the northern periphery.

Dennis Canavan: But there are no programmes with Ireland.

Allan Wilson: No—I am coming to Ireland. We think that all the programmes that I have mentioned can benefit from future support; it is important that we continue them.

We have calculated that, because of the more flexible criteria to which you referred for maritime borders, parts of Scotland that have hitherto been ineligible—Dumfries and Galloway, south Ayrshire, Argyll and the Isles and, provisionally, east and north Ayrshire—can expect to be involved in an international programme for the first time. As well as examining how the new objective will affect

existing programmes and their continuation, we can consider cross-border initiatives and potentially bring south-west Scotland into a programme with the Republic of Ireland. About €18 million could be available for a Scotland and Northern Ireland programme.

14:45

Dennis Canavan: Is somebody or a team of people in the Executive looking at the potential for such co-operation here and now?

Diane McLafferty (Scottish Executive Enterprise, Transport and Lifelong Learning Department): Yes. We are in discussion with colleagues in the Republic of Ireland and Northern Ireland about the scope for projects that build on the programme that they have worked with and about whether Scotland can contribute.

Dennis Canavan: Good. Thank you.

Phil Gallie: The minister will recall that the committee conducted an inquiry into and produced a report on structural funding. At that time, I was the lone voice in support of the Government's budgetary ambitions. Somehow, the Government has fallen into a halfway house with the budget settlement that has been made. When the committee did its inquiry, one reason why I was persuaded of the Government's position was that the Chancellor of the Exchequer had said that, although he foresaw a considerable reduction in structural funding for Scotland, he would basically prefer a renationalised system and to find additional funding to fill the gap. Is the chancellor intent on fulfilling that commitment?

Allan Wilson: The UK Government gave that commitment in the event that its budgetary position prevailed in the EU negotiations, which of course it did not, because it did not have sufficient support. I admit that I always took the view that repatriation of structural funds was our optimum solution because, with the Treasury guarantee, we would in effect have had more money to spend, or at least the equivalent amount as under structural funds—depending on the next gross domestic product figures—which we could allocate domestically.

That was the optimum solution, but it did not materialise. We now have an agreed deal, which does not incorporate a Treasury guarantee. The net increased contribution that we will have to make as a result of the reduced rebate will be factored into the UK Government's next financial spending review and the next discussions on the Scottish block.

If Scotland had had a net increase in structural funding, only to lose the same amount or more from our block grant as a consequence of an

increased net contribution from the UK Government, that would not have benefited us at all.

Phil Gallie: That is more or less my reading, although it is not what I wanted you to say. You referred to a reduced block grant. The use of much structural funding is based on match funding. How will the reduction in the block grant affect match funding?

Allan Wilson: I do not know whether the block grant will be reduced. We know that receipts for structural funds will be reduced, so there will be less money to go around. That might mean that organisations' ability to match fund contributions is more problematic, hence the suggestion that co-financing might in some instances be a more efficient way to deliver the programmes and the priorities that we have chosen. That would preclude the need for match funding in a meaningful sense.

Mr Home Robertson: Will the minister say a little more about the Executive's thinking on the management of the scaled-down programme? I presume that the arrangements for the Highlands and Islands will stay the same, but we now also have the west, the south and the east. I confess that, at the beginning of the meeting, I had to ask which area my constituency of East Lothian came into. That shows how much impact the question has had on me over the years.

Mr Gordon: It is definitely not in the west.

Mr Home Robertson: I appreciate that the question is of rather academic interest.

It probably would not make sense to keep three separate structures. In his opening statement, the minister referred to the Highlands and Islands and, interestingly, lowland and upland Scotland. I do not know whether he is moving towards making a distinction between lowland and upland Scotland.

Allan Wilson: At the moment, we have five programme management executives. The proposition is that, because of the reduced funding, we should reduce the number of PMEs. I have proposed that there should be one for the Highlands and Islands and one for lowland and upland Scotland. I will explain my rationale for that, and Diane McLafferty will correct me if I have got my facts wrong. It costs something like £15 million to administer the programme management executives. We all know the value of the bottom-up approach that they encapsulate but, in a period of reduced funding, would we necessarily want to replicate that £15 million cost in the next programme management funding? Arguably not.

Mr Home Robertson: Quite right.

Allan Wilson: That is especially true when there is a change in the voluntary management

contribution. Some rationalisation is required. Co-financing could play a part in that, as could having one or more programme management executives in the lowland and upland area.

I am open to all arguments. I constantly hear arguments from the regions of Scotland about where they think their interests lie. We will take on board the views from consultations at stakeholder events. I hope that we will reach consensus on the best way of delivering the money that we have and that we will not just hear the vested interests of the different parts of Scotland.

Mr Home Robertson: It sounds to me as if you are on the right track.

Mr Gordon: I support the minister's view that we have to reduce the number of programme management executives, because that will reduce bureaucratic costs and free resources that can then go to front-line services. For administrative costs for five executive structures, £15 million is an astonishing sum of money.

I always support greater efficiency if it frees resources for front-line services, but I worry about loss of local accountability. However, I do not think that it could be argued that these rather obscure programme management executives are well known. Nevertheless—and although you say that most of the procedural decisions are still up for grabs—in a co-financing scenario you would rely on public organisations, local authorities and other parts of the public sector to take forward the procedures.

In the Clyde valley, eight local authorities are doing community planning at a strategic level. At the moment, the programme manager for Strathclyde European Partnership comes along and interfaces with the local authorities at a strategic and, if necessary, operational level. If we move towards having something as vast—and, to be frank, nebulous—as “lowland Scotland”, there will not be the same political accountability, even indirectly. There has to be some kind of accountability.

Allan Wilson: If you do not mind my saying so, you are right on the button. Programme management executives have served us well by taking a bottom-up approach and, if you like, by reaching into parts that other public agencies have historically found it difficult to reach into.

However, we are moving into a new era. Charlie Gordon mentioned community planning partnerships. It will be interesting to see what the consultation process produces, but such partnerships are prospective recipients of co-financing. Indeed, I will be interested to hear whether you agree that, by giving partnerships direct access to structural funds and the power to match them locally to develop programmes, we

will cut out the middleman and some of the local delivery and accountability problems that you have mentioned. That said, people might well argue that, to maintain the bottom-up approach, programme management executives should continue with some or all of their functions in different localities.

Mr Gordon: I agree with the minister. For example, the Clyde valley community planning partnership has already demonstrated that it can apply funds strategically by administering the city growth fund for the Glasgow city region. As the minister has implied, the partnership is a lean, mean machine. I am very keen on stripping bureaucracy to a minimum and getting maximum funds—and the additional leverage that they provide—to the front line.

The Convener: As members have rightly pointed out, these matters must be addressed at a strategic level with everyone working together. In the past, people expressed concern that there was no overall strategy. I know that the UK is currently consulting on a strategic structural funds framework, but will relevant stakeholders be consulted on its Scottish chapter?

Allan Wilson: Yes, that is our intention. I am happy to make the Scottish chapter available to the committee. It contains nothing that would surprise members and, as I have made clear, it is entirely consistent with what we have said domestically about the priorities of enterprise, growth, innovation, environmental and rural sustainability and closing the opportunity gap. I am happy to share that information with members.

Gordon Jackson (Glasgow Govan) (Lab): I totally understand Charlie Gordon's point about the advantages of changing our thinking and, indeed, the thinking of others. However, it has been suggested in other places that when one moves away from what you call the bottom-up approach towards co-financing, some sectors that traditionally did well begin to do badly. The obvious example in which I have an interest is the voluntary sector. I have not really understood the theory about why it happens, but it has been well reported that sectors that have previously been successful in accessing funds somehow lose out as a result of such changes. Why does that happen? What can we do to ensure that, in making these changes, we do not throw out the baby with the bath water?

Allan Wilson: Your point is well made. If I thought that the voluntary sector would lose out in the change to co-financing, I would not support such a move. However, although there was a suggestion from England that the voluntary sector had lost out, other evidence suggests that that has not happened. Indeed, the independent

consultants' report was commissioned to provide informed views on precisely that question.

The third sector can play a very important role in delivering outcomes. For example, with regard to employability, the voluntary sector provides programmes that would not exist if they were left to public agencies such as the local authorities, Scottish Enterprise or Communities Scotland—which, after all, would all be potential net beneficiaries of co-financing. Correct me if I am wrong, but there is no reason why we could not have a co-financing model that is based on voluntary sector outputs.

15:00

Gordon Jackson: So you are conscious of the issue—I was just putting it into the pot.

Allan Wilson: We are very conscious of it. A classic example is voluntary sector activity that secures employment opportunities for people with learning disabilities. I am sure that that activity would not take place through existing public agencies, but it is potentially deserving of future support.

Mr Wallace: It has been almost assumed in the questions that the programme delivery in the Highlands and Islands will remain much as it is, notwithstanding the changes elsewhere. Is that the case, or is it proposed to reform the delivery mechanisms in the Highlands and Islands to try to gain efficiencies, given that reduced funds will be available? What will be the implications of the new set-up for European social fund programmes? Will a pan-Scotland approach be taken, or will the approach in the Highlands and Islands be separate from that in the rest of Scotland?

Allan Wilson: I will answer the last one first. The proposal is for two ESF programmes: one for the Highlands and Islands and one for the lowlands and uplands. Our proposals for the reform of the ERDF delivery mechanism are pan-Scotland, but that is subject to consultation. We could have a hybrid model or models, or we could maintain structures in the Highlands and Islands that are separate from the structures that are developed elsewhere. The current proposals for reform of the ERDF delivery mechanism are pan-Scotland. For the ESF, we propose two programmes—one for lowlands and uplands Scotland and one for the Highlands and Islands.

Phil Gallie: You referred to the Lisbon agenda. A lot of hand wringing has been done recently about the poor economic performance of Europe as a whole and the fact that we are nowhere near reaching the Lisbon agenda targets—in fact, we are going backwards. Given the reduction in structural funding, should we not ensure that the application of the funds results in genuine

economic improvement in the country's performance? Should we not emphasise economic improvement?

Allan Wilson: I agree fundamentally. To repeat, in the future domestic programming objectives for the structural funds, the priorities will be innovation and enterprise development, community regeneration and environmental and rural sustainability. Those objectives are common throughout the EU but, as the challenges become more pressing the further east one goes, it is right that structural funding should be devoted to the development of the eastern European economy to allow it to catch up with that of the rest of Europe.

Phil Gallie: Does that not conflict just a little with the talk on social funds and the voluntary sector?

Allan Wilson: No, I do not think that it does and I do not think that David Cameron thinks that it does, either.

Phil Gallie: David Cameron has his own views. I will consider your words carefully when I read the *Official Report* of the meeting, because there seemed to be an element of conflict in them.

The Convener: I want to return to strategic issues. We often talk about a bottom-up approach, but we also need a top-down approach to ensure that strategic action is taken. What will you do to ensure integration of action between and across structural funds, by which I mean between urban and rural areas and between sectors within those areas?

Allan Wilson: As I have discussed, co-financing has the potential to deliver such partnership working and remove some of the uncertainty that projects have historically experienced about their ability to raise the funding to match the European element. Community planning partnerships have an important strategic role to play in that process irrespective of what we decide on co-financing.

Beyond that, "The Framework for Economic Development in Scotland", "A Smart, Successful Scotland" and our plans for infrastructure and transport investment all charge our agencies with co-operative working towards those common objectives. Those are the principal mechanisms that I envisage will be brought into play. We have the national strategies, such as those that I mentioned, and we charge our partners—whether Scottish Enterprise, Highlands and Islands Enterprise, Communities Scotland or local authorities and, below that level, community planning partnerships—to add value to the process and collaborate to ensure that the money is spent to best effect in the locality. That, to me, is a coherent, strategic approach to the matter.

The Convener: I think that you said earlier that co-financing would be appropriate in some

instances, which suggests to me that it would not be appropriate in totality. What would the other instances be and would there still be an element of challenge funding?

Allan Wilson: You ask me to prejudge the outcome of the consultation exercise. I have a genuinely open mind on the matter. We might opt ultimately for an entirely co-financed model, some hybrid proposition or the retention of five programme management executives. Those are all options and I am not about to say that I favour a certain option over another at this juncture, because that would be unfair to the consultees.

The Convener: Okay, that is fair enough, but I return to my initial concern about the fact that we are only a year away from the new tranche of money kicking in and the implementation of new funding. If the established structures are not in place a year from now and new structures have not been set up in time, will there be some form of interim financing for projects that are at the planning stage already and are moving on?

I also have a question about N+2 funding, which allows late financing at the end of a project if there have been problems—I think that it is going to be called N+3 funding. When will timescales for that kick in; will it be in January 2007 or when a project starts? It might not be the provider's problem that a project does not start when it should.

Allan Wilson: The two things are quite different and we should not confuse them. N+2 will continue for existing programmes, which means that we must ensure that the money is spent by the end of this calendar year and, prospectively, the end of next calendar year, which will pose extreme challenges to some of the programme management executives because, if it cannot be done, we will lose that finance.

I hope that you do not mind my saying so, but you are taking an unduly pessimistic view of our ability to deliver new programme methodology between now and the end of the current financial perspective. I take the opposite view—my glass is usually half full rather than half empty. The consultation will conclude at the end of next month, stakeholder forums will take place between now and then, and we will have a number of bilateral meetings with partners. I hope that, thereafter, consensus will emerge and that, in conjunction with existing programme management executives, we will be able to review the existing structure and decide on a new structure well in advance of the timescales about which you are worrying. The programme management executives are already collaboratively considering future structures, which is a positive development; they are speaking to one another about how they might deliver future programmes.

The Convener: Maybe I am just a natural worrier.

Allan Wilson: Maybe.

Mr Home Robertson: She has a lot to worry about.

Allan Wilson: That is indeed the case.

The Convener: I am sure that you will be disappointed to hear that there is something else about which I have great concerns. We face a reduction in funding from the last tranche. My concern relates particularly to the lowland and upland areas of Scotland—I know that there are economic issues for the south of Scotland and for the Borders. Is that a concern for you? Will you ask the UK Government to make up any shortfalls in structural funding? Will the money that is being expended in the next round be spent along the lines of Executive priorities, or do you see it as completely additional to the money that a Government should spend on major infrastructure projects?

Allan Wilson: I acknowledge that there are serious concerns across Scotland, whether they are expressed by people in the Highlands and Islands who face a 40 per cent reduction in their structural fund allocation or by people in the lowlands and uplands, where there will be an even greater reduction.

However, most of our partners out there are resigned to the prospect of the reduction. Some time ago, they saw the way in which the European budget was developing. Everyone anticipated the reduction—some more than others—but I repeat that the funding in question is only 4 per cent or thereabouts of total economic development spend. Our priority must therefore be to get maximum value for the 4 per cent.

Economic development remains our top priority. If we saw that there was a prospect of our economic development ambitions being harmed by a reduction in structural fund receipts, I am sure that the Scottish Executive and, indeed, the UK Government would ensure that its budgets are deployed in such a way that they maximise the potential for economic development. That process will take place in the UK Government and Scottish Executive spending reviews. It is not something on which I can give you any reassurances today.

The Convener: Okay.

Mr Wallace: We are talking about reductions in spending, but the reason why the Highlands and Islands qualifies for convergence funding as a statistical effect region is that its GDP is less than 75 per cent of that of the EU 15. For years, every Government and local members have campaigned to get European funding. However, I well recall the time when the Highlands and Islands first qualified

for objective 1 funding. At that time, the chair of the Highlands and Islands Development Board said that the objective of objective 1 funding was to get out of objective 1. Does the minister agree?

Allan Wilson: Precisely. The rationale for the reduction in structural support is precisely that we are growing the economy of the Highlands and Islands. It is because we are providing economic and employment opportunities that there is net migration into the Highlands and Islands, rather than the emigration that there was historically. I agree with the proposition.

The Convener: How long will it take?

Allan Wilson: I repeat that I hope that this year we will agree on how to spend the structural fund receipts in the best possible way, so that we get most added value and economic benefit, whether in the Highlands and Islands or lowland and upland Scotland.

The Convener: Thank you for your responses to our questions. Once members have mulled over what has been said and have read the *Official Report* of the meeting, I am sure that further questions will come to mind. Are you happy for us to put any such questions to you and ask for answers?

Allan Wilson: Yes. If we can give you more information, we will do so. I am thinking about the research funding situation, which is pertinent to the last question. We will also bring the committee up to date with the final figures as soon as we can.

The Convener: Thank you.

15:14

Meeting suspended.

15:16

On resuming—

The Convener: Do members have views on how we should proceed? Although the minister thinks that I am very pessimistic, I have concerns about what will happen in lowland and upland Scotland—the rest of Scotland—and especially about what will happen in the south of Scotland which, it seems to me, will take a bit of a hammering. I am surprised that the committee has received no approaches from people who are currently working in the area of European funding.

Phil Gallie: It is early days for them to react to the budget. However, there was plenty of reaction when we were writing our report on regional development funding. Everyone and their auntie gave a response to the committee. At present, the circumstances are fairly fluid. Nothing is happening now that was not foreseeable some

time ago. It all depends on the budget settlement. We have had an intermediate budget settlement, and there will be major changes in how the budget affects Scotland.

The Convener: Towards the end of January, we will know the results of the consultation and how we are proceeding. That may be the time to think about gathering any more information that we require.

Gordon Jackson: I am not sure that I share your concerns, convener, but I agree that the last item that we discussed with the minister seemed to be seen as being not at all urgent—it was floating away somewhere in the clouds. However, there is a degree of urgency, and I am sure that members agree with that. Anything that we can do to retain awareness will be helpful. When a minister says, “Give it a month or so and I will begin to have answers,” the difficulty is that we have to give him that time. I have no reason to doubt that he will have answers, but I agree that the issue must be monitored really tightly, because there is some urgency to it.

Mr Home Robertson: We have known for a long time that something like this was coming, because of the discrepancy between eastern Europe and us. The problem is that the budget was agreed only a few days ago and it will take a bit of number crunching to figure out what it means where. In my view, the most interesting issue that the minister highlighted was the figure of £15 million for administrative costs.

Mr Wallace: That was over the period of the programme.

Mr Home Robertson: I presume so. It is a lot of money. I expect that, as we sit here, various people are busy writing papers in which they make the case for protecting their jobs, looking after their structures and so on. We will need to be prepared for that. The figure is alarming.

The Convener: I was surprised that we had not already received that information.

Mr Home Robertson: Yes—it has come out of the blue.

Mr Wallace: Who would raise the matter with us?

The Convener: The minister has invited me to attend one of the structural funds forums in January. That should be interesting, given that the decision on the consultation will be taken at the end of the month. Should we monitor the issue at the moment?

Mr Gordon: I strongly support the trimming of some fat from the £15 million that is spent on bureaucracy. That is more money that could help to address the shortfall that will come about

because of the changes. I understand the concerns about a possible loss of influence and accountability.

The Convener: Yes—there is an issue of local accountability.

Mr Gordon: People might think that if they lose influence, they will lose funds elsewhere or will not get as much as they would get otherwise. I was encouraged by what the minister said about considering the community planning option. Heretofore, there has been a lot of focus on community planning as a purely local partnering arrangement, but I think that there is a lot of mileage in what I would call strategic community planning.

The beauty of having a lot of community planning partners that are already substantial organisations in their own right, including local authorities operating together across their boundaries, is that they all have their own bureaucracies, so they do not need to employ another set of bureaucrats; they can use their own resources to administer the funds. The administrative costs can be kept down and more resource can be freed up for the front line. A balance must be struck.

Of course, there will be bureaucrats who are doing nicely, thank you, out of administering the various funds, who will write alarmist letters saying that the proposals will lead to a loss of influence or a loss of funds in certain areas. I can imagine council leaders and other leading figures in the public sector becoming more engaged in whatever the new processes will be and trying to set people's minds at rest about any loss of influence.

At the moment, there are five programme management executives, and they are not really all that accountable. We do not really know what they are up to.

The Convener: The Highlands and Islands model is interesting. Because of the culture of that arrangement, and given the way in which it was set up, there is a forum across the local authorities in the area, which works very well. That is lacking in the rest of Scotland, where the different bureaucracies, if we can call them that, are fractured. It might well be a while before the culture changes in the rest of Scotland and allows similar arrangements to emerge.

Mr Gordon: We should bear in mind the fact that, 10 years ago, before the abolition of the regional councils, there was more political accountability. The programme management executives are part of the detritus, as it were, from that time. We cannot abolish the regions of Scotland as a spatial reality, although they have long since been abolished as a political reality.

The Convener: Jim Wallace has something to say on that philosophical note.

Mr Wallace: This is an important issue. The ink is barely dry in relation to this matter and I suspect that one of the reasons why we have not heard any outcries is that, under certain scenarios, lowland and upland Scotland—and even the Highlands and Islands—might not be getting anything, so people might simply be relieved to be getting something.

I have a proposal to make, and we could perhaps take some soundings from the minister's office on when the right time to do this might be. We should not leave it too long, given some of the issues that you have raised, convener. There is a structural funds forum, and there could perhaps be a session to take evidence from some of the key stakeholders at an appropriate stage in the first quarter of next year.

The Convener: Perhaps, yes.

Mr Wallace: When the picture of what is going to happen is clearer, we could get stakeholders' views on what is happening, and we could remind ministers of the importance of the issue and of the need to get things in place. That would keep them up to the mark.

The Convener: That certainly seems sensible to me.

Mr Gordon: We have a nicer problem than we previously thought.

Mr Home Robertson: I will pick up on Charlie Gordon's theme of accountability. It will be said that doing away with the existing management structures will make things more remote and bureaucratic. Charlie Gordon is quite right: there is a role here for elected local authorities. There is also a role for us, in this elected Parliament and this committee, in picking up that responsibility. That might form part of the thinking for the future. If a tier of bureaucracy is to be taken away, it does not necessarily mean taking away a tier of accountability. We can grow into and fulfil the role ourselves, if necessary, along with our partners in local government.

Phil Gallie: Once again, I do not disagree with a word that John Home Robertson has said, nor do I disagree with Charlie Gordon's comments on bureaucracy. However, this is the European and External Relations Committee and we must consider the wider scenario and think about the fact that the budget will now be spread across many more countries in Europe, which will make matters more difficult and complex. I wonder whether there will be a reduction in bureaucracy; it is inevitable that a massive expansion in European bureaucracy will be needed to administer the wider funding.

Gordon Jackson: Every silver lining has a cloud.

The Convener: Do you wish us to hold an inquiry, Mr Gallie?

Phil Gallie: No, but perhaps some of the people who Charlie Gordon said might have concerns could find opportunities elsewhere. [*Laughter.*]

The Convener: I think that we can draw the discussion to a close. We have some concerns, so we will keep a close eye on the situation and consider evidence-taking sessions once we know what decisions have been made and what will be implemented in the new year.

Mr Gordon: Phil Gallie may have a point but, in my experience, the German and, to a lesser extent, Austrian bureaucrats have already cornered the market in helping the new accession countries to administer their programmes and spend their money. It is an industry.

The Convener: You may say so, Mr Gordon.

European Commission Work Programme 2006

15:26

The Convener: Item 3 concerns the European Commission work programme. We previously decided to track a number of key issues in the work programme that relate to Scotland. We wrote to the Executive on 28 November, outlining the specific issues discussed: the European qualifications framework; the social solidarity fund; public procurement contracts; the internal market for postal services, which we discussed at our previous meeting; the globalisation adjustment fund; defence procurement; and integration of the mortgage credit market.

We asked the Executive for its position on those matters and about how far it intends to engage with those aspects of the work programme. We have not yet received a reply, and I am sure that members will agree that we should expect a reply in time for our first meeting in the new year. Of course, our list was not exhaustive, so we have included an extra paper on energy issues among the papers for today's meeting, in annex A to paper EU/S2/05/19/3. The paper was prepared by the Parliament's European officer, Ian Duncan, and the Parliament's researchers. Energy issues seem to be important for Scotland, and the Commission's green paper on energy efficiency is of particular interest. Energy is largely a reserved issue but, as we all know, there are devolved areas, such as the promotion of energy efficiency, the environment and planning applications, which are matters for the Executive.

Mr Home Robertson: Ian Duncan has drafted an excellent paper. My only suggestion—colleagues will not be surprised by this—is that we should add to the recommendations at the end of the paper. In addition to the bullet points on the proposed revision of national emission ceilings, the imminent action plan on biomass and biofuels, and the development of clean coal technologies, some of us might like to add the potential for the nuclear industry in Scotland. It is a big industry in which we have a lot of experience and expertise.

Phil Gallie: I come in right behind John Home Robertson on that one. Scotland has a proud history in nuclear generation. To some extent, we have been world leaders. To ignore the nuclear industry and its potential would be real folly.

Having said that, I am shocked that there appears to be European involvement in energy issues. The convener is quite right to say that energy is a reserved matter; it is reserved to nation states and not to Europe. If we had signed up for the constitution, that would be a different

matter, but we have not done so and, at the moment, it is in the long grass. Some of the comments in the paper may suggest rumblings in Europe, and I compliment the European officer on detecting them, but I think that Europe is being just a bit premature in trying to impose its wishes on a national issue.

Mr Home Robertson: There have been blackouts in Italy.

Phil Gallie: That does not surprise me.

15:30

The Convener: I thank all the clerks for identifying the issues and preparing the paper for us. A few meetings ago, the committee said that it was keen to get involved at an early enough stage in the consideration process to allow us to influence decisions rather than just report on them. It is good to be involved in considering the energy proposals, which have only reached the green paper stage. What views do members have on the recommendations and on John Home Robertson's suggestion that, in addition, we should write to the Executive to ask about the Scottish position on nuclear power?

Mr Home Robertson: There may be other points that we should add.

Mr Gordon: John Home Robertson's suggestion is logical because recently many members have asked about the Executive's position on nuclear power during parliamentary debates.

The Convener: Yes, but do you feel that, in general, the recommendations are sensible?

Mr Gordon: I know why John Home Robertson is interested in nuclear power.

The Convener: We all know why that is.

Mr Gordon: There are many Scottish Power jobs in my constituency and I am extremely interested in clean coal technology because I know that Scottish Power thinks that such technology has a lot of potential and wants its use in energy production to be on a level playing field with other forms of energy production.

The Convener: Okay. Is there general agreement that we should follow the recommendations and report back to members on progress?

Mr Wallace: How will John Home Robertson's suggestion be worded?

The Convener: I have just written down the word "nuclear".

Mr Home Robertson: It can be worded as blandly as members like. We should ask about the potential in Scotland for energy that is produced

by the nuclear industry and energy from other sources.

Mr Gordon: The correct wording would say that we want to establish the Scottish position on those matters.

The Convener: Exactly.

Mr Home Robertson: It would be interesting to find that out.

The Convener: We would like to know what the Executive thinks.

Dennis Canavan: What is the timetable for responding to the Commission's green paper on energy efficiency?

Mr Wallace: We have to respond at some point in 2006, I think.

The Convener: The deadline is the end of March 2006.

Dennis Canavan: If we accept the recommendations, will we be taking it on ourselves to formulate the Parliament's response to the green paper?

The Convener: I would say so. The first recommendation states that we should

"Liaise with the other relevant committees of the Parliament".

By the time we contact the Enterprise and Culture Committee, it could already have done a great deal of work on the issue.

Phil Gallie: I query the basis for the European Union having responsibility for issuing such a green paper. My point is serious. The fact is that the EU does not have responsibility for energy issues, so why has it issued a green paper that sets targets on emissions and for other areas of energy policy? As everyone knows, I am fairly sceptical about Europe, but the green paper seems to be another example of creeping European Unionism.

The Convener: It is the basis for the development of a European energy strategy.

Phil Gallie: But the EU has no responsibility for that. It was built into the constitution that the EU might have such responsibility, but at the moment it has no responsibility at all in that area. Energy is a matter for national programmes.

The Convener: I think that, as an arch-unionist, you should write to the UK Government to express your concerns.

Phil Gallie: I want the committee to do that, but if members do not back me, I might follow your suggestion. However, regardless of whether members are pro-Europe, I would have thought that they—especially those with legal minds—

would have an interest in querying the position if the EU is exceeding its responsibilities.

Gordon Jackson: No chance.

The Convener: Our responsibility as a committee is to consider how Scotland is likely to be affected. I presume that the UK Government has agreed that it is okay for the Europeans to come up with such proposals.

Phil Gallie: I do not know whether that is the case—that is why I am asking.

The Convener: You should write to the Government to ask about that. We have received the green paper and must consider its potential effects on Scotland.

Dennis Canavan: Once the various responses to the green paper have been co-ordinated, I presume that the Commission will produce a white paper or a legislative proposal. At that stage, it will be up to the Council of Ministers and the European Parliament to debate such a proposal and to consider whether it should be agreed to.

Phil Gallie: I do not know that the Commission would be in a position to come up with a white paper—I am not sure that the legislative position of the EU would allow that—although it might be in a position to come up with general advice. If the committee is not prepared to follow up the matter, I will do so.

The Convener: Good for you.

Mr Home Robertson: I hesitate to disagree with Phil Gallie when he has just been so helpful to me, but I do not think that the EU's initiative is malign. Not that long ago, a substantial number of European citizens—in Italy, as it happens—had their power supplies blacked out because of deficiencies in the transmission and generation system at that end of Europe. Clearly, the fact that that can happen is a matter of concern for industries, economies and citizens. We need better co-ordination and better facilities to transmit electricity across boundaries where there is a problem. The proposal seems to me to be quite sensible and constructive. However, I understand that Phil Gallie has strong feelings on the issue.

Mr Wallace: Given his encyclopaedic knowledge of the issue, I would hesitate to disagree strongly with what Phil Gallie says about the competence of the European Union. However, I know that matters relating to energy have been discussed in the EU for a long time. I ask Phil Gallie to reflect on the fact that, if he is right, the great advantage of having an EU constitution would be that there would be no subject creep because the boundaries and competencies would be clearly defined.

Phil Gallie: They have already been extended beyond belief.

The Convener: Before we go any further, I inform members of the clarification that the clerk, Alasdair Rankin, has helpfully provided me with. The outcome of the consultation is a series of member state action plans. Does that make you happy, Phil?

Phil Gallie: I will re-read the paper, but I think that it suggests that various targets should be set in relation to those action plans. Perhaps the fact that, at the end of the day, nation states would have to accept or reject those targets is recognised. As long as that is the case, the proposal is not too bad. However, I still think that the EU is going beyond its powers.

The Convener: We have a rare concession from Mr Gallie.

Phil Gallie: I am prepared to follow up the matter on my own rather than prolong the discussion.

Mr Gordon: Phil Gallie should also reflect on the fact that we want the energy industry in this country to clean up its act even further and not to be affected by unfair competition from dirtier energy operators in other EU member states. Given that, perhaps some minimum standards would be appropriate.

The Convener: Do we agree to welcome the paper and to accept the recommendations?

Members *indicated agreement.*

Pre and Post-council Scrutiny

15:37

The Convener: The next item is our regular scrutiny of Council of the EU meetings. There are no pre-council agendas to consider and we have received two of the five council reports that we were expecting. One of the reports that is marked as outstanding—relating to the general affairs and external relations council—was received too late to be added to the papers for today, so we will consider it at our next meeting.

I want to draw members' attention to a point that John Home Robertson has raised in relation to the regulation establishing a European small-claims procedure.

Mr Home Robertson: The matter is dealt with on page 13 of the briefing paper, EU/S2/05/19/4. I have been pursuing the issue on behalf of a constituent who wants the threshold for access to small-claims courts in Scotland to be brought into line with the threshold in England. I know that the Executive's intention was to move in that direction and to raise the threshold so that more consumers who have bought fairly inexpensive items that go wrong can access the small-claims procedures.

I will not go into the detail of the matter, but there are problems relating to overlapping concerns affecting a well-known firm of solicitors that is concerned about losing work in relation to personal-injury claims. The long and the short of it is that there has been no movement on the issue for about two years.

Mr Wallace: The issue was on-going when I started as Minister for Justice, which was five years ago.

Mr Home Robertson: That is probably correct—you will know the issue well, Jim. I know that ministers are still wrestling with the matter and trying to find a solution. A decision that would allow more Scottish consumers access to small-claims courts is years overdue. I was hoping that the regulation that is mentioned in our briefing, which would establish a European framework, might get the fat out of the fire. Perhaps the clerks could clarify that issue.

The Convener: The clerks will pursue further information on that issue.

Do we agree the recommendations that are set out in annex A of the briefing paper?

Members indicated agreement.

Sift

15:39

The Convener: Item 5 is the regular sift of European Community and European Union documents and draft legislation. As usual, members will see that certain items have been flagged up as being of special importance to other committees. First, of interest to us and to our colleagues on the Enterprise and Culture Committee is the white paper on the financial services policy, which presents the Commission's priorities up to 2010.

The second document is the proposal for a directive on ambient air quality and cleaner air for Europe, which will be of most interest to the Environment and Rural Development Committee. The third document relates to the rights of disabled people in the enlarged EU, which I recommend we forward to the Equal Opportunities Committee.

Finally, the committee is already familiar with the Commission's plan D for democracy, dialogue and debate. We are considering that, but I propose also to forward it to the Public Petitions Committee, which is the committee that engages most closely with the public. Why are you smiling, Mr Gallie?

Phil Gallie: I was just thinking that the Public Petitions Committee deserves the plan. As a substitute on that committee, I will ensure that I am not involved on that day.

The Convener: Do members agree to refer the documents to the suggested committees?

Members indicated agreement.

Convener's Report

15:41

The Convener: The final item this year is the convener's report. The first issue is follow-up correspondence. Annex A to paper EU/S2/05/19/6 addresses points that Phil Gallie raised at our previous meeting, on the environment council's consideration of aviation emissions. Do members have any comments, or are we happy just to note the reply?

Phil Gallie: I appreciate the clerks having written to the Executive, and the response. As I suspected, there is a cost, which the response states is between 20 cents and €9. That, together with disability supplements, insurance costs and taxes on airfields, adds to low-cost operators' costs, especially when their fares are very low. My point was that there will be an effect—there will be, although it is minimal at this point.

The Convener: Members are content to note the reply.

The next issue is the subsidiarity test project of the Committee of the Regions, in which our colleagues in the National Assembly for Wales are taking part. At our last meeting, Irene Oldfather agreed to report back with information on subsidiarity tests. Sadly, she has had to give her apologies today. Will we, in that case, hold the item over until the next meeting?

Members indicated agreement.

The Convener: The third issue is an exchange of correspondence between the committee and Tom McCabe on plan D. I am almost tempted to lead a joint chant of what the "D" stands for—democracy, dialogue and debate. We also have correspondence on the Executive's building a bridge between Europe and its citizens project. Are members happy to note the correspondence?

Members indicated agreement.

The Convener: That was quick.

Next is the proposal from the Executive on changing how it reports to the committee on EU issues. Members will have noted a draft template on their desks when they arrived, which goes with this item. The approach seems to be more focused. I discussed the issue with the clerking team, who are generally happy with the style of reporting. The proposal is to examine issues on a longer-term basis, rather than to focus just on the presidential priorities. The Executive proposes submitting to the committee a series of papers on the key EU issues that it considers are of most importance to Scotland. We reckon that about 20 papers will be submitted each year, which should

complement the issues that we and other committees highlight in the Commission's work programme. The clerk will provide further clarification.

Alasdair Rankin (Clerk): Overall, the idea is to look at least a year ahead, rather than to be more focused on presidencies and short-term priorities. That is what the Executive is setting itself up to do. It will produce about 20 fiches, which will be covering notes on dossiers that will explain to subject committees exactly where particular legislation is in the European legislative cycle. That will make the process much more transparent; it will make it easier for members and committees to see when and how to interact with legislation, when to take issues up, when to engage with, or to talk to members of, the European Parliament, or to do whatever they choose in order to proceed.

15:45

The Convener: Does any member have comments?

Phil Gallie: It would be nice to finish the year with something positive to say. It is a very good paper. It is an improvement and I congratulate all concerned.

The Convener: Wow!

Mr Home Robertson: Santa Claus has arrived.

The Convener: There is unanimity on that point. I take it that we are all quite content to approve the new system.

I have just had some wonderful news. Mr McCabe is coming on the 28 February to kick off the new system.

Mr Home Robertson: Is there a 28 February? Yes, there is.

The Convener: We move on to the final item today, and the reason why the papers are quite bulky. I have brought to the committee's attention the consultant's report to the Executive on the economic impact of the G8 summit in Scotland.

Obviously everyone is aware of the recent media coverage of the economic costs and benefits to Scotland. I do not think that we can go into the subject deeply today, but I am happy to take initial comments. One simple way of dealing with the matter would be to take up Mr McCabe's offer to come to the committee. The committee agreed previously that it would like to get proper feedback.

Dennis Canavan: I have not had time to look through the report in detail. Could someone prepare for us an analysis of the report before a possible meeting with Tom McCabe so that we

can see whether it is consistent with the evidence that was given to the committee when we were compiling our report about the G8 summit?

The Convener: That sounds like an excellent idea—members are nodding, so it looks like there is general agreement.

Mr McCabe is coming to the committee on 28 February to kick off his new reporting system, so would that be a sensible time to discuss the issue? We should bear in mind the fact that there is a recess and only one meeting in February.

Mr Wallace: Do we have a schedule for meetings?

The Convener: You got it ages ago.

Nick Hawthorne (Clerk): It has not been completely confirmed yet, but we should have confirmation any day. We know that the first meeting will be on 17 January. Members have not had the schedule yet.

The Convener: It was only I who got the schedule. I take my comment back and apologise profusely.

Mr Home Robertson: It is for the favoured few.

Phil Gallie: Or the favoured one.

The Convener: I think Irene Oldfather got it too. I am struggling now.

Are members happy to take up the minister's offer to discuss the issue in February?

Members indicated agreement.

The Convener: That brings us to the end of the meeting. The next meeting will be on 17 January next year.

Before I close, I have something else to say. It is David Simpson's final committee meeting and I have to record a couple of wee facts that I have picked up from his colleagues in the clerking team. He has been with the committee from the very start in 1999 and, believe it or not, he has never missed a single committee meeting in six years. *[Applause.]* I am not going to read out what Nick Hawthorne wrote in brackets in his note because I would not like it to go into the *Official Report*.

I express my thanks to David Simpson for the support that I have had in the short time I have worked with him. It has been much appreciated. I do not know what the committee is going to do without him.

Mr Gordon: What is he going to do? Get a life?

The Convener: He is going to have a great life because he is going to assist Roseanna Cunningham on the Health Committee.

Gordon Jackson: He must have been a very bad boy.

The Convener: Again, on behalf of us all, I thank David Simpson very much.

Meeting closed at 15:49.

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