



OFFICIAL REPORT
AITHISG OIFIGEIL

Rural Economy and Connectivity Committee

Wednesday 30 September 2020

Session 5



The Scottish Parliament
Pàrlamaid na h-Alba

© Parliamentary copyright. Scottish Parliamentary Corporate Body

Information on the Scottish Parliament's copyright policy can be found on the website - www.parliament.scot or by contacting Public Information on 0131 348 5000

Wednesday 30 September 2020

CONTENTS

	Col.
AGRICULTURE BILL	1
FINANCIAL SCRUTINY	5
EUROPEAN UNION (WITHDRAWAL) ACT 2018 AND AGRICULTURE BILL	45
Agriculture and Horticulture Development Board (Amendment) Order 2020	45
Pesticides (Amendment) (EU Exit) Regulations 2020	45
Agricultural Products, Food and Drink (Amendment etc) (EU Exit) Regulations 2020	45
Genetically Modified Organisms (Amendment) (EU Exit) Regulations 2020	45
Organic Products (Production and Control) (Amendment) (EU Exit) Regulations 2020	45

RURAL ECONOMY AND CONNECTIVITY COMMITTEE

24th 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)

*Emma Harper (South Scotland) (SNP)

*Richard Lyle (Uddingston and Bellshill) (SNP)

*Angus MacDonald (Falkirk East) (SNP)

*Oliver Mundell (Dumfriesshire) (Con)

*Mike Rumbles (North East Scotland) (LD)

*Colin Smyth (South Scotland) (Lab)

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

*attended

THE FOLLOWING ALSO PARTICIPATED:

George Burgess (Scottish Government)

Hazel Curtis (Seafish)

Professor Iain Docherty (University of Stirling)

Fergus Ewing (Cabinet Secretary for Rural Economy and Tourism)

Professor Russel Griggs (South of Scotland Enterprise)

Dr Steven Thomson (Scotland's Rural College)

Charlotte Wright (Highlands and Islands Enterprise)

CLERK TO THE COMMITTEE

Steve Farrell

LOCATION

The Mary Fairfax Somerville Room (CR2)

Scottish Parliament

Rural Economy and Connectivity Committee

Wednesday 30 September 2020

[The Convener opened the meeting at 09:30]

Agriculture Bill

The Convener (Edward Mountain): Good morning, and welcome to the committee's 24th meeting in 2020. The meeting will be conducted in a hybrid format, with three members—John Finnie, Emma Harper and Stewart Stevenson—and our witnesses participating remotely.

The first item on the agenda is the Agriculture Bill, which is United Kingdom Parliament legislation. We will take evidence specifically on a legislative consent memorandum, LCM(S5)38b. I welcome the panel from the Scottish Government, who are giving evidence remotely: Fergus Ewing is the Cabinet Secretary for Rural Economy and Tourism; John Kerr is head of the agricultural policy division; George Burgess is deputy director, food and drink, in the international trade and investment directorate; and Andy Crawley is a lawyer in the rural support team in the legal directorate.

Before we hear from the cabinet secretary, I invite members to declare any interests.

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

Stewart Stevenson (Banffshire and Buchan Coast) (SNP): I jointly own a very small registered agricultural holding, from which I derive no income.

The Convener: I declare an interest in a family farming partnership.

The Cabinet Secretary for Rural Economy and Tourism (Fergus Ewing): Thank you for inviting me to give evidence on the LCM, which is the second supplementary LCM for the UK Agriculture Bill. The initial memoranda identified a number of provisions contained within the UK Agriculture Bill that alter the executive competence of the Scottish ministers and that fall within the legislative competence of the Scottish Parliament, where the Scottish Government was recommending consent. Those provisions related to food security, fertilisers, the red meat levy and, following amendments agreed during the House of Lords committee stages, include statutory consent locks, organic products and the identification and

traceability of animals. Those provisions appropriately respected devolution and, in the case of the red meat levy clause, had actually been promoted by the Scottish Government.

The UK Government has now tabled amendments to the Agriculture Bill in relation to the rollover of European Union legislation into domestic law, the duty of the Secretary of State for Environment, Food and Rural Affairs to report to the UK Parliament on UK food security and the power to make consequential et cetera provisions. Those amendments were agreed on report, with further amendments on the rollover of EU legislation lodged for the third reading. As a result of that, there is a requirement for additional consent from the Scottish Parliament in relation to the rollover of EU legislation into domestic law, as that is not covered by the terms of the legislative consent motion agreed to by the Parliament on 1 September, although that consent motion does cover the amendments proposed in relation to food security and consequential powers.

I regret the need to trouble the committee and the Parliament with the matter again. Ensuring that EU legislation rolls over effectively into domestic law is of paramount importance, which is why we and our colleagues in Wales have been pressing the UK Government for assurance that the complex interplay of EU law with the European Union (Withdrawal) Act 2018 actually works. We have had that assurance, but the UK Government has now had second thoughts, or perhaps 11th-hour thoughts, and has brought forward these changes for the avoidance of doubt. The draft motion set out in the supplementary memorandum clearly identifies the specific provisions that the Scottish Parliament is being asked to consent to.

Finally, members should be aware that the third reading of the bill will take place in the House of Lords tomorrow.

I and my officials are happy to take questions from committee members.

The Convener: The deputy convener has a question.

Maureen Watt (Aberdeen South and North Kincardine) (SNP): If the bill is at the third reading stage in the House of Lords and then has to come back to the Commons, might we yet have to consider further LCMs?

Fergus Ewing: I do not think that one could exclude that possibility. As the deputy convener says, the UK parliamentary process has not been exhausted or completed. It is therefore possible that we could be required to consider other matters in relation to the bill. The LCM that we are considering today is the second supplementary one. I cannot recall ever having spoken to a second supplementary LCM, so in that respect this

second LCM is a first. I do not know whether we will have to consider a third.

It is a bit of a shame that, because of Brexit, we are having to spend all this time on the matter. We could have pursued our own agenda, including the crofters bill and the good food nation bill, if we had more parliamentary time within our control, rather than having to implement Brexit, which is a policy of which, frankly, we do not approve—

The Convener: Cabinet secretary, with the greatest will in the world, that is a political statement that drifts a long way away from the subject of the LCM. I would cut off any witness who made such a statement. You have made your point—we will leave it there.

Do members have any other questions?

Angus MacDonald (Falkirk East) (SNP): I am pleased to hear from the cabinet secretary that the issue regarding the red meat levy has largely been resolved. The cabinet secretary, and other members who were in the Parliament in the previous session, will recall the stushie—for want of a better word—regarding the retention of that levy, which was extremely unfair. There was consensus across the chamber that Scotland's share of the levy should be repatriated. I am just wondering whether there is any chance that that could be backdated.

Fergus Ewing: As far as I understand it, to do so would not be within the powers that would be conferred by the Agriculture Bill. Were it to be within those powers, of course we would want to have it applied to the past. That wrong has been going on for several years, so the repatriation should be backdated.

At the end of the day, we reached a compromise with the UK Government. It is absolutely essential that there should be no further delay in implementing the repatriation of the red meat levy. I assure Mr MacDonald and other members that we continue to press George Eustice and Victoria Prentis, the UK Government ministers on the matter. If this is a stushie, it is a seven-figure stushie. We are talking about millions of pounds that should have been used in years past to promote high-quality Scotch meat, but which have not been available despite the fact that everyone recognises that that has been unfair to Scotland and our farming community.

We are working with the UK Government and will hold its feet to the fire on the implementation of the clause as quickly as possible, and without any backsliding.

The Convener: I will bring in Emma Harper, who wants to come in very briefly, and then go to the cabinet secretary's colleague George Burgess, who wants to add something.

Emma Harper (South Scotland) (SNP): My question will be brief, convener, because I think that the cabinet secretary has just responded to it. I was curious to know how much money we were talking about. He has just said that it amounted to millions, so his further answer might be short.

The Convener: I will go to George Burgess now and then come back to the cabinet secretary, in order to keep to the sequence that I mentioned.

George Burgess (Scottish Government): At this stage, our priority on the bill is to work towards the implementation of its red meat levy provisions, which we hope will come into force by 1 April for the start of the new financial year. Not only are we holding the UK Government's feet to the fire; we are actually holding the poker, in that we have taken the lead in developing the steam that will be required under the bill to make the scheme work. We are leading on that piece of work.

The scheme will not be retrospective. However, for the past, I think, two years, we have had in place a ring-fenced fund with the Agriculture and Horticulture Development Board and Hybu Cig Cymru in Wales, which means that at least a sum of money is held for the benefit of producers and processors across the four Administrations.

To respond to Ms Harper's question, the sum is considerable. The cost depends on the precise flows of livestock in any given year, but it is at least £1 million a year.

The Convener: Does the cabinet secretary feel that George Burgess has answered the questions sufficiently? Are you happy with his answers?

Fergus Ewing: I am always happy with George Burgess's answers, and this occasion is no exception. I am delighted to hear that there is a new precedent of my officials wielding pokers, because that can result only in even more prompt action.

The Convener: I am not sure from whom and where the pokers are being wielded—we will leave that to people's imaginations.

We have come to the end of the questions. Are members content to recommend in the committee's report to the Parliament that it should agree to the draft motion, as set out in the LCM?

Members indicated agreement.

The Convener: That completes our consideration of the LCM. I thank the cabinet secretary and his team for participating in the meeting.

Financial Scrutiny

09:41

The Convener: Under item 2, the committee will take evidence on financial scrutiny, with a focus on the impact of Covid-19. We will hear from stakeholders. There are a lot of questions to get through, and I always promote short questions and answers.

Given that we are speaking to a new panel of witnesses, I do not know whether members need to declare interests again. Peter Chapman, Stewart Stevenson and I have declared an agricultural interest, but I think that we should record those again. I have an interest in a family farming partnership in Moray.

Peter Chapman: Likewise, I have an interest in a family partnership in Aberdeenshire.

Stewart Stevenson: I jointly own a very small registered agricultural holding, from which I derive no income.

The Convener: I see that no other members wish to make a declaration.

I welcome Steven Thomson, a senior agricultural economist and the policy adviser for Scotland's Rural College; Professor Iain Docherty, the dean of the institute for advanced studies at the University of Stirling; Professor Russel Griggs, the chair of South of Scotland Enterprise; Charlotte Wright, the chief executive of Highlands and Islands Enterprise; and Hazel Curtis, the director of corporate relations at Seafish.

If they can, witnesses should keep an eye on me at the bottom of their screens. If I feel that you are going in a direction that might take us away from the question, and I need to shorten your answers, I will indicate so by wagging my pen. The next sanction will be to cut off your microphone. I hope that we do not need to do that and that all the questions are answered.

The first questions are from the deputy convener, Maureen Watt.

Maureen Watt: Scotland's agricultural and rural sectors face the concurrent challenges of recovery from Covid, the uncertainty of Brexit and the need to tackle climate change and biodiversity loss. Is the rural economy budget aligned to meet those challenges? If not, how should the budget be reallocated?

Dr Steven Thomson (Scotland's Rural College): Thank you for the invitation to come and speak to you; it is always a pleasure.

The crux of the matter is that Covid has brought a lot of issues into sharp focus and it has shown

us how interlinked our whole economy is with regard to rural-urban linkages and the food supply chain—we have seen empty shelves during this period. Wholesalers and retailers predicted those empty shelves in the event of an extremely hard Brexit or no deal with Europe.

09:45

In the short term, there are significant issues for food supply chains. The agricultural sector has come through the Covid crisis pretty well in comparison with other sectors, such as tourism, although farming is linked to tourism. The key issues are how we will decarbonise the agricultural sector and get to net zero emissions while producing the same amount of food, in order to meet food security needs.

Additional moneys will be required to help the transition process. We are in a fast-moving industry, but farmers must make long-term investments. There will be additional, up-front costs in moving them forwards on decarbonisation, so there needs to be additional support and advice, including transitional capital support to help them change their systems and adapt to new practices. We hope that they then will reap the rewards through markets and international markets.

We need to rethink how we deliver on biodiversity, because we do not seem to have progressed significantly on that in the past 20 or 30 years.

The Convener: Thank you, Steven. Does Maureen Watt want to hear from anyone else? Considering the area that they represent, would Charlotte Wright or Russel Griggs like to come in?

Professor Russel Griggs (South of Scotland Enterprise): Good morning and thank you for inviting us today. It is always a pleasure to be here.

At our board meetings, Kate Rowell, who, as you know, is a farmer in Peeblesshire, consistently raises the point that, although Covid has been a real challenge, Brexit will be an even bigger challenge for the farming community, especially in the south of Scotland.

On Maureen Watt's question about the budget, the big uncertainty is not so much about what the Scottish Government puts into the budget but what will replace support such as the common agricultural policy and how that will all come together. As has been clearly outlined, we need an understanding about how we move from farm-per-farm funding to funding that is dependent on environmental consequences and so on.

Our view is that Brexit is a big challenge, and a lot of farmers will want to come to us for business

advice; because of the uncertainty, they do not know where next year's revenue is coming from. Therefore, at issue is not just the Scottish budget, but the budget that they currently get as part of the European settlement.

Charlotte Wright (Highlands and Islands Enterprise): On a broader note, one of the key issues that we have seen—in relation to Covid, the decarbonisation transition and the Brexit comments that Russel Griggs has just made—is building resilience in local economies and communities. I echo the point about the interdependent nature of the primary and other sectors coming into focus during this challenge. It is excellent to see that, in a number of areas across the Highlands and Islands, the response has been about developing local food groups and a move to more local use of produce in the tourism and other sectors. We hope to build on that.

I will build on Russel Griggs's point about European Union funding. We are particularly interested in the future funding overall, and we are keen to see the shared prosperity fund being deployed, with governance on a regional basis, to deal with our regional needs and opportunities.

The Convener: Thank you. Before I come back to Maureen Watt, I emphasise that, if witnesses want to come in, they should type "R" in the chat function. Of course, the danger is that, if no one types "R", the last person to look away will get asked to come in.

Maureen Watt: I am tempted to ask Russel Griggs what band he plays in—there is a keyboard behind him—but I will not.

We are always talking about needing more money, but there will not be much more money at all. Are there areas where less money can be spent in order to free up money to build in resilience and profitability and to encourage the innovation that we have been talking about? We are coming out of the EU and CAP will no longer be available. What new agricultural support mechanisms do we need?

The Convener: That is very much your domain, Steven Thomson.

Dr Thomson: I should have made the point earlier about how important our future trade relationships across the globe will be in all this. I think that people sometimes forget that agricultural policy and trade policy go hand in hand. If we have low-tariff barriers or non-tariff barriers that allow cheaper food imports into this country, that will be detrimental to the farming and food sector. Therefore, everything that we are talking about is conditional on our future trade relationships not just with Europe but across the globe, in particular with the United States, as has been covered pretty heavily in the press.

Maureen Watt's question about resilience is an important one. We know that the farming sector is particularly resilient. Farmers already have diversified portfolios—they grow different crops, they have different livestock and they have off-farm jobs and so on. They are survivors. However, the research that we have been doing under the strategic research programme with the Scottish Government shows that, even with the level of support that we are familiar with, quite a high proportion of those businesses cannot even pay themselves minimum agricultural wages. Although they are resilient, they are cash poor and their profitability levels are low.

Part of that is about the demand profile. The Covid experience has shown how reliant our food and farming systems are on market demand. We saw an initial crash in the beef price as prime cuts got backed up, and we saw a crash in the dairy price as companies in the food service sector—Costa and the like—shut and milk demand fell because of that.

There is a better appreciation of where we are in the wider food chain and that is important. The only way that we can ever achieve more from the market is through better collaboration and having shorter supply chains. That will come through vertical integration—through co-operatives, including marketing co-ops, producer groups and so on.

We need to rethink how that is done across the farming sector and try to get a bit of impetus behind people working more collectively. It happens in other countries where there are bigger producer groups. We tend not to have achieved that as well as some other countries, so there are lessons to be learned.

On future policy, I have to be really careful here—there are limits to what I can say—because I am under contract and working with the Scottish Government. However, it is quite clear to me that we need to rethink how we are supporting agriculture and what the conditions of support are.

I have said for a long time that I think that there is an opportunity for us to deliver more through enhanced conditions, conditionality or cross-compliance—whatever you want to call it—and to deliver more on greenhouse gas emissions or biodiversity through those routes.

It is also vital that we look at productivity. Professor Barnes's work in Scotland's Rural College shows that there are significant technical inefficiencies in agriculture, which manifest themselves in additional greenhouse gas emissions and lost profitability. It is a double-edged sword.

There are things that policy can do, but there are also things that the industry is doing. Some

within the industry are super-performers. There are some stellar performers and there is world-class farming, but there are many who are below where we would perhaps expect them to be with regard to their technical efficiency.

The focus needs to be on improving what we are delivering on public goods, but we also need to refocus on producer groups and technical efficiency.

Charlotte Wright: I will make a point about wider approaches, as we do not generally work with the primary sector directly. To pick up on the part of the question about the use of the budget and potentially dealing with less budget, that is about how we do things. During the recent period, we have found that the use of digital approaches, as we are doing this morning, enables us to extend our reach. We can deal with more clients, businesses and communities through a lighter-touch digital method.

Some of the comments that I was going to make have just been made. I was going to talk about our provision of support for innovation, tech and improving productivity and efficiency.

Maureen Watt: Charlotte Wright's point about HIE not normally dealing with the primary sector is a bit worrying to me. The primary sector produces food but, if you like, the profit is in the value added. For example, many people are moving away from cow's milk to other forms of milk. Oat milk is one example, and we produce lots of oats. Is there any production in the Highlands and Islands or in Russel Griggs's area that requires organisations such as the enterprise agencies to facilitate the coming together of farmers or producers to make more of the primary product?

Charlotte Wright: Absolutely, we come in at that added-value stage. The food sector is extremely important in the Highlands and Islands, although our role is to provide support on the added value. There is an element through which we directly support people working in the primary sector, for example through the rural leadership programme.

If I did not put the point across earlier, I say now that I absolutely agree that the focus on productivity, efficiency and adding value is critical to that element of the sector in the Highlands and Islands on behalf of Scotland.

Professor Griggs: South of Scotland Enterprise is the first enterprise company that deals directly with the primary sector. Farmers are very much part of our business community, and we have been working with them a lot on looking to the future. We have a couple of sessions coming up with them soon on agriculture of the future.

To answer Maureen Watt's point directly, we are seeking to help collaboration. Steven Thomson made a good point in that regard. For example, we have just invested money with a farmer who is building an aggregating barn, which will allow a lot of other farmers to bring their cattle to his barn. That then allows the cattle to be taken to market much more easily and cuts the cost. We are also talking to farmers about whether we need to reintroduce abattoirs in the south of Scotland to help farmers consider different markets. Maureen Watt can be assured that, in the south of Scotland, farmers are very much on the list of businesses that we want to work with.

If I may, I point out to Maureen Watt that the keyboard that is behind me was my Covid project, and I have to tell you that it is not going very well. *[Laughter.]*

The Convener: We will definitely not ask you to play us any music.

I will pick up on Steven Thomson's point about the resilience of farmers and their ability to adapt, which is something that I have seen in the industry all my life. Do you think that farmers will react to the stimulus that is given, and their having that stimulus as soon as possible is important as far as the future of farming is concerned? We need to work out a policy, do we not?

10:00

Dr Thomson: One hundred per cent. Certainly, in my professional lifetime, which is getting longer and longer, farmers have shown an amazing ability to follow markets and policy support. As far as I can see, if the right incentives are provided, farmers will adapt to the policy signals. Some are much closer to markets—in the dairy sector, the relative importance of agricultural support is far less than perhaps it is in the beef and sheep sectors. That is not to say that the agricultural policy support that farmers in the dairy sector receive is not vital for their profitability and incomes; it is just a lower proportion of turnover.

I think that you are right. We need to set out long-term messages for farming and give farmers a signal of the strategic direction that we want to take them in, in order to give them some confidence in investment. It comes back to the whole wider rural economy issue that the farming sector is heavily connected to multiple upstream and downstream businesses in the rural economy, and beyond, in food processing.

We talk about value added, but agriculture needs to be seen as part of the wider food and drink sector if we are truly to consider what value added is. Agriculture is the main ingredient supplier to the food and drink sector, which is one of our key sectors. I always get a bit nervous when

we talk about value added from farming, because the end product is the food and drink, not the agricultural product.

Peter Chapman: We have all heard, and many folks have said, that there is a focus on a green business recovery post-Covid. The Scottish Government has promised to create a £100 million green jobs fund, which will be paid out over the next five years. What implications do calls for a green recovery have on the agriculture and rural economy budget?

The Convener: Dr Thomson, I am afraid that you looked away first, so I will break my own rule and bring you in.

Dr Thomson: Sorry, I was taking notes on Peter Chapman's question.

Peter Chapman: The question was that good.

Dr Thomson: The green jobs fund and the £100 million might be vital, particularly in the forestry sector. If we are going to spend money on replanting in order to sequester carbon and mitigate climate change, we will likely need additional moneys coming in.

Part of the story is linked with the transitional labour, or migrant labour, forces that we have become accustomed to in many of our food and drink, forestry and agriculture sectors, and trying to show the younger generation, and people who are perhaps not in work, that there are good opportunities in the land-based sectors and rural economy to derive a career and live in a wonderful environment. We should consider that opportunity, and try to bring the next generation in to whichever parts of the land-based sector need them.

Emma Harper: I have a supplementary to Maureen Watt's question about oat milk. In the south-west of Scotland, we have 48 per cent of Scotland's dairy farms. I wonder whether Professor Griggs can help me to understand this. I know that it is early days for South of Scotland Enterprise, but would the agency work with primary producers to support dairy producer organisations to further develop milk processing so that we can have added-value cheese, yoghurt and other products directly on our doorsteps in the south of Scotland?

The Convener: Can we call it "oat milk"? That might stretch the definition of "milk"—but I am not sure.

Professor Griggs: I will answer Emma Harper's question in two ways. Yes, we are working with dairy farmers on what they want to do and how we can take their products forward.

More specifically, we have been considering how we can help dairy farmers to reduce their energy costs, as that is a key factor in what dairy

farmers do. We are considering anaerobic digestion. There are some good examples in the Borders of farmers coming together on that, using waste from their animals to generate electricity. We are trying to get little clusters of farmers to come together. That goes back to Steven Thomson's point about collaboration: we need a certain amount of animal waste—if I can put it that way—to make that viable, and it has to be fairly local.

We are looking to help the dairy industry on both counts. Energy is a huge factor in what farmers do and it accounts for a huge part of farm costs so, if farmers want their sector to become more profitable, we need to see if we can work with them on that, which will allow them to do other things, too.

Charlotte Wright: I will return to the point about green recovery. There are a huge amount of opportunities for development across the Highlands and Islands, and I would categorise that in three ways. First, there are businesses that could be said to be born green, which are focused on the green economy. There is a huge amount of activity in renewables in the Highlands and Islands, for example, and there are other associated green-type businesses, such as environmental assessment.

Secondly, there is the role of decarbonising more traditional sectors, with support to effect that transition. We are working with many of the more oil-and-gas-dependent economies in the Highlands and Islands. There are some excellent ideas around activities involving decarbonisation in Shetland, for example.

Thirdly, but equally important, is the rest of the business base in other sectors, including tourism, which can contribute significantly to green jobs and the green economy; it can also influence how tourism is approached overall.

We also think that there are a huge amount of opportunities in the blue economy in a part of Scotland that is surrounded by the sea. That includes not only renewable energy but marine biotechnology, which offers great opportunities for advancing skills and the science base within the Highlands and Islands as part of the asset that we can build on.

The Convener: We will come on to the blue economy in a minute.

Peter Chapman: I am keen to get Russel Griggs's take on this. Steven Thomson mentioned that, for agriculture, a big part of the green recovery will involve increased tree planting and a focus on more trees. I am up for that, although there is a feeling in parts of the Borders, for instance, that there are enough trees already, and there is a big conflict between farming and

forestry. That is particularly the case in your area, Russel. How will you tackle that in your part of the world?

Professor Griggs: I will come back in a minute to the other point that I was going to make about greening, but I will start with that specific question.

We have been considering the issue for some time now. Part of the conflict mainly concerns tenant farmers, who do not see that they will get anything out of forestry, because it involves looking 30 years ahead. We are looking into whether we can become a forestry investor, which might allow us to pay some of the benefit to a tenant farmer up front.

It is a matter of ascertaining what the blockages are in the farming community—being anti-forestry, to put it that way. They are not really anti-trees; the issue is about how they can get a return from forestry. We are assessing whether we can help tenant farmers who might have land that could be used for forestry to get their return earlier, as that is the factor that puts many of them off. By the time there was a return from the trees, it would be away in the future, and they might no longer be the tenant.

I would like to make a quick point about the green recovery. We must remember that we will have to dig up large parts of rural Scotland to put in better electric cabling—Jeremy Sainsbury, a member of our board, is working with National Grid on that—because we do not have the necessary kVA and the cables to allow air-source heat pumps or electric vehicles to be charged. From a budgetary point of view, if we really want to become green, we will have to do a lot on the electrical infrastructure in Scotland, never mind all the other infrastructure.

Peter Chapman: I always like to be positive and, most of the time, I have a fairly positive outlook. Has the Covid-19 crisis had any positive outcomes for the agriculture and food sectors? If so, can you identify what those positives have been? How can the budget help to lock in those changes so that they continue into the future?

The Convener: That is definitely for Steven Thomson.

Dr Thomson: As ever.

The sector reacted quickly in responding to local markets. That was partly because an opportunity was identified, but it was also partly the result of a desire to help people out.

The whole issue of local food remains one that we need to look at more closely, but it always comes back to cost. Although some people can afford higher-value local food, which, by its nature, is often more costly, many other people cannot. Getting around that affordability issue will be vital

to the success of more localised food hubs. That will involve getting local products into convenience stores and so on, so that they are not seen as niche products or ones that only the wealthy can afford. We need to do that partly through messaging—by telling people, for example, that not all cuts of beef and other meat are high cost—and through fostering a better understanding of the local environment and where products come from.

I think that the Covid crisis has helped to reconnect urban people to rural areas by giving them an understanding of the value of being able to get out of the city, and a marketing opportunity now exists to build on that.

On the green recovery, if I may briefly digress from answering Peter Chapman's question, I note that, yesterday, the first hydrogen train was trialled in the UK. Hydrogen will present an opportunity in the future.

The key when it comes to new markets or added-value products—this comes back to the question of local food—is creating the demand. We might be able to add value, but we still need to create markets and to have market penetration.

The Convener: That is the perfect moment to bring in Hazel Curtis.

Hazel Curtis (Seafish): Thank you for having me along.

I will answer Peter Chapman's question along the same lines that Steven Thomson did. In the seafood sector, a benefit of the Covid situation has been the re-emergence of local supply chains and the reconnection of people to local supplies of fantastic healthy food. There has been an opportunity to take cost out of the supply chain so that people in Scotland can access the top-quality seafood that is landed here. Some small emerging businesses have done powerful communications and marketing to take advantage of the reinvigorated connection that so many people have had with their local supply chain. That has been true in the seafood sector as well as the agriculture sector.

Professor Griggs: Emma Harper and I spent an interesting three hours at the reopening of the farmers market in Dumfries about four weeks ago, when we spoke to a host of small food and drink businesses.

We got the same message from all of them, which was interesting. They said that, although Covid had been very bruising and they had been hurt by it, it had allowed them to find new ways to get customers. They developed new supply chains and customer channels that they probably would not have developed in normal times so, in a lot of cases, they were coming out much stronger.

10:15

For example, the two young lads who run the brewery on the Isle of Whithorn are having to double their capacity because alcohol seems to have been quite a good thing to sell during Covid. There was a positive message from them: "Yes, it's been difficult, but it has really focused our minds on how we need to develop our business." We came across that message a lot as we spoke to people.

Peter Chapman: Turning to Brexit, are there unanswered budget-related questions that need to be addressed before the end of the implementation period? As we all know, that is approaching fairly rapidly.

The Convener: Who would like to head off on budget questions?

Perhaps Steven Thomson would like to come in.

Dr Thomson: [*Inaudible.*]

The Convener: I am sorry, Steven—I cannot hear you. I think that you are still muted. There are gremlins in the system.

You are live now.

Dr Thomson: Peter Chapman's connection broke up for me there. I think that he asked about the end of the transition period and where we need to focus spend. Is that correct?

Peter Chapman: Yes, that is correct. My question was about the Brexit process and the fact that the implementation period is imminently coming to a close. What do we need to think about, budget-wise, in that regard?

Dr Thomson: We probably have to play it by ear. The major impacts will be determined by whatever the final outcomes of the agreement between the UK and the EU actually are. If we are faced with tariff barriers, some agriculture sectors, as well as the seafood industry, will be more adversely affected than others. If the EU is faced with tariffs coming into the UK, that would provide opportunities for others with regard to import substitution in the longer term.

It is hard to say what reacting to any no-deal scenario would involve in terms of longer-term support requirements. In the interim, we need to focus on getting export businesses and the haulage sector fully prepared. The fact that drivers will need permits to go into Kent really hammers home how concerned people are about border control in the first few months. The EU has explicitly said that it will not be slack, starting from day 1, whereas the UK Government has already conceded that it will have a transition period in the first six months in relation to how it implements controls. There are risks in the system, and we

need to focus on ensuring that businesses are fully up to speed.

One of the biggest risks just now involves the animal sector being used as a pawn. The EU will not yet accept third-country recognition, so that sector will be a bargaining chip against tariffs for the beef sector, especially in respect of the tariff rate quota. The agriculture and food sector is vital to negotiation across all the sectors, including fisheries.

I do not know whether I have answered your question, but those are the risks as I see them.

The Convener: Are you all right with that answer, Peter?

Peter Chapman: Yes—I know that time is moving on.

The Convener: Richard Lyle has the next set of questions.

Richard Lyle (Uddingston and Bellshill) (SNP): Good morning, panel. I turn to the subject of fisheries. Can anyone outline why the fisheries sector was vulnerable to the impacts of Covid-19? Could those vulnerabilities have been foreseen and addressed?

Hazel Curtis: You asked why the sector was vulnerable to Covid, and whether that could have been foreseen and addressed.

It has been vulnerable to Covid for some obvious reasons that are common to all sectors, but a huge part of both the Scottish fish catching sector and the farming sector relies on export markets. Therefore, the closedown of the food service sector in overseas markets had a huge impact on demand. The closedown of restaurants, cafes and so on in the UK food sector had a huge impact on demand for the high-quality species of fish that are more commonly eaten in restaurants than bought in retail.

Could that have been foreseen? The reliance on export markets is, to some extent, how things are. To some extent, it was foreseen, because people were looking at what would happen after the transition period. We knew that a reduction in demand from the export market would have an impact. Therefore, that is the next impact that businesses are gearing up for.

Richard Lyle: Where does spend need to be directed to improve the resilience of the sector to future challenges, including those that might arise as a result of Brexit? Has the UK Government confirmed any future funding for fisheries and related infrastructure investment?

The Convener: Hazel Curtis, do you want to start? I will then bring in Charlotte Wright to give another perspective.

Hazel Curtis: For the time being, at a high level, funding should be directed towards supporting successful businesses through the Covid crisis and through the transition to the new international trading arrangements. Those are businesses that would survive anyway, in the absence of the short-term challenges. Then, for the seafood sector, you can look at what you have to do to secure a sustainable long-term supply. That is a combination of ensuring high-quality fisheries management, which is best done through effective co-management between Government, science and industry, and, through the international negotiations, securing good fishing rights for the UK and the home nations within the UK. The focus should be on securing supply and ensuring sustainability credentials, and there are all sorts of places where Government intervention on those is essential. Funding should then be directed towards understanding and influencing markets in the UK and globally, and then perhaps towards identifying and targeting demand in key markets, in the UK and globally, for the high-quality seafood that is brought into Scotland.

Speaking as an economist, I would say that there are different priorities for the short, medium and long terms. The short-term priority is to provide support for successful businesses, to get them through the crisis, taking care that subsidies are not harmful and do not lead to overcapitalisation. For the seafood processing sector, support could take the form of help with overheads and rates relief, and there could be some kind of temporary top-up for the catchers. All sorts of different mechanisms could be used.

In addition to those markets, we also need to think about workers and people who are willing to work in the industry. There has been a change in the nationality of the people who are working in the sector. Many of the EU workers have headed home and fewer are coming, and there are non-EU people working in the catching sector. Therefore, workers and innovation need to be taken into account for production in the medium to longer term.

Charlotte Wright: There is alignment between actions that have been brought to bear during the Covid crisis and what we need to do in a post-Brexit world. I absolutely agree with Hazel Curtis's points about supporting market identification, about the role of the enterprise agencies in working with key businesses in the sector and about continuing to strengthen what we have seen emerge recently in relation to local produce and direct contact between supplier and consumer. Hopefully, the service sector will continue to be able to operate effectively, because we have seen how critical that is to the overall piece.

There is also something here about infrastructure in its wider sense, in terms of transport. On the productivity piece, we are really keen to see what more we can do with the processing sector to look at opportunities for automation and productivity improvements, which would help to take cost out and would also address some of the risk around the labour market.

Stewart Stevenson: I have a rather narrow question that is probably directed at Hazel Curtis. A couple of years ago, for political reasons, the Russians closed the markets for our exports of pelagic fish to Russia. The industry suffered to some extent as a result—I believe that a firm in Shetland went bankrupt—but, broadly speaking, the industry recovered. That was one little bit of a bigger market, but are there lessons from that recovery that might be more broadly applicable, particularly for our catches, as we look forward to a potential loss of market for other sectors in our catching industry—for shellfish, in particular, perhaps, but also for whitefish and pelagics?

Hazel Curtis: The recovery of that sector was due partly to the identification of alternative markets and partly to effective competition with other suppliers in the existing markets. People in the catching and seafood processing sectors in Scotland have their eye on what they are going to do. Unfortunately, it has been said—and it is kind of true—that the Covid situation and the huge, sudden reduction in the ability to export has been something of a brutal rehearsal for what might be faced in the short term after the end of the transition period. However, I think that everybody's attention is on where we can compete, what the key strengths of Scottish seafood are, where we can drive market demand and who can help us to do that. Can we have export webinars and so on, now that we cannot all traipse around in person to seafood shows in Barcelona? How can we identify and make the most of those markets? There are lessons to be learned.

Richard Lyle: Hazel Curtis, in your opinion, are the current budget allocations for fisheries, including for infrastructure development, business support and marine management, targeted to support the sector to meet existing and new objectives—for example, resilience, market diversification, tackling climate change and marine biodiversity loss?

Hazel Curtis: Just to clarify, are you asking whether, in my opinion, the budget allocations have been adequate or appropriately allocated?

Richard Lyle: Appropriately allocated. If you had a wish list, what would you do?

Hazel Curtis: Because I am in a public body, it is not necessarily appropriate for me to talk about

my personal wish list. Seafish does not give out value-based judgments such as that. However, I can say something about the types of investment that would be effective in generating the Government's objectives. Investment in infrastructure improvements at ports and in food-handling facilities at ports and on board vessels would underpin the beginning of a quality seafood supply chain.

10:30

It is important to invest in understanding the incentives of people who have invested in fishing, strengthening the co-management element of fisheries management—not just the fish stocks, but the vessels—and in understanding who has invested in vessels, who has invested in fishing rights and how the fishing rights work to ensure that there is an appropriate level of financial capital investment in the industry, so that it can be profitable, resilient and sustainable. With an overinvestment of capital, there is an overreliance on an insufficiently large fishing opportunity that is spread among too many businesses.

An investment in skills and training is another big element. We have to shift jobs in the seafood sector to being attractive, well-paid and skilled, so we need to look at innovation, the automation of production and so on.

The Convener: I will come to Steven Thomson now. However, I do not want your whole wish list, if you are answering those questions, Steven.

Dr Thomson: It appears that there are a lot of synergies with the agriculture sector in that there are an awful lot of big players and an awful lot of small players. I note that, this year, the Scottish Government has increased the quota allocation for the small boats to help them through the Covid crisis.

The key is that the hospitality sector is shut, which means that the high-end, high-value market from international tourism will not recover in the short term. There is a gaping hole in the market, so we need to stimulate the seafood-eating culture in the UK.

The Convener: We will move to Angus MacDonald's questions next, because I think that Richard Lyle's questions have been answered.

Richard Lyle: I just want to thank Hazel Curtis. I am sorry that I put you under pressure, Hazel.

The Convener: She coped well.

Angus MacDonald: A short while ago, Charlotte Wright touched on the blue economy. In the programme for government, the Scottish Government announced a new blue economy action plan that is designed to

“strengthen the resilience of our marine industries”.

What are your priorities for such an action plan? Where does funding need to be provided?

The Convener: I am looking to see who wants to come in. If you want to speak, please give me a clue by holding up your hand.

Charlotte Wright: I will just come back to some of my earlier points. In the Highlands and Islands, we have long seen the wider blue economy as a significant opportunity to build on our natural asset base. We developed a science and innovation audit, led by us with a consortium of 11 partners and stakeholders, which illustrated—*[Inaudible.]* That, in itself, supports—*[Inaudible.]*—some of which we are already investing in, but most provide further opportunities.

In terms of wave and tidal renewable energies, Highlands and Islands Enterprise has a subsidiary company, Wave Energy Scotland, which is making substantial progress with technology investment in wave energy. We are a big supporter of the aquaculture industry, which continues to grow. Marine biotechnology offers significant opportunities for the huge global market in seaweed and algae. There are also more traditional sectors such as coastal and marine tourism. I will leave it to other witnesses to cover areas such as fisheries.

Together, those opportunities provide a significant tech-based and marine-based cluster for the Highlands and Islands. We are really keen to work with other partners, including Marine Scotland, to ensure that actions in the blue economy action plan are implemented for us.

The Convener: I ask Hazel Curtis to respond. We are struggling a wee bit with the broadband in the Highlands.

Hazel Curtis: I am just on the other side of Edinburgh, so I hope that my connection is better.

On the seafood element of the blue economy action plan, there is an amazing opportunity to recognise some of the true value that the seafood sector can bring to the Scottish economy. Seafood can contribute to all five types of capital: natural, human, social, financial and physical.

It is about seeing the connections. I have already alluded to securing a sustainable supply and making sure that we have something that will last and is marketable; to all the work that has to be done to bring the right people together in the right formats, in order to get genuine collaboration and acceptance of what is required for a successful fishing fleet—and tackling inappropriate overcapitalisation in the fleet would be part of that; to enabling, uplifting and helping people to seize opportunities on the marketing front; and to

supporting that with labour. Bringing all of that together would help.

If we can secure the natural capital in fish stocks and the capacity for aquaculture, the human and social capital can follow. In monetary terms, fishing and seafood processing are not hugely valuable. However, when it comes to social capital—to national heritage and culture—they are so much more valuable. That is why that integrated approach to capital is crucial to making the most of seafood.

Angus MacDonald: I am curious to know whether Professor Griggs has any input to make from a south of Scotland perspective.

Professor Griggs: Yes, I will make a quick comment. Part of what we have focused on in the blue economy action plan has to do with Brexit, because Cairnryan will become a very important port in Scotland—in effect, it will be our link to Northern Ireland and into Europe, and there may be ways in which we can take advantage of the free port status that might come out of that. In the south of Scotland, as we move into Brexit, I think different types of answer will come from that.

Angus MacDonald: Although things are clearly still at an early stage, has any witness been involved in discussions with Marine Scotland on any pilot projects as part of the blue economy action plan?

It does not look as though anyone wants to come in on that, so I will move on.

The fisheries sectors, including aquaculture and processing, received a large amount of emergency support as a result of Covid-19. Is there a need for additional support in the medium term? If so, what form should that take, and is there a need for future financial support to be more targeted to any particular aims or purposes?

Charlotte Wright: Because of the size of the majority of aquaculture producers, our support in the sector tends to be in building a strong supply chain across Scotland.

My answer would apply to all sectors. It is about ensuring that all businesses have their preparations in place for Brexit, with a focus on their resilience, leadership and ability to invest in productivity, automation and innovation. Those are the areas that we are targeting in that sector.

We have developed a fund jointly with the Scottish Aquaculture Innovation Centre to target innovation in the aquaculture supply chain, in particular. We have seen some great results through businesses working together and with larger producers to effect innovation. There are a number of challenges for the sectors to overcome, and innovation is a key route by which to overcome them.

Stewart Stevenson: I have a fairly brief and narrow question for Charlotte Wright, given that she is taking the lead on the blue economy, particularly in the north of Scotland. Many of my fishing constituents are a bit worried about potential conflict relating to developments in traditional fishing areas that might cut them off from those areas. What steps is HIE taking to ensure that we have proper discussions between fishermen and—

Charlotte Wright: That is a really important question—

Stewart Stevenson: [*Inaudible.*]

The Convener: Hold on. We are having a bit of a broadband issue.

Charlotte Wright: I apologise. That is a really important question. It comes down to collaboration and engagement. It is important that we and partners such as Crown Estate Scotland do whatever we can to effect collaboration. In particular, we need to consider how the benefits from investment in offshore wind can be brought to bear in local communities. For example, there should be investment in skills and training in sectors that might have concerns about the impact of renewable energy.

It comes down to ensuring that all parties can get together, collaborate, listen and find a route through which to work together. We need the fishing sector as much as we need the renewable energy sector.

Hazel Curtis: In the short term, while we survive Covid, there is still a need for the seafood sector to receive support in catching and processing. Export opportunities are still very limited, and the food service sector in the UK and in other export markets is closing down more again, so there is still a need to carry on supporting businesses that would otherwise be successful.

The support could be in helping to address overheads in relation to business rates and so on. There could be some kind of revenue support system for the catching sector. Something needs to be done to ensure that all those businesses do not simply go to the wall as a result of Covid, because the production would be lost, the capital would be devalued and other investors would simply have to come in to secure the seafood supply. It is worth providing such support. There would be no net benefit to the nation in letting one group of business owners fail only for another group of business owners to come in and pick up afterwards.

There could also be further support to enable people to target new local routes to market. In some cases, that could be a little help with new

processing equipment or with cold storage, which is an issue. Support in using social media for marketing and such things could help a lot of small businesses to keep going through the crisis.

Colin Smyth (South Scotland) (Lab): Professor Docherty has been waiting patiently, so I will turn the discussion to the issue of transport. The pandemic restrictions have had a profound impact on public transport, but the most recent Scottish household survey showed that bus and rail passenger numbers had fallen just before the pandemic. During the pandemic, those passenger numbers have obviously gone into free fall.

The Government's response has largely been about paying subsidies to private operators to compensate for the loss of fares. Is that the answer for the foreseeable future or does the Government need to be doing other things to keep public transport moving and sustainable?

10:45

Professor Iain Docherty (University of Stirling): Thank you for the invitation to be with you this morning. It goes without saying that what we are experiencing is unprecedented, and that can be seen in the scale of the fall in public transport patronage. In the early phases of the pandemic, during lockdown, bus patronage fell by something like 85 per cent across the board and rail patronage by something like 97 per cent. Those are extraordinary figures, and, even today, we are still approaching only about a third, or slightly higher, of normal public transport patronage levels. Obviously, the impact of that on the finances of any operating body is unprecedented.

I find it difficult to see what levers are available to Government in the short to medium term, other than continuing to pay these new subsidies. The report by the Urban Transport Group that was published earlier this week points to the alternative being significant redundancies among staff in these operations and the closure of many services, and that is not just bus services, which could be taken off the road very quickly; it would suggest the mothballing of fixed public transport services, such as trains, tram and the subway. Therefore, in the short term, I do not see any option other than the Government's continuing to pay the subsidies. The big question is how long such a huge fall in demand will last and what the longer term implications of that are for the financial health of the sector.

The report that UTG has just published is looking at a best-case scenario of patronage being back to something like 85 per cent of pre-Covid levels by the middle of 2021, which assumes the roll-out of a reasonably effective vaccine or

therapeutic. The worst-case scenario in that report is a recovery to something in the order of 65 per cent, two thirds, of pre-Covid patronage by the end of 2021. Therefore, given the scale of the emergency financial agreements and the grants disbursements that have been given to the rail and bus industries, the Scottish Government has to find a very substantial figure.

Colin Smyth: I know that a colleague has a specific question about rail, post franchise, so I will not pre-empt that, but, looking to the longer term, what structural changes are required in the bus sector to keep it sustainable? Again, that is a question for Professor Docherty.

The Convener: I am assuming that you and Iain Docherty are going to bounce questions and answers off each other—

Colin Smyth: I want to bring in the enterprise agencies in a second but, yes, primarily, the question is for Iain Docherty.

Professor Docherty: We have some difficult choices to make. The other side of the coin is that car use has already returned to more than 90 per cent of pre-Covid levels, so, in effect, to normal. If the overall financial support requirement for public transport is going to be elevated by that kind of scale for the medium term, we must start to ask ourselves how we are going to pay for that and what the relationship is with the levels of car traffic on the network.

The bus sector in particular will continue to require more financial support, because of the drop in demand that we have just talked about. Also, in the short term and for as long as physical distancing restrictions remain at bus stops and on vehicles, the capacity of the network is severely limited in any case to less than half of pre-Covid levels. Therefore, on one side there is the revenue support that we need, but, on the other side, there is the issue of how car traffic on the network affects operations. Bus punctuality—and, indeed, rail punctuality—and service levels during lockdown improved immeasurably, and part of that was simply due to the fact that there was less car traffic. That made operations in the bus sector much more efficient and allowed operators to run the service pattern that they wished to run with fewer vehicles. We have had a great empirical experiment in real time on the impacts of congestion on the reliable operation of bus services.

So far, taking the transport sector as a whole, Covid has acted as an accelerant of trends that were already in place, but which we had expected to play out over five, 10 or 15 years—in many cases, they are now being played out over five, 10 or 15 months. There is now a sharp relief in the relationship between the subsidy requirement for

public transport operations, whoever owns them—the operating margins from ownership being quite a small part of the equation—and the impact of normal car traffic, given the collapse in demand for travel by other motorised modes.

The Convener: Russel Griggs has indicated that he wishes to come in, so is this the moment, Colin?

Colin Smyth: I would certainly like to bring the witnesses from the enterprise agencies in on this. Public transport was already in a pretty precarious position in rural areas. The predecessor agency to South of Scotland Enterprise did quite a bit of work around transport, identifying the need for an integrated public transport system to break down economic barriers in the south of Scotland. My question to the enterprise agencies is: what does that mean in practical terms for rural areas, and what role do the agencies have in breaking down transport barriers?

Professor Griggs: you are quite right: just before the agency was formed, we did a piece of work that involved speaking to businesses across the whole of the south of Scotland and asking them what they would want if they could have one thing—including millions of pounds from Government—and the majority of them said an integrated public transport system would be the best thing that they could have. That is not just about their employees; it is about getting young people to college and all sorts of things.

We have not stopped that; we are still thinking about how we do that. Part of the second meeting of the convention of the south of Scotland, which took place on Monday, involved talking with local authorities about how we start that piece of work, which will form a key part of the regional economic strategy that will be prepared over the next six months.

While Covid has kind of changed the premise on which we are acting now, it should not deflect us from what we want to do in the future, which is to create an integrated public transport system that allows our young people to learn where they want to learn and that allows our employees to get to work on time.

Nothing has changed. In fact, if anything, the situation has invigorated us not to let Covid divert us from what we want to do.

Charlotte Wright: [*Inaudible.*—large and dispersed as the Highlands and Islands, the question of public transport has always been a difficult one. We have more than 100 inhabited islands in the Highlands and Islands, so ferries have obviously been critical over this period. I spent a lot of time talking to folk in Arran, for example, when relaxations started in the hospitality sector. We were very concerned about

the issues there, which are a crystallisation of some of the challenges around capacity that already existed, particularly in busy seasons. There are challenges around dealing with freight as well as with passenger traffic, particularly when it comes to ferries serving places such as Islay, with its distillery traffic.

We have done work on a rural minimum income standard, and one of the key factors that makes living in our rural areas more expensive is transport. We rely on car transport a lot more, and there is not always an effective public transport service in many of our rural areas. I am thinking of some of the remote mainland areas and how they are served in a commuting sense.

There are lifeline routes in the Highlands and Islands involving ferries and planes, which are critical for islands' access to emergency and other services. We have often worked with partners in supporting the development of our train routes. While the east coast services are reasonable, train routes on the west coast are not really comparable to either bus or road. It takes nearly four hours to get a train from Fort William to Glasgow, which is 100 miles. That does not really offer an alternative.

Our role involves helping to build a community response. There are some brilliant community-led projects around community transport. It is also about providing the economic argument for some of the transport challenges that I highlighted and considering where innovation can come in. The European Marine Energy Centre in Orkney is a good example of where a lot of work has been done around hydrogen and the role that it can potentially play in transport in the future, in relation to both buses and—I hope—ferries.

Whenever I go to a public meeting in the Highlands and Islands, I can guess that, for those reasons, housing and transport will be at the top of the list of things that people want to talk about.

The Convener: Before we move on, I have a question for Iain. One of the questions that Colin asked was whether where the support to industry is going is appropriate.

My understanding is that a lot of the rolling stock is rented and that a lot of buses are financed. Despite the fact that they are not being used, somebody still has to pay for them. Is that a real concern or have I misunderstood the importance of support to help to finance the actual machines that we need to move about in?

Professor Docherty: That is a very good question. I have no knowledge of the detail of those contracts and their insurance arrangements in the extreme circumstances that we are experiencing. The question of whether there is any scope to reduce their cost exposure might

therefore be one to address to the operating companies directly.

I also note that, as one of the second-order or longer-term impacts of the current situation, we might reasonably expect the peakiness of demand on public transport—particularly the rail network—not to recover to the extent that was evident before the pandemic for several years, if ever. We have created a fixed public transport system that has been about delivering ever greater numbers of passengers into a small number of destinations for peak times. It may well be the case that we do not have that kind of objective in future. If that is true, it will have a substantive impact on our assumptions about all kinds of investment—in rolling stock and in infrastructure—in future.

The Convener: Before we leave the topic, I note that I seem to remember somebody somewhere saying that about one third of the costs of running railways in Scotland comes down to the costs of renting rolling stock. It is therefore a big area. I am also very conscious that bus construction firms will struggle in the future if we do not have rolling stock and machines coming online. Who has that sort of information, which would be useful to the committee?

Professor Docherty: The rolling stock companies themselves, from which the operators lease the stock. However, increasing numbers of financial services companies operate within the transport sector. It is their job, as an intermediary between the operators and the stock suppliers, to come up with better financing models. I would certainly be happy to send the committee information about who might be good to speak to on that.

Mike Rumbles (North East Scotland) (LD): Good morning, panel. At the start of the Covid crisis, many local authorities rolled out temporary infrastructure in our rural towns that was aimed at helping people to avoid others when they were walking around. We have all seen the red and white bollards in the streets. At that time, if you remember, people would often step into the road in order to avoid others, thus endangering themselves. At one point, the police asked people not to do that. I used to do it, but I do not any more. People are not doing that now.

There is a view from some of our rural businesses that those widened pathways are not helping our rural town centres to recover. Do members of the panel have views on that? Are the bollards a good thing? Should we roll out even more of them?

Professor Docherty: We might call that an extreme example of the long-standing and long-running debate about road space allocation, particularly in town centres; the mix between

spaces for cars, parking and pedestrians; and what that means for the vitality of local businesses. It is a heated debate that you will see in the pages of any local newspaper, probably anywhere in the world, when the reallocation of space or a change in the allocation of space is proposed.

I am involved in some research work with colleagues at the University of Leeds that is looking at people's behaviours, how they are changing their everyday lives in terms of their consumption patterns, and what that means for their travel. We have found that, quite surprisingly, the simple act of walking and using local facilities on foot appears to have grown substantially. It has certainly grown way beyond the media attention that it has had.

11:00

Members might remember that, during the lockdown, there was a lot of media attention on the rise in cycling, but in many places that rise almost disappeared as we moved out of the two phases. The lockdown took place mostly in the spring and early summer, when the weather was fine, and fewer people were physically at work, so they had more leisure time. Our empirical research shows, and other studies by colleagues elsewhere in the academic sector have demonstrated similarly, that increases in walking seem to be more robust.

I said earlier that our experience during the pandemic is an accelerant for what we know generally in the transport sector. There is lots of empirical evidence that moving space away from cars and parking towards pedestrians actually increases local spend and the vitality of local communities, particularly town centres. The research is fairly unequivocal about that. My view is therefore that spaces for people is an excellent idea. We should have more of them and, as a matter of urgency, we should have some agreed and defined rules for how the temporary schemes that have been put in place can become permanent.

Mike Rumbles: Can I follow up on that point, convener?

The Convener: Yes, although I am keen to bring in Charlotte Wright and Professor Griggs.

Mike Rumbles: My mailbox is full of emails from businesspeople in rural Scotland. You said that the empirical evidence is clear, which is interesting, but it is clear to me from my mailbox and the people who are running businesses that their turnover is down and people are driving through their town or village without stopping. They are put off by all the red and white barriers, which is making business more difficult. Do you

have views on why the empirical evidence shows one thing but the emails that I am receiving from business owners tell me the opposite?

Professor Docherty: My understanding and reading of the body of academic evidence is that, when such changes are made, we will always see lots of pushback and reaction to them, because they are multifaceted. We are living through a pandemic with all kinds of significant changes in consumer spending patterns, travel patterns and people's preferences as to how they spend their time and money. A set of variables for what we see in our local communities every day is being mixed up. Of course people will react to that, and they will draw conclusions anecdotally from what they see around them.

The point about the research evidence is that we should look across the piece at what the impacts have been over a long period. They are by no means 100 per cent consistent, but my reading of it is that the overall consensus of the research is that a move towards more space for people, and particularly pedestrians—because we all become pedestrians when we get out of our vehicles—is good for local commerce. The work that I have been involved in recently would seem to support that.

I point you to some of the work that Transport for London is doing on the reaction to the low-traffic neighbourhoods initiatives in London. If you have been following the media debate, you will have seen that there has been some really strong and vocal pushback about the road closures in many communities, which were designed to produce more space for local businesses in town centres. TFL has just run a major public consultation on the initiatives, and the population overall seems to welcome the changes much more than we might ascertain from either the media coverage or the postbag.

The Convener: I will bring in Charlotte Wright and Professor Griggs to see whether there are different views.

Charlotte Wright: I think that Mike Rumbles's postbag perhaps points to a deeper concern about the future of the high street and the challenges that high streets in our small towns have been facing for a number of years, which have been exacerbated by the crisis and its particular impact on retail. In the past, I have heard from business owners in town centres where high streets are pedestrianised that the pedestrianisation has had an impact on the number of people who come to their shops.

I think that the much bigger and more significant challenge is how we work collaboratively to ensure that our high streets remain vibrant and provide the right kinds of services for our local

communities and economies. Local authorities, which have been mentioned, are at the heart of that.

Professor Griggs: Iain Docherty answered the question very well. My only additional comment goes along with Charlotte Wright's point that there are many different views. I remember that, years ago, when we talked to the people who run Dumfries town centre, they said that pedestrianisation would be great, but they first needed somewhere for people to park their cars so that they could become pedestrians. If there is nowhere for people to park, the pedestrians do not come.

It is a complicated question, if I can put it in that way.

Mike Rumbles: It is the job of MSPs to ask complicated questions. It is the answers that appeal to me.

I say to Iain Docherty that I am really focused on our rural towns. In my view, Transport for London is in a completely different position from what we are looking at. I understand the difficulties that have been raised, but my concern is about our rural high streets in our villages and towns.

John Finnie (Highlands and Islands) (Green): Good morning. I have some further questions on transport, and I direct my first question to Professor Docherty. The transport transition plan commits the Scottish Government to a just and sustainable recovery. We could spend all morning discussing what it means by that, but I suspect that the convener would not want that. What might such commitments mean for transport investment?

Professor Docherty: That is a very nice link from the previous question.

To respond to Mr Rumbles's comment, I note that TFL has a very large budget and it can undertake lots of research that other bodies cannot. That is why I pointed to that example—it is one of the best examples of the difference between what might be heard in media noise and wider public opinion on the reallocation of road space.

Much of our rural population lives in small towns, where walking and cycling are effective modes to support town centres. Over the years, there has been fair evidence about the importance of promoting walking and cycling in such environments for the health of local high streets in smaller places.

I am a member of the group that advises Transport Scotland on the transport transition plan. I and colleagues have been keen to say to Transport Scotland and the advisory group on economic recovery that, although people have begun to think about our recovery phase from the

pandemic lasting until, perhaps, the end of 2021, that is only nine years before the date for the first decarbonisation target that the Scottish Government has adopted, which is 2030. In round terms, we know that we are going to have to do without roughly a third of our road vehicle fleet, even if the rest of it is completely emission free at the point of use, in order to meet those net zero targets.

We have really very demanding medium-term objectives to meet for transport. One of the important headline statements in the revised national transport strategy is that the profile of our investment across the transport system has to be modified to reflect what we understand the transport hierarchy to be. For passenger transport, that places the active modes—walking and cycling—at the top, followed by public transport, with individual use of private vehicles right at the bottom.

It is fair to say that the investment profile that we have had over the past few years has not looked like that. We continue to invest very significant funds in road construction and particularly in rail. We have had a discussion about how the subsidy profile for the railways has changed as the pandemic has unfolded. The unwritten message on the Scottish Government's plans to date is that there will need to be a very substantial change in our financial priorities if we are to meet our decarbonisation targets, and that has to start now.

You will be aware that the strategic transport projects review is on-going. I am a member of the advisory board for that, and we are discussing how we will make sure that the project profile for the next period meets the objectives of the national transport strategy, in particular those on decarbonisation and inclusive growth. That will mean changing the profile of the modes that we invest in and—this is also relevant to the questions about the health of our small towns and rural communities—ensuring that communities are viable and sustainable and that people do not have to travel out of them to satisfy their everyday needs.

John Finnie: There have been a lot of changes, not least in work practices, with increased home working. Given what you have said about behavioural changes and capacity issues on public transport, how do you feel about those changes? Are they here to stay? Should they be reflected in the transport strategy so that the benefits of some of the good changes to active travel that we have seen can be locked in through investment decisions?

Professor Docherty: Being mindful of the convener's request for short answers, I am tempted to just say, "Yes, absolutely."

As I said, we are seeing the acceleration of trends that had already been well identified. The proportion of people who were commuting five days a week to the same place of work was already falling substantially, and it has—obviously—collapsed during the pandemic. I think it is unlikely that we will go back to the levels of commuting to fixed places of work that we saw before the pandemic.

People have become used to the current situation over quite a long period of time—that is, if they are in an occupation where it is possible to use digital tools, such as the ones that we are using this morning, to do some of their job without travelling. It is almost certain that, in the future, there will be a materially reduced demand for traditional commuting travel, which will have all kinds of consequences. We are yet to fully understand those but, most obviously, they will be about the location of work.

For a long time, we have expected people to be able to live in more rural locations and telecommute, having the kind of interaction that we are having this morning, so that they are not obliged to leave those rural communities or travel as much. There will be more of that. I and colleagues have argued in our responses to recent consultations that making sure that broadband provision is as good as it can be will be a key part of sustaining that for rural communities.

Another point, which relates to Colin Smyth's opening questions about the financial status of the sector, is that we have to look at how we fund the transport sector overall, which includes the subsidy requirement profile for public transport and fares. For example, we have a fares structure in the rail system that is geared towards season tickets for commuting and peak travel. It is unlikely that that yield profile for revenue will come back, so we must think carefully about what opportunities there are to change the fares structure for public transport.

Again with particular reference to rural communities, I note that a long-standing criticism of concessionary fare schemes is that a free bus ticket is great if you have a bus, but there are many people in Scotland who do not have access to a reliable bus network and for whom somebody else's car is their public transport. Leaving aside the very real infection control issues about car sharing, we will have to become much more imaginative and innovative in how we fund and support the transport sector across all modes and how we make it easier for people to be flexible. For example, people may wish to commute two or three days a week and live further from their workplace. They might want to car share sometimes and take public transport on some days. We have talked for a long time about having

a fare system that enables that flexibility, but we will need to put it in place very quickly in order to support economic recovery.

We have got used to things such as the concessionary fares scheme being consistent lines in the Scottish budget. That is partly because it is politically difficult even to open up a discussion on the subject. However, the current crisis is on such a scale that we need to take the opportunity to do that.

11:15

Professor Griggs: It is a really good question. I think that Iain Docherty has answered it but, as we are talking about budgets, I have one comment to add. If we are going to have a transport strategy, a strategy that looks at broadband and, to take Charlotte Wright's point, a strategy that looks at town centres, we could say—to use a transport analogy—that they are all on different railway lines and we need them to get to the end point at the same time.

In budgetary terms, we need to ensure that all the different parts of the equation move forward in parallel so that we do not get a transport system that relies on broadband that is not yet fixed, or get town centres still talking about what they want to do with transport, which is different from what we have ended up with. All those areas need to be aligned. We talk about the things individually but, in budgetary terms, we must acknowledge that they all need to get to the end of the railway line at roughly the same time.

The Convener: We will come to broadband in a moment, but first we will go back to John Finnie.

John Finnie: I thank Professor Griggs and Professor Docherty for their comments. Picking up on the issues that they highlighted, I note that some of us are trying to get an expansion of concessionary fares.

I have a brief final question about the Scottish Government's investment in active travel, which is channelled through the charity Sustrans. I intend no personal criticism in that regard but, given the importance that is now attached to walking and cycling, is that process fit for purpose? If not, how should the funds be distributed?

Professor Docherty: Following on from my earlier answers, the obvious point is that, if we are to shift the profile of transport expenditure to more closely and properly match the transport hierarchy, we would expect a very significant increase—even more than we have seen to date—in expenditure on active travel. I imagine that that is the premise of John Finnie's question.

If we are to have expenditure on walking and cycling that is by an order of magnitude higher

than what we have had in recent years, should we do something differently? Yes—we probably should. The Sustrans partnership has had wide support, but we are talking about a completely different level of sustained investment in the future. My view is that local authorities know their patch best and, if we were to create a new system to disburse substantially greater funds, I would look to empower them to do that, rather than trying to control it centrally.

One of the broader policy lessons from the pandemic, and not only in the transport domain, is that decentralised delivery systems have tended to work better and be more resilient than central diktat. Given our discussions about the particular needs of local places and how we balance the desire to invest in the public realm with ensuring that people can arrive there by car or public transport, I would argue strongly for local authorities to be the key mechanism for undertaking that expenditure.

The Convener: The next question is from Stewart Stevenson.

Stewart Stevenson: Before I start, as we are talking transport, I declare that I am honorary president of the Scottish Association for Public Transport and honorary vice-president of Railfuture UK.

With regard to Iain Docherty's remarks, I have just looked at my spreadsheet and seen that I have done 630.63 miles of walking since lockdown. I am much fitter—it is a good mode of transport.

Moving on, how do the recommendations from the Infrastructure Commission for Scotland—on which I understand Professor Docherty sits—feed into funding structures and priorities? How do we make that work?

Cross-matching the question with the broader comments that we have heard from Professor Docherty about how people currently travel and how we might expect them to do so in future, how do we deconstruct and reconstruct the way in which we fund investments in transport?

Professor Docherty: I was indeed one of the commissioners on the Infrastructure Commission for Scotland and also one of the authors of a particular paragraph in our report, which has excited some attention, about a presumption against the provision of new capacity and a focus instead on investment to protect the resilience and reliability of the networks that we have. We have recently seen the importance of that focus, given both the repeated failure of the road infrastructure at the Rest and Be Thankful pass and the tragic events at Carmont, near Stonehaven, on the rail network.

We have understood for some time, in a rhetorical sense, that we will need to devote a substantially greater share of our resources to rebuilding our existing networks and making them resilient to the impacts of climate change, because we expect to experience more of those impacts, which will mostly be related to localised flooding and extreme weather events. Those events and their implications have already started and have become well known to us through the two incidents that I have mentioned, among others.

First, we will perhaps have to build less brand-new infrastructure than we might wish to. There are other carbon-related reasons to consider that a good thing. The ICFS report recommends that we consider re-using and repurposing more of our existing assets across all infrastructure classes rather than build anew, partly for those carbon-related reasons. Making the commitment to more resilient networks a reality is a first point.

The second point brings us back to the important question that Russel Griggs has highlighted of ensuring that we are consistent and achieve synergies across all our investments. If we want to reduce the carbon impact of how we travel, make it possible for people not to have to travel to access the goods and services that they need and make local businesses more viable and all of us fitter, we need to invest much more in the quality of our local places.

Again, many Government strategies and the ICFS reports talk about and insist on that point. To use an everyday example, we have to make it much easier for people to use their local shop rather than drive to the supermarket. To do so keeps them fitter and healthier, reduces the direct environmental impact of their travel and addresses, for example, many of the local food issues that we have talked about.

The ICFS also recommends that we begin to think about infrastructure investment across all classes and to consider how investment in one domain, such as transport or housing, impacts on other domains. That is the second key part of the answer.

Stewart Stevenson: Does that take us towards the idea that we need to persuade people of the positive benefits of changing the way in which they travel, rather than consider an investment of our pounds in physical infrastructure?

Professor Docherty: Yes, absolutely. We have had to do that for some time, although we have not done it as strongly as we might have. To go back to what I said earlier, even if we manage to decarbonise our road vehicle fleet completely at the point of use—turning it over to 100 per cent electric, hydrogen or whatever—we know that we will have to do without a third of those vehicles

because of the carbon impact of their construction and operation over their lifetime.

To meet our net zero targets, we will have to have fewer vehicles on the roads, make our current public transport network carry a greater share of passengers, have more freight transport on the railways and have people walk and cycle much more than they currently do.

The Convener: The deputy convener has a brief supplementary question.

Maureen Watt: We are talking about infrastructure for passenger transport, but Iain Docherty briefly mentioned freight. Especially in more rural areas, it is important to have the infrastructure, whether it is road or rail, to get our produce and goods to markets, often at fast speeds. Therefore, it is important to develop that infrastructure for freight as well as for passengers.

Professor Docherty: I agree. Again, we know from the research that, rather than absolute speed, the reliability of freight flows is often important, which brings us back to making sure that our strategies and investment priorities are sophisticated enough to understand that.

For example, it is not always about dualling a rural trunk road; it is about making sure that the times for the journeys that those freight vehicles make every day are reliable. That can be achieved by a more targeted package of interventions.

Emma Harper: What impact might the end of rail franchising have on Scottish and cross-border rail services, particularly from the viewpoint of the passenger and the role of the Scottish ministers in specifying, letting and funding rail services?

Professor Docherty: We still await the outcome of the Williams review. If I remember correctly, Grant Shapps promised that the UK Government will produce a white paper on the issue. At the moment, as many members of the committee will be interested to know, it appears that the structure of the rail network—with regard to what kind of contract the Scottish ministers can enter into with operators—will remain a reserved power. We await the text of the Williams review and how it is translated into the white paper that the UK Government brings forward.

I will briefly broaden the issue to include buses. Before the pandemic, very few public transport services were commercial in terms of their return; now, almost none of them is, and there might be very few, if any, for a considerable time to come. That puts us in a different position in considering how we address the difficult political questions of the ownership structure of our public transport networks. Over the next few months, we have a window of opportunity to consider the long-term structure of the industry, particularly with regard to

those second-order impacts that I mentioned of substantial changes in passenger demand and what they mean for the financial sustainability of the networks going forward. It is incumbent on us all to have a good conversation about those issues over the next few months, perhaps with a little less heat than they have provoked in the recent past.

The Convener: The committee has written to Grant Shapps on the status of the Williams review, but we have still to receive a reply. After this meeting, it might be apposite to remind him of its importance.

Emma Harper: I will pick up on what Professor Docherty said about maintaining existing or rural roads rather than dualling them. Professor Griggs will know exactly what I am going to talk about. We see the impact of the main arterial routes going to Cairnryan, which is one of our main ports for getting goods to and from Ireland. Is Professor Docherty ruling out upgrading any of those routes, particularly the A77 and A75?

11:30

Professor Docherty: No. The phrase “ruling out” is an interesting one. To go back to our recommendations in the Infrastructure Commission for Scotland report, we need to avoid generating extra road traffic. South of the border, there is an increasing debate about the carbon impact of the Department for Transport’s road investment strategy.

I enjoy driving on high-quality roads as much as any other road user, but we will have limited capital available to spend on our road network in the years to come, so we must be sensible and ensure that those resources are directed to make the biggest possible positive contribution to the economy and to our net zero carbon obligations. To use the example of the south of Scotland and access to Cairnryan, it is absolutely imperative to ensure that those routes are robust and resilient and that they give reliable access for freight to and from the ports and into the rest of the trunk road network.

On the prioritisation of schemes, Transport Scotland has already begun detailed work on an investment hierarchy and the ordering of individual investment projects. I commend that work to the committee as a good example of how we should prioritise in the difficult environment of the next few years.

The Convener: Russel Griggs, I will come to you with Emma Harper’s constituency question, which seemed to slip below the radar.

Professor Griggs: I understand Emma’s question. If I was given the choice between dualling and having an integrated public transport

system, I would probably go for the latter, as it would bring more benefit to the people. I agree with Iain Docherty. We must ensure that companies such as Tesco, which sends all its freight for Northern Ireland through Cairnryan, have an easy way to do that or they might start to do so through Liverpool.

If I can use the word again, there are some complicated issues. It is about making sure that we get freight where it needs to be, but integrated public transport would also solve a lot of those issues for us.

Oliver Mundell (Dumfriesshire) (Con): I will not slip below the radar. Not having the ambition to connect Dumfries to the motorway network with a dualled road shows a complete lack of ambition, and I am disappointed to hear Russel Griggs say that he does not see that as a priority.

My substantive questions are on broadband and digital connectivity. The pandemic has revealed the disparity between rural communities and our more urban areas. School children struggled to access blended learning. Some businesses have struggled. We now have lots of people working remotely in rural areas, which is a good thing, but they are struggling to connect with their businesses when working from home. Given the responses to the Scottish Government’s economic recovery group, is there room to do more to front load interventions to help those who are most affected by the digital divide?

Professor Griggs: To be clear, I did not say that I was against dualling. Iain Docherty said that we will have to make choices about expenditure in the next few years. Of course I would like both, but if I was given the choice between that and integrated public transport and had to go for just one option, I would listen to the businesses and I would choose integrated public transport.

What has been interesting during the past six months of Covid is how well the digital system has held up in the south of Scotland. I am not saying that it is perfect—we know that it still needs to be finished, but we are in a good position. Once R100 is complete, we will have only 194 premises requiring connection in the south of Scotland.

Looking more widely at the digital divide, it has been interesting how many mature people have become quite skilled users of digital in the past six months. The pandemic has accelerated the use that people make of digital and they have a much better understanding of what they can do.

A key factor in South of Scotland Enterprise is to make that go forward for all our businesses. We would like everybody to do digital. Taking up the point that Emma Harper made, that will also help us to encourage more people to move to the south of Scotland. If there are good digital connections in

a rural area, people will go there to live and work. It is extraordinarily important that we not only put in the infrastructure but teach people how to use it.

Charlotte Wright: Nothing is more important for the Highlands and Islands than improving our digital connectivity. Highlands and Islands Enterprise has been involved in previous programmes to deliver connectivity to the region, which demonstrates that we are always playing catch-up. Unfortunately, as I am sure the committee is aware, the R100 north lot was the subject of a legal challenge, which means that it has been very slow to get started, as that process has just come to its conclusion. That in itself is an issue.

Twelve per cent of homes and businesses in the Highlands and Islands still receive less than 10 megabits per second, which is the minimum set by the universal service obligation, and also according to the Netflix test. Further, 4.2 per cent have less than 2 Mbps, so there is still a digital divide across the Highlands and Islands. It comes down to ensuring that there is effective collaboration to bring gigabit broadband and modern mobile—4G and 5G—to our communities as soon as we can.

We see a brilliant opportunity for investment in the Highlands and Islands. We have referred a few times this morning to people working from home—it means that, if people have connectivity, they can work in London or Edinburgh but live in Ardnamurchan or Orkney. That is essential to our fight against the demographic challenge and the loss of young people from the Highlands and Islands. The public sector has spent literally millions in our region, but we still face the issue of a digital divide for island communities and the most rural communities in Scotland.

The Convener: Dr Thomson, do you have a comment on the importance of digital connection?

Dr Thomson: Yes. I suppose that that is the crux of the issue. A lot of public services, such as those on taxation, are now delivered digitally. The latest grant forms for farmers are downloaded in a PDF and submitted online. Connectivity is absolutely essential for farming and rural businesses more widely.

I get the fact that people will want to relocate to rural areas if there is good digital connectivity. However, that puts even more pressure on the existing housing stock, which then puts pressure on affordable housing. We cannot always look at those issues in isolation and see them as positive—they have negatives or downsides, too, in that people from wealthier backgrounds buy houses at cheaper prices in rural areas, which can have a detrimental effect on the younger local population. It is a bit like what Russel Griggs said

earlier, in that your train has to arrive at the station at the same time. However, increased investment in digital will be welcome.

As well as infrastructure, there is an absolute need for training. The lockdown showed that, although businesses had websites and a little bit of e-commerce, they did not have sufficient capacity and were inundated with a huge amount of web traffic. For example, some amenity horticulture growers' websites crashed and they stopped taking orders, because they literally could not cope, even though that was about the only opportunity that they had to generate business. There is a training need as well as an infrastructure need, and taking people through the whole process—not just those of us who are already working digitally but those who might want to work that way—is a vital component of that.

Oliver Mundell: That response takes me on to my next question. From the enterprise agencies' point of view, do we have the information technology skills to enable the roll-out of broadband? Are we taking advantage of such opportunities in rural areas, where most of the work will need to be done?

Charlotte Wright: That is a key area of activity for Highlands and Islands Enterprise and Skills Development Scotland. We have done work on a sectoral basis about the need for digital skills, and there is a significant gap that needs to be addressed. During the pandemic, many sectors that we would expect to have really good digital offerings found that they did not have them. The pandemic has accelerated people's acceptance of digital need. We have done a huge amount of work online and have found that a number of small businesses have stepped up and are now able to trade effectively online. We are also offering an additional digital grant.

We are using digital to help our own reach and communication. Our creative industries showcase event is usually held in Inverness over two days, but we put it online and got three times the number of attendees that we have done previously, so there are benefits.

On the core question about skills, we need to work together across the—*[Inaudible.]*—particularly to use initiatives such as CodeClan, which targets the lack of coding skills across key sectors of the business population.

The Convener: Thank you. We lost you there for a moment, which probably proves the importance of broadband.

Professor Griggs: I will make two quick points. BT has some really good data that shows that, even in areas where good broadband has been installed, uptake is not as great unless we ensure that the local population, including young people,

are trained in it. That is why we are actively looking at what we put in place behind the R100 programme, as it is rolled out.

As Oliver Mundell knows, we have already spent quite a lot of money to ensure that the two colleges that we have worked with can do a lot of their teaching online, so that young people do not have to go to the colleges every day to do what they do. We are about to go into phase 2 of that work. It is critical that businesses and individuals have access to digital training, and we will keep investing heavily in that.

Professor Docherty: I support the idea that we should think about broadband investment as part of a system. As well as the broadband infrastructure, we should think about the skills to be able to use it effectively, as colleagues have said. There also needs to be access to devices to make use of broadband capability. As the pandemic has unfolded, that issue has come to the forefront of our understanding in the education sector. People's interaction over broadband is only as good as their device allows it to be.

On the point about local communities and town centres, it is often the case that people do not want to work from home when working remotely. They might wish to work nearby home, so there is a clear opportunity for local communities and town centres to have a better variety of informal places from which people can work. That could be done through providing shared workspace hubs or a more vibrant local retail and cafe culture. There is empirical evidence that during the pandemic, some local communities and smaller towns across the UK that already had such social infrastructure in place have done better, because more people have sought to work near home rather than at home.

Part of the system is about thinking about what a future that is blended—if I can use that word, which we have all become used to hearing—between physical mobility and online access will mean. People might not be commuting five days a week, but they might still commute two days a week. I say to Mr Mundell that my long-standing view is that, if we want to transform the economic fortunes of the town of Dumfries, the single most important transport intervention that we could do is to provide an express rail link from Dumfries to Lockerbie, and then to Edinburgh and Glasgow, so that people could commute to the central belt in about an hour, two days a week, and could maintain all their spending power in the local community.

11:45

Hazel Curtis: I reiterate the importance of digital connections for exploring and securing new

export markets for seafood and for the whole of the food industry. To a much greater extent than was previously the case, those things will be done online. In recent years, we have physically gone all around the world to key export markets, taking Scottish seafood businesses and UK seafood businesses with us, but the process is moving online. Therefore, to secure the future of exports for seafood and other foods, the digital connection and how it is used, the global connections and the collaborations with the Department for International Trade will all be crucial.

The Convener: I would like to run the questions from Stewart Stevenson and Emma Harper together.

Stewart Stevenson: My question is for Charlotte Wright. On Friday, I got my quote for the provision of the minimum standard for USO under the UK scheme. I should say that I am a mile and a half away from my nearest neighbour who already has superfast broadband. The quote, with a lead time of 18 months, was £100,000—that is £100,000 to cover one and a half miles. Is that the experience of the enterprise companies elsewhere, or am I particularly unlucky in cranking my speed up?

Emma Harper: Will South of Scotland Enterprise be connecting with new digital tech companies to help to deliver the final percentage of connectivity, using things such as a white space technology?

Charlotte Wright: That is a very scary number that Stewart Stevenson has been quoted. Yes, we have seen other five and six-figure numbers, which are difficult even for businesses to contemplate. That points to the challenge of the £5,000 voucher for the difficult-to-reach areas, which are, in effect, left with a choice between satellite or 4G solutions, which, as you are probably aware, are far from perfect in the circumstances. Your experience illustrates that you can be quite close to good broadband and have really rubbish broadband.

The Convener: Russel, do you want to deal with the technology aspect that Emma Harper mentioned?

Professor Griggs: The very simple answer to her question is yes. We are talking to companies and we are looking at that. I will happily talk to Emma more fruitfully offline.

The Convener: That is perfect. I can see that there are no further questions from committee members. Some interesting points have been raised about the importance, and the future importance, of hub space for offices, which raises the question of what we do with the office space that we have, whether it is needed and whether we ought to be looking at repurposing those office

spaces. The discussion with Iain Docherty about transport and working out what we need, how we deliver it and the way forward has been interesting.

One issue that has made me smile is that, during the pandemic, we have all got used to using rooms in our homes as our office space. We have set up and decluttered our rooms so that nobody can see what books we do and do not read or whether—like Russel Griggs—we have musical equipment in the background.

I will pose this question and will be happy if somebody wants to come in on it. There will surely be a demand in the future to redesign homes to allow for the office work space that we use so much now—it will not just be about broadband. Does anybody want to comment on that before we come to a close? The witnesses are all looking the other way. I see that Russel wants to say something. Thank you, Russel—you saved me.

Professor Griggs: Your point is an extraordinarily good one. It is not just about chairs and desks. We could all repurpose our houses, but then we would start to wander into the meaty areas of what that would mean for tax. Would Her Majesty's Revenue and Customs start to look at how we work at home? It is not just to do with the spatial environment. If we start to work much more from home, as I suspect that we will, that will open a different panoply of questions about ergonomics—how we sit and what that does for our health—and so on.

Dr Thomson: I was taken by what Iain Docherty said about local office spaces. Mental health will be an issue with all this. The number of online meetings that I have shows that people crave connection with others in their work environment, and physical work environments are vital so that people can have social interaction.

The repurposing of housing is likely. I live in a one-bedroom flat and, without a doubt, if I am to continue working from home, I will have to reconsider where I live. There will be a lot of changes to come.

The Convener: Emma Harper wants to come in on a point that was raised earlier.

Emma Harper: Part of the questioning on transportation was about whether there will be any Brexit-related issues that have significant financial or policy implications for the Scottish Government. Russel Griggs mentioned free ports. I know that consultations on free ports have been undertaken and I am concerned about issues around them. It would be interesting to hear a quick response on that, although a written response would be okay, as well.

The Convener: We will have to take a written response, due to the time.

That brings us to the end of the evidence session. I thank all those who have taken the time to give evidence on this subject. It is important to the committee and the work that we do, so I thank the witnesses for their time and, in some cases, for working through difficulties with internet connections.

European Union (Withdrawal) Act 2018 and Agriculture Bill

Agriculture and Horticulture Development Board (Amendment) Order 2020

Pesticides (Amendment) (EU Exit) Regulations 2020

Agricultural Products, Food and Drink (Amendment etc) (EU Exit) Regulations 2020

Genetically Modified Organisms (Amendment) (EU Exit) Regulations 2020

Organic Products (Production and Control) (Amendment) (EU Exit) Regulations 2020

11:53

The Convener: For the next item, we have received consent notifications in relation to five UK statutory instruments, as detailed on the agenda. The instruments are being laid in the UK Parliament in relation to the European Union (Withdrawal) Act 2018 and the UK Agriculture Bill.

The Scottish Government has provided clarification in writing on the Organic Products (Production and Control) (Amendment) (EU Exit) Regulations 2020, which has been circulated to members and is available on our web pages.

It appears that members do not have any comments on the SIs. Does the committee agree to write to the Scottish Government to confirm that we are content for consent to be given to the UK SIs, as detailed on the agenda?

Members *indicated agreement.*

The Convener: Does the committee agree to write to the Scottish Government asking it to notify the committee when the UK Agriculture Bill has been passed and of any changes to the bill that affect the notifications that we have been given, and to explain how the livestock information service will work in practice? Those two matters were raised in the briefing papers that have been circulated.

Members *indicated agreement.*

The Convener: Thank you. That is the end of the public part of the meeting—we now go into private session.

11:55

Meeting continued in private until 12:35.

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.

Published in Edinburgh by the Scottish Parliamentary Corporate Body, the Scottish Parliament, Edinburgh, EH99 1SP

All documents are available on
the Scottish Parliament website at:

www.parliament.scot

Information on non-endorsed print suppliers
is available here:

www.parliament.scot/documents

For information on the Scottish Parliament contact
Public Information on:

Telephone: 0131 348 5000

Textphone: 0800 092 7100

Email: sp.info@parliament.scot



The Scottish Parliament
Pàrlamaid na h-Alba