



OFFICIAL REPORT
AITHISG OIFIGEIL

Rural Economy and Connectivity Committee

Wednesday 7 October 2020

Session 5



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RURAL ECONOMY AND CONNECTIVITY COMMITTEE
25th 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:

Shiree Donnelly (Scottish Government)

Fergus Ewing (Cabinet Secretary for Rural Economy and Tourism)

Allan Gibb (Scottish Government)

Catriona Maclean (Scottish Government)

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

Laura Murdoch (Scottish Government)

Frances Pacitti (Scottish Government)

CLERK TO THE COMMITTEE

Steve Farrell

LOCATION

The Mary Fairfax Somerville Room (CR2)

Scottish Parliament

Rural Economy and Connectivity Committee

Wednesday 7 October 2020

[The Convener opened the meeting at 09:00]

Glasgow Prestwick Airport

The Convener (Edward Mountain): Good morning. Welcome to the 25th meeting in 2020 of the Rural Economy and Connectivity Committee. The meeting will be conducted in a hybrid format, with some of our members and all our witnesses participating remotely.

Under agenda item 1, the committee will take evidence on Glasgow Prestwick airport from a panel from the Scottish Government. I welcome Michael Matheson, Cabinet Secretary for Transport, Infrastructure and Connectivity; and Frances Pacitti, director of aviation, maritime, freight and canals.

I ask any members who wish to declare an interest to do so now. As no one wishes to declare an interest, I invite the cabinet secretary to make a short opening statement. [Interruption.] We cannot hear you, cabinet secretary. You are muted.

The Cabinet Secretary for Transport, Infrastructure and Connectivity (Michael Matheson): Can you hear me now?

The Convener: Yes, we can.

Michael Matheson: At the beginning of the year, good progress was being made towards concluding the process to return Prestwick airport to the private sector. The process that we carried out attracted interest from credible investors with aviation experience and proposals for taking forward the business. A preferred bidder was selected, and detailed discussions and negotiations continued towards finalising a deal.

That process was paused at the request of the preferred bidder when the impact of Covid on the aviation sector globally began to materialise. Clearly, that global impact continues to be felt across the aviation industry, and the preferred bidder has advised that it is unable to meet the commitments that are needed to maintain preferred bidder status at this time. It has, however, asked to be consulted and given the opportunity to participate in any future sale process.

Although that is disappointing, it is completely understandable. All businesses in the aviation sector are having to take difficult decisions to

respond to the collapse in demand for travel and to ensure that they are well placed to survive the winter after a dreadful summer.

The team at Prestwick is considering further options for the business in light of that development as well as the on-going challenges for the industry more generally. It remains confident that Prestwick has a role to play in the Scottish aviation sector, and there has recently been strong performance across its niche areas of the aviation market, as demonstrated over the past year.

The withdrawal of the preferred bidder means that the Prestwick team can engage with other interested parties, which it was unable to do while the previous sale process was live. That engagement is now under way.

The committee will be aware that Prestwick reported an underlying operating profit of £3 million for the year to 31 March 2020. Revenue increased by 46 per cent to £36 million. The underlying principles of the airport's performance were based on the development of new revenue opportunities, coupled with measures to control costs and operational efficiencies.

Clearly, the global impact of Covid-19 will be a factor in financial performance this year, but we should welcome the significant progress that has been made to improve the performance of the business. That is down to the significant efforts of the team at Prestwick and the board to promote Prestwick's strengths and flexibility and to win new business in a competitive environment.

Although the decision by the preferred bidder not to purchase the business at this stage is disappointing, it presents an opportunity to re-engage with other interested parties and engage with new ones. In addition, the airport management team will continue to consider all potential business opportunities to maximise the use of the asset of the airport and to build on the significant progress that has already been made.

The Convener: I know about some questions that members have, and I suspect there will be more. Mike Rumbles will go first.

Mike Rumbles (North East Scotland) (LD): Good morning, cabinet secretary. You said that it was "disappointing" and "understandable" that the preferred bidder has pulled out, and I totally agree with that. It is disappointing but, due to the Covid problems that are being faced by everyone in the aviation industry, it is perfectly understandable.

You also said that discussions are under way with other interested parties. I am not going to ask who they are, but I would like to know whether we are talking about one interested party or several.

Michael Matheson: It is more than one interested party.

Mike Rumbles: Thank you.

If the process proceeds to a sale—I imagine that that will not happen until the end of the Covid-19 crisis, which is still a long way off—will the Scottish taxpayers get their money back? To date, how much of Scottish taxpayers' money has been invested in Prestwick?

Michael Matheson: I cannot give you a timescale, for the very reasons that you have referred to around the uncertainty in the aviation industry because of Covid-19. Obviously, that had an impact on the sale process that Prestwick was undertaking with the initial preferred bidder. However, it would be fair to say that, as I mentioned, more than one interested party has been in touch with Prestwick to express an interest in the airport.

Any timescale is dependent on what happens with the discussions that are being taken forward at the moment and the intentions of those who are now engaged with Prestwick. It will also partly depend on their existing business arrangements, but a level of interest has been clearly indicated, and Prestwick is now pursuing that.

On the overall costs of the loans that have been made available to Prestwick, the member will be aware that they are taken forward on a commercial basis, given that the airport operates at arm's length to the Scottish Government. To date, the loans amount to £43.4 million.

On the return on taxpayers' money, the member will recognise that Prestwick is a significant employer in the Ayrshire economy, not just directly, with around 300 jobs at the site, but also indirectly, with more than 1,000 jobs in the aerospace businesses that are clustered around and depend on Prestwick. It is important to recognise that the investment that has been made by the Scottish Government in Prestwick helps to sustain not only the airport as an aviation facility as well as employment at the airport, but the aerospace sector, which is an important sector in the Scottish economy. Any agreement with a purchaser of the airport will be dependent on the negotiations at the time.

The Convener: Before we go on, I observe that eight people want to ask questions. We cannot have questions and answers taking so long. If we have three-and-a-half-minute answers, we will be well into lunch time before we get through this session. I remind members and the cabinet secretary to keep questions and answers short.

Mike Rumbles: The cabinet secretary has just outlined what a valuable asset the airport is. It must be worth at least £43.3 million, and I hope

that he keeps that in mind when the sale eventually goes through.

The Convener: That was more of an observation than a question.

Mike Rumbles: I tried not to ask a question because of the time.

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

Colin Smyth (South Scotland) (Lab): Good morning, cabinet secretary. As you said, the most recent annual accounts for Prestwick showed a profit of £3 million, although that profit did not come from passengers, which is a part of the business that is still significantly loss making. Can you comment on the Government's understanding of the airport's current position? Is the airport making a profit this financial year?

Michael Matheson: I cannot give the committee that up-to-date information. Obviously, business has been affected by the downturn in the aviation sector. The business is still operating and trying to meet some of those challenges, but given that there is still a significant way to go, I cannot tell the committee where the business will be at the end of the financial year. However, I anticipate that the current situation will have an impact on the business. We will have a clearer picture of that as we move towards the end of the financial year.

Colin Smyth: Given that the company made a profit, might it be in a position to start paying back some of the loans?

Michael Matheson: At present, we are trying to support the business to ensure that it is able to continue in a sustainable way. Although the business made a profit in the previous financial year, it is likely to have to use some of that in this financial year, given the downturn in the aviation sector. It has not yet started to repay the loans.

Colin Smyth: When the sale of Prestwick was first announced, I made the point that it was important that any deal included the repayment of the loans. Will you give us an assurance that you will not take a cut-price deal and write off those loans, simply to wash your hands of the airport? If needs be, will you continue to run the airport under public ownership?

Michael Matheson: I will not start to open up the approach that we will take to the sale of the airport if it proceeds. The member can be absolutely assured that we will take an approach that is in the best interests of taxpayers in Scotland and the workforce of Prestwick airport, which is important to the Ayrshire economy. We will work to ensure that we get the best return for taxpayers if any sale proceeds.

Richard Lyle (Uddingston and Bellshill) (SNP): Unlike some others, I have always supported Prestwick and said that it is the jewel in Scotland's crown. We should help it as much as possible. It is good to see the turnaround, which is mainly due to freight and fuel sales and has very little to do with passengers, and because of that I do not think that there will be much effect from Covid-19.

If I remember correctly, no funding was allocated to Glasgow Prestwick in the last budget round. How will that affect the airport's finances due to Covid-19? If Prestwick needs further support—and I would support it if it did—will you give it?

Michael Matheson: At present, the airport does not require direct financial support. However, I am conscious that, just like the rest of the aviation sector, it is going through extreme challenges. Passenger services have been seriously impacted, but the wider aviation industry has also been impacted, including freight and maintenance—a big part of what Prestwick airport provides is an overhaul and maintenance facility, where planes come in for an overhaul—which have seen significant downturns.

The member can be assured that we remain committed to Prestwick airport, which is a critical part of the Ayrshire economy. We are not prepared to allow the airport just to close, given the significant impact that that would have on those it directly and indirectly employs. We are committed to supporting the airport in the future.

Richard Lyle: I support you in that, cabinet secretary. Thank you.

The Convener: That was another statement.

09:15

John Finnie (Highlands and Islands) (Green): The Scottish Government already owns airports. Why would it seek to dispose of one that attracts the interest of credible investors? Why would it not retain the airport in its portfolio?

Michael Matheson: We made it clear when we purchased Prestwick airport that our intention was for it to return to the private sector. Our intervention was to help to sustain the airport given its importance to the aerospace cluster in the Ayrshire economy. The portfolio of airports that the Scottish Government owns largely help to support island and regional connectivity in Scotland, but Prestwick airport does not have that role. That is why we believe that Prestwick would be best served by being back in the private sector.

John Finnie: I do not accept that position—if there is money to be made, it should be made by the public sector.

Would you rule out the sale of the facility to the military and further military use of that location?

Michael Matheson: Yes—we have no plans to sell the airport to the military.

John Finnie: What about further use of the facility by the military?

Michael Matheson: You will be aware that Prestwick airport has provided refuelling stops for the military since the 1930s, and it continues to do so. That will continue to be a part of the niche market that Prestwick airport serves. It has been doing that for a significant period of time, and I do not see that changing.

John Finnie: Okay, thank you; I will take that as a no.

Maureen Watt (Aberdeen South and North Kincardine) (SNP): Cabinet secretary, you mentioned new operational opportunities in your opening statement. Could you expand on that? We have talked before about air freight being much more expensive than other forms of freight movement, but given that Brexit is looming, do you think that Prestwick airport is in a position to readily and quickly take more freight if that becomes necessary due to blockages at the channel ports?

Michael Matheson: The airport management team is looking to expand some of the niche markets that the airport is already in, such as freight, which Maureen Watt mentioned. There has clearly been a recovery in freight over the past couple of months, which the airport wants to capitalise on if it can. That is an area where it wants to continue to see growth.

There is capacity at Prestwick airport to deal with an expansion of freight demand if that becomes necessary. I know that there have been concerns around the potential for disruption at the short straits at Dover as part of Brexit, and there has been some interest in and consideration given to whether additional freight provision at Prestwick could help to bypass some of those delays. That was previously factored into our contingency planning and it would be part of our planning going forward in case of any disruption at the Dover straits. To a large extent, that would have to operate on a commercial basis, and Maureen Watt correctly points out that air freight is significantly more expensive than freight by road or rail. However, if demand for freight increases, Prestwick certainly has greater capacity.

The Convener: Perfect, Maureen. Peter Chapman is next, followed by me, unless anyone else on the committee wants to ask questions.

Peter Chapman (North East Scotland) (Con): Cabinet secretary, you mentioned the 300 jobs at Prestwick airport; unfortunately, we know that the

privately owned aviation industry is shedding jobs at a rapid rate. Is that now happening at Prestwick and if not, why not, given that the taxpayer will eventually pick up the tab for any losses?

Michael Matheson: I am not sure whether that was a demand to have folk laid off at Prestwick. That is not the approach that we want to take.

Approaches have been taken previously by the management team at Prestwick to try to generate greater efficiencies in the operation of the site. Those involved a voluntary redundancy programme. However, it is clear that Prestwick is experiencing the same types of pressure as other businesses. The team is trying to manage that as best it can. I certainly do not think that we should demand that assets such as Prestwick airport start laying off staff unnecessarily. That is certainly not the approach of the management team at Prestwick.

Peter Chapman: Across the world, the aviation industry is laying off staff. I am not saying that staff should be laid off unnecessarily. However, if it is necessary—unfortunate as that may be—will that step be taken? That is what I am asking. Things have to reflect the marketplace, and I would argue that Prestwick is no different in that respect.

Michael Matheson: The management team is trying to manage the business as effectively as it can. It is also trying to maximise areas in which it can grow or sustain the business. That is the primary focus. It recognises that there are financial challenges, given the downturn in the sector, and is working hard to address them. Equally, I think that we should try to help support the business as best we can, given its critical role in the Ayrshire economy.

However, you will be aware that some of the businesses that are associated with Prestwick airport have already had to lay off staff as a result of the downturn in the aerospace industry, as well as in the aviation industry. Some jobs have gone from businesses that are associated with the airport. That is reflective of the downturn in the sector overall.

The Convener: Does Peter Chapman have any further questions?

Peter Chapman: No; that is fine.

The Convener: I will change the order of questioning, because Emma Harper would like to ask a question next.

Emma Harper (South Scotland) (SNP): Actually, my question has been answered by the cabinet secretary, so I do not need to ask it now.

The Convener: That is perfect; we can therefore go back to the original order, unless

there are any other questions from committee members.

I have a couple of questions, cabinet secretary. In the past, annually, when the airport has been struggling to make the headway in the market that it wants to, it has had to borrow about £7 million a year in order to keep running. Is that the sort of figure that you anticipate it might require this year?

Michael Matheson: I cannot give you a figure of that nature. As things stand, the business is operating within its own financial provisions, rather than having to draw down any financial support from the Scottish Government.

The Convener: That would be expected, given the £3 million profit and the fact that we are only halfway through the year. However, things may get tougher towards the end of the year.

Will you clarify the £3 million profit that was made last year? How much of that came from fuel trading? In the past, the majority of profit has come from fuel trading.

Michael Matheson: You asked me something similar when I appeared before the committee—just last month, I think.

The Convener: I was therefore sure that you would have the answer today, cabinet secretary.

Michael Matheson: I am conscious that Glasgow Prestwick Airport has written to the committee on the matter, setting out the level of information that it can provide on that.

The Convener: I take it from that that you do not have the answer.

Michael Matheson: Did you get the response from Glasgow Prestwick Airport, which I asked it to send to you?

The Convener: I did, and I am asking you the question, cabinet secretary. You will have had that response as well. However, let us not go down that route if we do not want to.

I have two further questions. First, will you confirm that Prestwick airport is continuing to pay interest on the loans that the Government has given it, on the basis that those are commercial loans?

Michael Matheson: First, I will go back to your previous question, convener. I have a copy of the letter here, in which the business sets out the level of sales in relation to fuel. The letter states:

“Whilst passenger numbers have reduced again this has more than been made up with non-scheduled and other aviation activities in the group and the business has benefited from increased fuel sales with volumes up 85% year on year at 36 million litres and cargo volumes remaining strong at 14 thousand tonnes.”

That is the level of information that can be provided, given the commercial sensitivity of the overall business balance in the company's accounts. The letter in which that information was provided to the committee is dated 11 September.

The Convener: Thank you. At this stage, I am happy to wait for the accounts to be published that will declare the fuel trading figure. I return to the question on interest. Is Prestwick airport paying interest on the loans that the Scottish Government made to it?

Michael Matheson: If you do not mind, I ask Frances Pacitti to address that directly.

Frances Pacitti (Scottish Government): Good morning, convener. Yes, interest continues to accrue on the loans that have been made available to the airport. The repayment of interest is deferred, alongside the principal sum.

The Convener: So the interest is just added to the original sum of the loan.

Frances Pacitti: Yes.

The Convener: Okay. I will let Mike Rumbles come in before I ask one further question.

Mike Rumbles: On that point, I asked earlier how much is owed. Does the £43.4 million include or exclude the deferred interest?

Frances Pacitti: I will double-check that, because I do not want to give any inaccurate information. However, my understanding is that the £43.4 million represents the entire sum that is due by the airport.

The Convener: Okay. Richard Lyle wants to come in before I ask my final question.

Richard Lyle: Cabinet secretary, are you appalled by the negativity of some members with regard to the support that we are giving to an excellent airport in an area that needs employment? What is your view of the negativity of some questions that you are getting?

The Convener: Cabinet secretary, I will of course allow you to answer that, then I will come back at the end.

Michael Matheson: I am conscious that some people did not support or welcome our intervention at Prestwick back in 2013 and that some people remain sceptical about it. I find that rather surprising, given the demands that we have faced from all the political parties to take action to help support the aviation sector. Prestwick is an aviation facility that we have been supporting for the past seven years and which sustains, as I said, more than 1,000 jobs in the Ayrshire economy and aerospace industry.

Clearly, there is a desire by some to make political hay out of this. However, the reality is that the Scottish Government is committed to Prestwick and we will continue to do the right thing by it, despite some of the negativity that has been expressed about our actions.

The Convener: Thank you. If those comments were directed at me, which I suspect they were, I make the observation that it is absolutely right that we question the whole issue of finances.

I have a final question for you, cabinet secretary. I understand the importance of Prestwick airport and all the relevant businesses around the airport. I was pleased to see, when the committee visited Prestwick airport, the interaction between those businesses and the airport. Can you confirm that when you are negotiating the sale of Prestwick airport, the aim is to sell Prestwick with the long-term ambition of keeping it as an airport? There are rumours flying around that it was being sold off to developers for non-airport types of trade—that is, housing and business development. I just want to understand whether that was what you were trying to do when you were negotiating the sale of the airport.

Michael Matheson: First, my comments were not directed at you, convener, but were a general response to Mr Lyle's question. However, I am surprised at your question, because you will recall that the sales criteria that were published for businesses interested in purchasing the Prestwick site were clear about it remaining an aviation facility.

The Convener: Perfect—that is what I wanted to ascertain. It is just that, without knowledge of who might be bidding for the airport, we do not know what their ultimate objectives might be; people's businesses can change direction.

Cabinet secretary, that completes our questions on Prestwick airport.

Financial Scrutiny (Impact of Covid-19)

09:30

The Convener: Item 2 is an evidence session on financial scrutiny of the impact of Covid-19. We will hear from two panels of representatives of the Scottish Government, the first of which will focus on transport and connectivity.

First, I ask whether members wish to declare interests regarding either of those areas. I suspect that Stewart Stevenson might have one to declare; I am sorry if I have called him wrongly.

Stewart Stevenson (Banffshire and Buchan Coast) (SNP): No—you are correct, convener.

As my entry in the register of members' interests shows, I am an honorary vice-president of Railfuture and honorary president of the Scottish Association for Public Transport.

The Convener: Thank you very much, Stewart. No other members wish to declare interests, so I move on to welcome our first panel of witnesses on the subject.

Michael Matheson, the Cabinet Secretary for Transport, Infrastructure and Connectivity, will be staying in his seat but moving straight on to this panel, as it were. He is joined from the Scottish Government by Laura Murdoch, who is the director of bus, accessibility and active travel; Alison Irvine, who is the director of transport strategy and analysis; and Terry Holmes, who is the directorate finance partner.

Cabinet secretary, I believe that you wish to make a short opening statement of up to three minutes.

Michael Matheson: On 2 September, I informed the committee that, in order to keep public transport services running while capacity is reduced due to physical distancing requirements, the Scottish Government has committed £487 million in additional financial support for services in Scotland.

At this point, the largest bus operators are running, on average, almost 95 per cent of their services as normal, and ScotRail is running at 91 per cent of its normal service levels. Without that additional funding, service levels would have been reduced significantly across all modes of public transport. As well as the economic and social impacts that that would have had, it would have presented a material public health risk, given the physical distancing requirements. We remain engaged with operators to ensure that existing and future financial support measures are in place, as we move through the Covid pandemic.

As part of our on-going response to the pandemic, the transport transition plan was launched on 26 May and continues to evolve as measures to reduce Covid transmission remain fluid. We continue to monitor travel demand and to work closely with public transport operators, regional transport partnerships and local authorities in Glasgow and Edinburgh city regions to ensure that our respective plans are aligned.

Local authorities continue to roll out the spaces for people projects for which they are responsible. In this financial year we have repurposed almost £39 million of active travel funding to enable them to put in place temporary measures including pop-up cycle lanes and widened walkways, which are needed to allow people to be physically distant while walking, wheeling and cycling.

Building on the increase in cycling levels that we saw during the lockdown period and beyond, on 3 August we launched the Scottish cycle repair scheme, which offers £50 towards the cost of a bike repair. A total of 30,000 such repairs have been made available through the scheme, totalling £1.5 million of investment.

On 16 July, we launched the £10 million bus priority rapid deployment fund, which supports local authorities, working in partnership with bus operators, to implement temporary bus priority measures. Such measures tackle the impact on bus services of congestion, thereby making tracked journeys faster and more reliable, as we progress through our recovery from the pandemic.

Given the continued prevalence of the virus, the measures that I have outlined remain critical to ensuring that we have a functioning public transport system. There is a high degree of uncertainty over future travel demands, so we are instigating a wide programme of analysis and policy development to ensure that our public transport continues to serve the wellbeing of the people of Scotland, and is responsive and flexible in relation to future demand. Our travel demand messaging, with associated marketing and outreach, continues to ensure that people who need to travel can do so safely.

I am happy to answer members' questions.

The Convener: As you would expect, cabinet secretary, there are lot of questions.

John Finnie: You mentioned £487 million additional funding to support the continued operation of public transport. There might be other money on top of that. Where is that money coming from? Can you outline how that impacts on Transport Scotland's ability to deliver other projects and services?

Michael Matheson: The money comes from a combination of existing funding and Barnett

consequential that were received from the United Kingdom Government. Some of the funding that we are providing to support the bus sector is money that we would otherwise have used in this financial year to meet the cost of concessionary travel.

Alongside the Barnett consequential that we have received from the UK Government to support the bus industry, we have been able to provide additional funding that has allowed services to be ramped up—in some cases, up to 95 per cent of the usual level. The situation is broadly the same across the railways and other areas of public transport. There has been a combination of use of existing funding and Barnett consequential for public transport provision.

John Finnie: How does Transport Scotland ensure that that funding delivers the services that people need? Increased home working and restrictions on social activities have caused well-documented changes in travel patterns. Is there any liaison on that with local authorities, which also play a key role in delivering public transport? I have constituents in Wester Ross who feel more isolated than ever because of the situation. How do you ensure that public money is properly targeted?

Michael Matheson: I will bring in Laura Murdoch soon. She can say more about how services are provided.

We have a criteria contract that requires bus service providers to provide up to 100 per cent of their pre-Covid mileage, and to make sure that services reflect local demand. Where demand for services is increasing, the contract ensures that operators provide additional services in those areas if they can do so, through work in partnership with local authorities and regional transport partnerships. There is a requirement on bus operators to engage with local authorities and regional transport partnerships on how they deliver services that respond to local demand.

Laura will say more about the nature of that engagement and the process that is used to address those issues.

Laura Murdoch (Scottish Government): As the cabinet secretary said, there are clear conditions attached to the funding that we are giving to bus operators. Those conditions include consulting and co-operating with local transport authorities because they have, as the cabinet secretary said, a key role to play in public transport provision.

We are seeing patterns of demand that are very different to those that existed before the pandemic. We are asking bus operators and local transport authorities to respond to that change in demand as they decide where to put capacity. As

restrictions come into play or are eased, travel patterns change, so provision is under constant review. However, it is a clear condition of funding not only that bus operators co-operate with local transport authorities but that they respond positively to any reasonable requests that they make. As well as the commercial services that bus operators provide, local transport authorities provide supported services.

John Finnie: Thank you. I will conclude there.

The Convener: The next questions will come from Richard Lyle.

Richard Lyle: What impacts will the end of the coronavirus job retention scheme have on provision of public transport services, including school transport and other services that are provided by coach operators? Will Transport Scotland do anything to mitigate those impacts?

Michael Matheson: The end of the furlough scheme is likely to have a significant impact on public transport. We might see increasing demand for public transport, which would have a direct impact on public transport providers. Transport providers that have staff who are furloughed at present might be impacted. Transport operators for local authorities, which provide school transport or other transport at local level, could be impacted by the end of the furlough scheme.

In terms of the public transport side, the end of the furlough scheme could have an impact, if we see an increasing number of individuals returning to their workplaces and driving an increasing level of demand.

In terms of service provision, Mr Lyle referred to coach operators that provide dedicated school transport services; they might be impacted if not all their staff have returned. Given that the schools are back, staff could have returned already, and those staff would no longer be on furlough. However, it is hard to gauge exactly what impact there would be on businesses that presently have staff furloughed, because we do not have the details of the number of businesses in the transport sector that still have staff furloughed. As I said, the principal aspect may be an increase in the level of demand for public transport.

Richard Lyle: Thanks for that. You will probably face quite a number of questions regarding budgets and how much money is being spent. You spoke about some finances being redeployed. Given finite budgets and the financial demands of Covid-19, are there any areas of transport investment that the Scottish Government might have to redeploy to meet a shortfall?

Michael Matheson: Yes. The spaces for people programme is an example of trying to be flexible with the funding that we provide for active travel.

That funding would normally have been for permanent active travel infrastructure, but local authorities and partners have been unable to take that forward during the pandemic, so we created the spaces for people programme, which allows temporary infrastructure to be put in place quickly to support people in physically distancing. That is a practical example of the measures that we have taken.

We have also had to provide some financial support to the aviation industry, for example. Funding that we would normally have used for wider transport provision has been used to provide the aviation industry with some financial assistance. During the course of the lockdown earlier in the year, we were providing a skeleton air service to maintain critical air connectivity to our island communities. We would not normally pay for that service, but we had to provide financial resource to do that. We have tried to absorb that in our wider budget, rather than take it from a particular project, which would mean that that project did not progress.

On our wider plans, we plan to change significantly our spending commitments, so I would not say that we are cancelling anything. However, taking forward some elements could take a bit longer because of a combination of financial pressures and pressures related to staff's ability to progress issues in the normal way. We do not just stop doing a lot of work that we were taking forward prior to the pandemic.

Some of the lessons that we have learned during the pandemic will probably inform actions that we take in the future, given the changing nature of how people are making use of public transport. We will have to look at how that will be sustained, going forward.

09:45

Richard Lyle: Basically, you are acting responsibly and looking to vire money where you have to.

The Convener: The next questions are from Stewart Stevenson.

Stewart Stevenson: Thank you, convener.

I have two questions on different subjects, the first of which relates to people who use public transport season tickets on buses and trains. Travel patterns have changed significantly, and season ticket holders do not have a ready replacement. I suspect that part of your answer on rail might point us to the flexipass, which allows someone to buy a pack of 10 tickets to use whenever they want within a month at a 10 per cent discount.

However, I draw your attention to the position of railcard holders. Railcards generally give people a third off fares, but people cannot use their railcards to buy flexipasses at a discount. So flexipasses are not the answer for those in that particular position, who could buy season tickets with a railcard but not flexipasses. A substantial number of people are in that position. That is a sort of omnibus question on the general subject, so bearing it in mind that I am trying to tease out matters in relation to buses and trains, I am interested in what you have to say.

Michael Matheson: Mr Stevenson makes a good point about the changing patterns of people's behaviour with regard to public transport and the way in which people are using public transport. That has created a significant financial challenge for the sector, which is why we are providing financial support. There is a lot of uncertainty about what demand for and use of public transport will look like post Covid-19. Will we get back up to 100 per cent of demand before Covid-19?

On the rail side, we are working with ScotRail to review its existing ticket products and ticket channels, including flexipass. For example, rather than its being valid for a month, could we extend the time for which a flexipass could be used? Someone who might previously have travelled seven times a week using a flexipass might be travelling less, because of the change in their work pattern. Therefore, they will need fewer tickets in the course of a month. Extending the time that the product can be used for could help people to make use of it. We are looking at those very issues with ScotRail.

We are also exploring and considering whether we could take measures to incentivise people back on to public transport once we get through the pandemic. ScotRail and bus operators are also considering whether they could change elements of their products to make them more flexible and to reflect changing patterns, and whether there are measures that could incentivise people to make use of public transport in the future, once we no longer have physical distancing on public transport.

Stewart Stevenson: Thank you, cabinet secretary. That is useful, but it boils down to the fact that we will hear more later. In the meantime, is there anything that you can do for those workers, often on comparatively modest earnings, who are having to continue to travel to work because of the nature of their jobs, perhaps in the shorter term ahead of the more general systematic approach that you have described to me?

Michael Matheson: Mr Stevenson raises a fair point. I am happy to take it away and look at whether there is anything more that we can do. I assure him that we are already engaged with the

sector to look at what further measures we could introduce to make products more flexible, but I am happy to look at Mr Stevenson's suggestion.

Stewart Stevenson: My next question is on the ScotRail and Caledonian sleeper franchises, which expire in the not-too-distant future. Have you had any discussions with or news from the UK Government about emergency recovery measures agreements, which appear to be coming in to replace those, particularly in relation to the Williams review, which might abolish franchises altogether, depending on what the UK Government decides to do?

I am asking that because we have no legislative competence in that space at Holyrood, only the administrative devolution that enables us to award and manage franchises. The future of the franchises is, therefore, not just—[Inaudible.]—bringing them to an end but a wide change in the whole approach. It is important that we understand that the UK and Scottish Administrations—and the Welsh, for that matter—should be working together closely. I would be interested hear about that—relatively briefly; I do not want to make a meal of it.

Michael Matheson: Okay, I will be brief. Have we heard from the UK Government on the outcomes from the Williams review? No. Have we been provided with any details on what it plans to take from the Williams review? We have not. I am aware that the Secretary of State for Transport believes that the pandemic has demonstrated that franchising is dead and that the UK is moving to emergency recovery measures agreements with the franchises. However, we have not been provided with any line of sight as to what will replace franchising and what level of competence we will have if we were to take an alternative route. It would appear that the Department for Transport's preferred route is direct awards of rail services, but because we do not know to date what the outcome from the Williams review has been, it is unclear whether that is an interim approach before further and more fundamental reform.

Stewart Stevenson: Thank you.

The Convener: I have a couple of supplementaries. Cabinet secretary, you told me, and I think that you told the committee, that the first six months of the emergency measures agreements would cost the Scottish Government £250 million. On that basis, is it right to assume that the entire cost for running ScotRail for the year will be around £500 million?

Michael Matheson: At present, the overall figure combines the first EMA and the second EMA, which you are right is an additional £100 million. We are still looking to negotiate what the

agreement will be from January onwards, so I cannot confirm the exact figure, but it is likely to be of a similar quantum to what it has been over the past seven months and going forward to the end of the year.

The Convener: On that basis, we are talking about roughly £500 million.

Michael Matheson: Yes, roughly in that place.

The Convener: That is slightly less than we are led to believe it cost to run the operation during the franchise. Is that a correct assessment?

Michael Matheson: I cannot be exact on that, but I am more than happy to check and come back to you, convener.

The Convener: It would be helpful, because it is my understanding that the cost of running the franchise can be roughly split into three: a third of the cost relates to staff, a third relates to renting the rolling stock and a third relates to the infrastructure. None of that can really be cut, in that none of the staff have been furloughed, none of the rolling stock can be returned and the infrastructure projects are as important now as they were before. I am confused about how those figures stack up. If the costs are roughly the same now, what did it cost before, because the overall cost appears to be less? If you could clarify that in a letter to the committee, it would help me and perhaps others to understand it.

Michael Matheson: I am happy to do that, convener.

The Convener: We move to the next question.

Sorry—in my rush to move on, I forgot that Colin Smyth has a question on that subject.

Colin Smyth: I am curious about why the new EMA runs only until January. We know that, in the short to medium term, passenger numbers will not return to pre-Covid levels. What is your short to medium-term vision for the sector? Do you anticipate simply continuing to pay additional subsidies until the ScotRail franchise comes to an end in March 2022? The Serco one runs until 2030. Do you expect that both franchises will run their full course?

Michael Matheson: On the first point, the reason why the EMA runs until January is that, at the time we had to make the decision to extend it, we had no indication from the UK Government on Barnett consequential to support rail services. As a result of that lack of financial information from the UK Government, we made the EMA for a shorter period, until we had clarity on the matter. That was the principal reason why the EMA runs only until January. You will be aware that we had to put that in place slightly ahead of the UK Government but, in doing so, we did not have the

financial information that we required from the UK Government to enable us to do it for longer.

On our short to medium-term vision, you will be aware that the Abellio contract will end in March 2022, and our intention is to see that process through. On the question of whether franchises continue in future, the DFT and the Secretary of State for Transport see franchises as being at an end. What is unclear to us is what the alternative options are at present. Whether franchises that are presently in place are able to continue could have an impact on the choices that we have for running rail services, including sleeper services, in the medium or long term. Until I have clarity around what powers we will have to shape rail services, our present position is that we will continue with what we have in place at the moment, which includes the Abellio ScotRail franchise continuing until March 2022. I do not know what we will be able to do thereafter, due to a lack of clarity.

What happens to the Caledonian sleeper franchise partly depends on what wider options we have and whether any of the franchise arrangements that are in place at the moment have to be brought to an end. Again, we look for clarity on whether that is exactly the approach that is meant to be taken.

Colin Smyth: In response to the first point, the Government's budget revision last week explained that, on 23 July, the Chief Secretary to the Treasury confirmed that the Scottish Government received £6.5 billion in consequentials, including £448 million for rail. However, you are allocating only £350 million to the EMA, so I am curious about what the other £100 million has gone to, if it is not rail.

10:00

That is an aside. The main point of my second question relates to the fact that you received a letter last week from Strathclyde Partnership for Transport, in which it indicated that it was concerned that the emergency funding for it and other transport agencies had come to an end. The letter says that

"SPT now faces a severe funding shortfall",

which will require cuts in services. How has that emergency funding been allowed to come to an end? You are continuing to provide funding for private bus companies—obviously, there are two parts to non-commercial services: the public subsidy and the private part—but you are not continuing to provide that support to transport agencies such as SPT.

Michael Matheson: The principal element of support that we have provided to SPT has been

for subway services. Earlier in the year, we provided £9 million for subways and trams in Glasgow and Edinburgh, to meet some of the financial challenges that they were experiencing. A significant element of that funding has been used to date, but not all of it. I am aware of the pressures and challenges that the agencies are facing, and I am presently in discussions with the Cabinet Secretary for Finance to consider what further financial support can be provided to SPT, for light rail, and to Edinburgh Trams.

The Convener: It would be helpful if, when you write to us with the figures that you have kindly agreed to supply to us, you could provide us with the figures for ticket sales in that period, too, just for completeness.

Oliver Mundell (Dumfriesshire) (Con): I know that the cabinet secretary has talked quite a bit about public transport in response to other questions, but I am particularly interested in the impact of the issue on rural communities. Last week, Russel Griggs told the committee that an integrated public transport system should be a number 1 ask for the south of Scotland, and I know that there are similar issues in other rural parts of the country. What is the Scottish Government's thinking on that issue? Do you understand that, particularly at the moment, when there is uncertain demand, there is still a need for a frequency of services in rural communities? Even though only a handful of people use a particular bus or train, you cannot take away the service, because, if you do, the whole timetable breaks down and the service does not meet the needs of people living in rural and remote communities.

Michael Matheson: The member will be aware of the Borders transport corridor study, which looks across a variety of transfer modes and considers the future needs of transport provision in the south of Scotland. That sits alongside the appraisal work that is being carried out in the south-west of Scotland on transport needs across different modes in the area. All of that will be part of our planning and thinking as we go forward with the strategic transport projects review process, and it will feed into our wider work on improving rail services. The member will be aware that we have given a commitment to the borderlands growth deal partnership to support work to look at the option of extending the Borders railway, and the south-west appraisal also looks at improving and enhancing rail services into that area.

I recognise the importance of good transport connectivity, particularly for people who live in rural areas such as Oliver Mundell's constituency.

The situation with regard to bus services is slightly different, in that we do not provide bus services directly. However, we provide funding to

local authorities each year to help them to maintain and sustain localised bus services where there is a clear social need for them. It is important that our regional transport partners play their part by ensuring that they are planning local services that help to meet the needs of local communities, and that they do so not just where those services are profitable but where there is a clear social need for those services to be provided.

Oliver Mundell: In all honesty, do you think that that system is working well for bus services at the moment? From my experience locally, and from listening to members from across the country, it seems to me that that does not always happen. There are particular aggravators at the moment, and we hear about people across the country struggling to get to appointments for the flu jab or to access basic services. Do you think that local authorities are doing enough to recognise those communities' needs, and do you think that the Scottish Government is providing enough funding?

Michael Matheson: What I think is important is that some of the decision making on these matters is reflective of what is needed at a local level rather than there being a centralised, national approach. The member will be aware that we included additional provisions in the Transport (Scotland) Act 2019 to give local authorities a range of options for how bus services can be provided, involving bus service improvement partnerships, franchising or running their own services. Once those powers are introduced, local authorities will be able to take advantage of that range of actions.

It is fair to say that the existing system does not reflect the needs of local communities sufficiently, which is why the additional powers in the 2019 act enable local authorities to take forward other approaches that might better reflect those needs. What might work in the member's constituency is not necessarily the approach that would be best in Falkirk, in my constituency, so we have given local authorities flexibility to address some of the issues that the member has highlighted.

The Convener: Oliver Mundell may ask a brief final question, followed by Colin Smyth, who I also ask to be brief.

Oliver Mundell: Ultimately, there will be some people in Scotland who, because of where they live, will not benefit from public transport at all. I just want to be sure that, even with changing travel patterns and other bits and pieces, you still recognise that, for some people, although road infrastructure and cars will be important, ensuring that there is good internet connectivity is a way of helping people to access vital services. That is probably more of a statement than a question, convener.

The Convener: I agree, so I will bring in Colin Smyth, and the cabinet secretary can acknowledge Mr Mundell's statement when he answers.

Colin Smyth: Cabinet secretary, you said in response to Oliver Mundell that there are measures in the 2019 act to give councils powers to run bus services themselves. Why are you delaying the implementation of those powers? Councils do not have those powers at the moment, because you have said that you will not implement that act in this parliamentary session. Why not get on with the job of giving those councils the powers that you say will help to support services?

Michael Matheson: It is unfair of Mr Smyth to give the impression that I am somehow acting to prevent those powers from being implemented. The member will be aware that the 2019 act has a range of areas, covering a variety of areas of transport as well as bus provision, that must be taken forward in statutory instruments, guidance and regulations. He will also appreciate that civil servants across the Scottish Government over the past six months have had to deal with the pandemic and the significant challenges that that has created. Our staff have been working incredibly hard over the past couple of months to address those issues. As some of those pressures have eased, they have been able to return to some of the priorities that we had before the pandemic, including taking forward the provisions of the 2019 act.

It is important that we do not characterise anyone as seeking to delay matters. The reality is that the pandemic has an impact on the ability of staff to deal with normal day-to-day business, which has resulted in a delay in some of the provisions of the 2019 act being taken forward. I can assure Colin Smyth that there has been no intentional delay; the delay is, in part, a consequence of staff having to deal with significant challenges to do with the pandemic during the past six months. I am sure that all members recognise that staff have been working as hard as they can to address such issues over recent months.

The Convener: The next set of questions is from the deputy convener, Maureen Watt.

Maureen Watt: We are in a situation in which there is much greater home working and an increased level of virtual meetings. We do not know how long that situation will continue—those levels might end up being greater than they were pre-pandemic. Transport Scotland's assessment tools place great emphasis on work-related journey-time savings. Is Transport Scotland thinking about revising its assessment tools, given

the new situation that we are in, where the previous approach is not as valid?

Michael Matheson: I would like to think that we had some foresight on that. Maureen Watt will be aware that, in the national transport strategy, we set out a commitment to revise the assessment tool that we use, which is, primarily, the Scottish transport appraisal guidance. We committed to undertake a review of that process, which we intend to do. That has become all the more important now, given the changing nature of people's travel behaviour, how that impacts the transport system and how the assessment tool takes that into account.

I can give Maureen Watt an assurance that we will review the assessment tool. We will have to consider the new normal, the changing nature of how people are using public transport, how we take account of how people have changed their working behaviour, with greater numbers of people working at home, and what that means for any assessments that we carry out in the future.

Maureen Watt: That is good to hear. I hope that the committee will have a chance to discuss the proposals with you.

Up to now, the Scottish Government's investment in active travel infrastructure has largely been channelled through Sustrans. Given the increased importance of walking and cycling investment, do you intend to review that arrangement? In the evidence that we have taken, there have been calls for a much more decentralised approach that takes into account local authorities' priorities. As you have said, so much money is being given to local authorities at the moment to widen pavements and so on, in order to increase the distance between people passing each other. Might the arrangement be looked at in the longer term, in order to increase the decentralisation of active travel budgets?

Michael Matheson: The nature and style of local active travel infrastructure are determined by local authorities or the partners with which they work. The funding mechanism and the support that is provided in taking such work forward are facilitated through Sustrans. The designs and expertise that Sustrans can bring to the table can support local authorities, which might not have the internal capacity or expertise to take forward projects of such a nature. Sustrans is able to give local authorities expert support and guidance and to link them to other local authorities that might be able to provide useful guidance and assistance on projects that they have previously taken forward. Sustrans acts as a very helpful tool in drawing together expertise and sharing experience, which is critical to ensure that we invest in good-quality cycling and active travel infrastructure.

It is important to acknowledge the increase in funding that has been made available to local authorities directly, over and above the funding that we provide through Sustrans. Local authorities received £23.9 million of capital funding during this financial year. That has gone directly to them, and it represents an uplift of £15 million on the previous year's budget.

10:15

The amount of money that is going directly to local authorities to use for their own purposes in the way in which they want to use it has increased markedly. Alongside that, the funding that is available through the Sustrans envelope is also shaped by local demand and local plans, but Sustrans is able to provide authorities with the type of management experience and assistance that some of them might not otherwise have available to them. A combination of direct funding to local authorities and the Sustrans funding gives the right balance, and that can help ensure that we are getting the right type of investment in the active travel infrastructure.

Maureen Watt: Those are huge sums that have gone to local authorities pretty quickly. Are you tasking Sustrans with doing an impact assessment of whether that has been successful and whether those funds are valid for the longer term? I can think of one city where the bus stops have been moved, so that the information that people get at bus stops is no longer there. How that will work when the weather gets worse is open to question. Will there be some assessment of the impact of those huge sums that have been given to local authorities, which they have invested pretty quickly?

The Convener: Briefly please, cabinet secretary.

Michael Matheson: On the spaces for people initiative specifically, I will get Laura Murdoch to say a wee bit more about the evaluation process that will be undertaken.

I am conscious that many local authorities are working at pace on spaces for people, and they are pursuing some projects at a very quick speed. There will be a need for those projects to be adapted and altered on the basis of experience. That is what authorities are being encouraged to do. Where they experience challenges that are creating unintended difficulties, they should be looking to adapt their scheme to reflect that. I can assure the member that there is an evaluation process, which Sustrans is pursuing with local authorities.

I ask Laura Murdoch to say a little more about that evaluation process.

The Convener: You can of course come in on that, Laura, but I ask you to be brief. I have been sitting here at the end of the table thinking that people could see me waving when I wanted to move on to the next question; little did I realise that no one could see me. I thought you were all just ignoring me.

I am worried about the time, if we are to allow every member to come in. I therefore ask Laura to be brief now, and I will then go to Colin Smyth before coming back to Maureen Watt.

Laura Murdoch: Certainly, convener.

On spaces for people, an evaluation framework has been developed in partnership between Sustrans and the Society of Chief Officers of Transportation in Scotland—SCOTS. That national monitoring and evaluation framework has been shared with all local authorities, and it will be the basis on which spaces for people will be evaluated.

Colin Smyth: Cabinet secretary, you said that you had repurposed £39 million of active travel funding because councils would not be able to spend it. I have not heard a single council say that, and I am curious as to why active travel is the only capital spending that you think needs to be repurposed—councils cannot spend it, yet they can continue to spend on roads.

My big concern is that, of that £39 million, £12.5 million has gone to Glasgow and Edinburgh. That is understandable, given what the spaces for people initiative was for. However, when it comes to future active travel funding, how will you ensure that there is not a disproportionate spend on the big cities, and that those areas that have missed out and have not received a fair share will receive a fairer share—or will we simply continue to have a disproportionate element going to the big cities?

Michael Matheson: On the issue about a disproportionate amount going to the big cities, I point out that some of the significant active travel projects that we have just signed off are in rural areas, including a couple in the south of Scotland.

On spaces for people specifically, the vast majority of the funding that is applied for by local authorities, including those in rural areas, has been met. There will be only a small number of local authorities where the request that we received from them was not met. Laura Murdoch might be able to say a bit more about that, because the majority of the bids from local authorities were met, and we increased the pot from £30 million to £39 million to accommodate that. Some of the bids that came in from local authorities reflect their ambition and the projects that they believe that they can take forward. Laura can say a bit more about how we were able to meet the majority of local authority requests.

Laura Murdoch: Yes, indeed. Nearly every local authority submitted a bid for spaces for people funding. Sustrans is working with local authorities that it has never worked with before on temporary active travel infrastructure projects. I hope that that bodes well for future plans for permanent active travel projects and the ambition of local authorities across Scotland in making bids. The spread of interest and ambition that we have seen through the spaces for people programme has been extremely encouraging. As the cabinet secretary said, we had to increase the budget to accommodate that.

The Convener: Maureen, I will hand back to you.

Maureen Watt: Thank you. We also heard in our evidence a call for greater coherence between transport policy and investment in matters such as land use planning and the roll-out of broadband and 5G networks to support climate, health and other goals. Are the Scottish Government departments working closely enough to achieve that coherence?

Michael Matheson: I think that there is more to do, because it is important that we see greater co-ordination between those areas. Transport use is a derived demand. It exists to facilitate people to undertake activities, whether that is work or accessing healthcare or education. That is why it is critical that transport and land use are integrated. We are trying to address some of that through our second strategic transport projects review and national planning framework 4, to help to ensure that these areas are aligned and, from a planning perspective, that we take account of land use decisions. We are also trying to make the greatest possible use of existing infrastructure, and we are thinking about how we can reduce the need for people to travel, by providing greater digital connectivity from the outset and providing the type of active travel infrastructure as part of—*[Inaudible.]*—travel from the outset.

We need to see more progress on those matters, and we are actively taking those forward. You might recall that, in the national transport strategy, digital connectivity is one of the key factors in how we take forward transport planning, given the impact on transport, which has been very noticeable over the past six to seven months.

The Convener: The next questions are from Peter Chapman.

Peter Chapman: To continue with climate change issues, the committee heard from Professor Iain Docherty that, to meet its carbon-reduction goals, Scotland would have to reduce its vehicle fleet by a third. That represents 1 million vehicles. Does the cabinet secretary accept that

argument and that figure? If so, what action is the Scottish Government taking to meet that goal?

Michael Matheson: We have set out in the national transport strategy the approach that we want to take to the transport hierarchy. In that, it is very clear that we want to see people moving to a more sustainable use of transport. For example, we want to see folk making greater use of active travel and public transport.

Mr Chapman raises an important issue. There is a need not only to encourage people to make use of public transport and active travel but to look at the regimes that we have in place for car use. How can we support people to move to using low-emission vehicles? We have measures in place to do that. How can we ensure that people make greater use of public transport?

Cities can implement policies to discourage car use in city centres. Some of the provisions in the Transport (Scotland) Act 2019 support local authorities as they take those options forward as part of a mechanism to dissuade people from taking their cars into city centres.

There is a combination of policies: some support people in changing their behaviour, some policies support and sustain public transport and some encourage the use of active travel while incentivising people to look at other modes of transport, particularly when travelling in our cities. Some of the measures in the 2019 act assist us in trying to achieve that.

Peter Chapman: That is a good answer. Given the focus on wanting to help people out of their cars and getting them to embrace active travel and public transport, we have heard continued calls for a switch from investment in new road capacity to the maintenance and targeted improvement of existing roads. That follows on from the previous answer. Is that something that the Scottish Government is working to achieve? Has the focus moved away from building brand-new roads and on to improving what we have, rather than increasing capacity on our road network? Is that the Scottish Government's focus?

Michael Matheson: I am struck by that question because barely a week goes by when I am not called upon in the chamber by one of the member's colleagues to build a new road somewhere. However, I will answer in the same spirit as Mr Chapman's question.

We set out a clear investment hierarchy in the national transport strategy and in the draft infrastructure investment plan that I published just over a week ago. That plan sets out our priority, which is to maximise use of, and improve the maintenance of, existing infrastructure. We will put in new infrastructure—including new roads—where that is necessary.

Mr Chapman may not be aware that, in the draft infrastructure investment plan, we made a commitment to double maintenance on the roads and bridges of Scotland's road network. That budget will increase by £1.5 billion in the next five years. We are prioritising the maintenance and enhancement of existing infrastructure. That reflects the investment hierarchy that we set out in the national transport strategy and in the draft infrastructure investment plan.

I hope that that assures the member that we will make best use of existing infrastructure. There will be occasions when it is necessary to invest in new infrastructure. A good example of that, which I set out recently, is for an alternative route on the Rest and Be Thankful. We have longstanding problems there, notwithstanding our investment in maintenance of and enhancement to the existing infrastructure.

The Convener: I make a general plea to everyone to help me with short questions and short answers. The next panel will be delayed, otherwise, which will cause problems when the next cabinet secretary is made to wait for us to get through these questions. I urge you to help me.

Maureen Watt: It is funny how once people get good roads in their area they say that all further road building should stop. Is it still the Scottish Government's intention to complete the dualling of the A9 and the A96 to link up all our cities with dual carriageways? Also, I welcome the increase in maintenance of bridges, which will be very welcome in Aberdeenshire.

10:30

The Convener: Very briefly, cabinet secretary.

Michael Matheson: Yes.

The Convener: That is the kind of answer that I like.

Angus MacDonald (Falkirk East) (SNP): Following on from the theme that we have been discussing, we know that the Scottish Government has set aside £700,000 for four separate grant schemes to support the switch of freight from road to rail and water. Given our carbon reduction targets, do you think that that amount, which is similar to what has been allocated in recent years, is sufficient?

Michael Matheson: There are two elements to the financial support that we provide to the freight sector. The first is mode shift revenue support and the waterborne freight grant, which is the £700,000 that Mr MacDonald made reference to. Both of those are about providing revenue assistance to support moving freight to rail or water transport. It may not be a large financial budget, a point that I recognise the member

makes, but there is no doubt that it makes a difference. For example, it will fund 10 rail freight flows in 2020-21, which I believe will remove something like 121,000 lorry journeys across the board.

The second element is the capital funding that we provide through the freight facilities grants and ports mode shift grants schemes. That provides financial assistance for the necessary infrastructure. The member will be familiar with the project at Blackford, where we are providing support for the rail facility at Highland Spring. That will move about 80,000 lorry journeys off our roads. We are also providing a grant fund to Tarmac at a cement factory at Dunbar, which will again help to remove vehicles from the roads.

Therefore, there are two elements to the funding that we provide to support the move to water and rail freight—revenue and capital.

Angus MacDonald: That was a helpful clarification. You mentioned a couple of good examples. There have also been successful schemes in the past, including the rathad mara—as it is called in Gaelic—scheme, which seeks to move timber and log transport from road to sea on the west coast, taking large trucks off the single-track roads. Is there a plan to see those schemes continue and will funding be provided to allow that?

Michael Matheson: Over the next five years, we are providing £25 million overall to support rail freight. We remain keen to help to increase rail freight. I assure the member that, if there are specific schemes with partners that are developing a project and looking for financial support and direction, we are happy to discuss that with them. It remains a priority for us and we will continue to provide what support we reasonably can to people taking forward those projects.

The Convener: Thank you. The next questions are from Emma Harper.

Emma Harper: I will consolidate my two questions, given that we seem to have time constraints, to do justice to my questions about the port of Cairnryan. I know that we have to deal with Covid, but Brexit is also looming and there is the strategic importance of the port of Cairnryan. It is the third busiest port in Scotland, it is the shortest crossing to Northern Ireland, and £26 million a day of freight heads to the port on the A75 and £10 million a day on the A77. Given that the Northern Ireland protocol imposes a requirement for checks on goods between Britain and Ireland, how confident are you that goods will continue to move easily between Cairnryan and Larne and Belfast? Also, has the Scottish Government offered any support to the owners of Cairnryan port and has

the UK Government been engaging with the Scottish Government?

Michael Matheson: At present, services on the crossing at Loch Ryan are running at around 50 per cent of capacity, so additional capacity is available on the existing services that are operated by Stena and P&O if there is an increase in demand.

At present, it is unclear what border operating model the UK Government intends to use. We do not have any great detail on that; my understanding is that details will be published this week. What is also unclear is exactly where any checks will take place. Ms Harper will be very aware of the limited space at Cairnryan for any additional physical infrastructure to be put in place for border checks. The engagement that we have had with the port operators has been about checks being undertaken at an inland facility away from the port. We have had some engagement with them about how that could be taken forward.

The UK Government funding for this comes through the port infrastructure fund, which is there to provide the infrastructure for these port checks; the problem is that the funding is limited to checks that can take place at the port itself. At Cairnryan, the site is too small for that type of facility to be provided. We are pursuing with the UK Government the need for funding to be used flexibly to provide the infrastructure that might be necessary outwith the port to meet any border operating model that would require checks to be carried out at Cairnryan. We continue to engage with the UK Government on this matter, but there is a need for greater clarity on the model that it intends to operate and for flexibility around the funding that it is providing to support any model that is implemented.

Emma Harper: I will keep this short—my worry is that we are less than 87 days away now, so will that all be ready so that delays will not be incurred? There are issues with livestock and there is a lot of temperature-controlled freight to consider as well, so delays cannot be part of this.

Michael Matheson: There is a wider issue, probably not so much for the crossing to Northern Ireland but particularly for the short straits crossing at Dover, where we have about 30 trucks a day that carry seafood, some of which is live seafood, and other live produce and fresh produce that is time critical. There are concerns about the delays that could take place at the short straits.

Last week, I had a meeting with the Road Haulage Association, which has significant concerns about how this has been taken forward by the UK Government. First, the association does not know what the border operating model will be; secondly, the information technology infrastructure

that is meant to be put in place has not yet been tested and it does not know how resilient that will be; thirdly, it does not know what arrangements will be put in place to mitigate any delays that are caused, particularly for those that have time-critical goods. We continue to pursue those issues with the UK Government. There is clear concern in the industry about a lack of clarity over exactly how things will operate and how any delays that could occur will be addressed, particularly for those that carry time-critical goods.

John Finnie: I want to follow up on that point. You will be aware that the UK Cabinet Office has come up with a scenario—it says that it is a worst-case scenario but, given its previous information, that remains to be seen—in which there is a maximum queue of 7,000 port-bound trucks in Kent and associated delays of up to two days. I note that you say that you are concerned about that and are pursuing the issue, but has the Scottish Government undertaken an assessment of the possible impact of the delays at major English ports following the end of the transition period on Scottish trade with the EU, particularly, as you highlight, on the value of perishable goods such as seafood?

Michael Matheson: That was part of our thinking earlier in the year in preparing for Brexit and we have developed some contingency plans to meet the challenges that the sector could face—for example, if there were significant delays at the short straits at Dover. One of the proposals that we put forward was that those vehicles that are carrying perishable goods are prioritised. There was an undertaking on the part of the DFT—I had a discussion with Michael Gove about it at the time—that it would consider how it could speed up the process for those vehicles carrying perishable goods, particularly those that are carrying live seafood, which is time critical. However, we do not have clarity as to what will happen and we have again highlighted the need to have some sort of contingency arrangement in place for the short straits.

We are also planning what alternative measures we can put in place that could bypass the short straits to support the sector. That falls into our ongoing planning work on potential delays in the short straits, so it is an issue that we are alive to and is factored into our contingency planning.

John Finnie: I have a brief follow-up. I note that the contingency plans that you talk about are particularly focused on the short crossing there; you will be aware that there is a suggestion to introduce a permit scheme there, but my question is broader than that, as there are other English ports where produce is ported. Can you give an assurance that it is not only Dover that you are looking at?

Michael Matheson: That is correct; it is not only Dover that we are looking at, although that is principally where there are concerns. We will not be able to mitigate all the difficulties that are caused by any delays. I assure you that we are factoring that into our thinking about what alternative options could be made available, but there is still a lack of clarity around exactly how those issues will be taken forward. It was clear from the discussion that I had with the Road Haulage Association last week that it has significant concerns about how the UK Government is managing the issue and how it will resolve some of the difficulties that the RHA believes will develop very quickly if the UK Government does not make progress on sorting those issues out in the next couple of weeks.

The Convener: Angus, I think you are happy that your questions on that issue have been answered, so I will move on, if that is all right, to the next questions, which are from Stewart Stevenson.

Stewart Stevenson: Recognising that some of what I would have asked has been covered, I will consolidate my questions to get a brief answer. I talked earlier about behaviour shifts in people's working patterns and travel, which leads us to the blended work model—sometimes working at home and sometimes not. Obviously, digital connectivity is important in that, and perhaps local provision of shared workplace hubs could be part of that solution. How are you diverting support to people to get the kind of access to the digital infrastructure that they need?

Michael Matheson: I will try to be brief, convener. Driving forward our reaching 100 per cent programme and the remaining parts of our digital Scotland superfast broadband programme is critical in supporting digital connectivity. In the past six months, the importance of digital connectivity has been more apparent than ever, and we need to make sure that people have access to good digital connectivity.

We are also supporting people to enable them to continue to work from home. For example, the member will be aware that, in our programme for government, we set out the work local challenge programme, which aims to create local work hubs and office space solutions to enhance people's ability to stay in their own areas and reduce the need for them to travel.

10:45

Driving forward our digital Scotland superfast broadband programme, which will continue for the remainder of this year, and moving forward with the reaching 100 per cent programme are critical to supporting people to obtain the digital

connectivity that they require to enable them to work from home, given the big increase that we have seen in the numbers of people who have been doing so in recent months.

The Convener: I have a couple of questions, which I think could be dealt with briefly. Could you provide us with an update on the status of the north lot? Are you still confident that the contract for that will be signed by December?

Michael Matheson: Yes. The legal dispute has been resolved, and we are working towards having the contract signed by the end of this calendar year.

The Convener: I have a follow-on from that. Will you confirm that, when the contract is signed, which it is hoped will be in December, it will be made clear by when the work on the lot will be delivered—by which I mean when it will be complete? If the contract is signed in December, will you let us know at that stage by when the work will be complete?

Michael Matheson: We will be in a better position then to give the committee a clear outline of what the timeline will be, moving forward from that point.

The Convener: I am not sure whether that is a yes. You said that you would be in a better position to let us know, but you did not indicate that you would do so.

Michael Matheson: Off the top of my head, I cannot remember exactly when we will be able to give the committee a time by which the work will be complete, but I am sure that we will be able to provide the details of the timeline that we have agreed with BT Openreach on progressing work on the north lot.

The Convener: My point is—

Michael Matheson: You asked me to say when it will be complete. I am giving you that answer on the basis that I do not know, off the top of my head, exactly whether that will be detailed when we conclude the contract. If it is, we will be able to give it to you then, but in any event we will certainly be able to give you a much clearer indication of the timeframe.

The Convener: I am just assuming that, when the contract is signed, it will say by when it will be completed. I am simply asking whether that information will be published as soon as possible after the contract is signed. A yes would do.

Michael Matheson: Convener, I will take that point away to ensure that we can address it for the committee.

The Convener: Okay. Our next questions are from Mike Rumbles.

Mike Rumbles: Cabinet secretary, could you update us on the uptake for both the £400 and the £5,000 voucher schemes for broadband connections? In these early days, is the uptake so far in line with your expectations?

Michael Matheson: The voucher scheme was launched only on 8 September, so these are very early days and there has been only a short timescale against which to gauge that. It would be fair to take into account experience of voucher schemes in other parts of the UK, which demonstrates that uptake can be slow.

At present, though, I can say to the committee that some 32 suppliers have been approved to take the voucher scheme forward for us. Approvals for a further 11 are presently pending. From those that are approved suppliers, 20 applications have been submitted and we expect more to come in. As yet, no vouchers have been issued, but I again point out that, although it has been only a month since the scheme opened, we are making good progress with suppliers. Some of the applications that are now being considered would allow us to look at progressing the scheme in the months ahead.

Mike Rumbles: Just to let you know, there is confusion about the scheme. The £400 voucher is clearly meant to be for people who are likely to get connected to the R100 broadband scheme after the end of next year. However, out there among the public there is a little confusion about whether that takes them off the broadband scheme altogether.

Could you also confirm whether everyone can now access the scheme's address checker so that they can be certain of when they are likely to be able to get broadband?

Michael Matheson: As far as I am aware—

Mike Rumbles: Do you understand what I am saying?

Michael Matheson: Sorry?

Mike Rumbles: I am just wondering whether you understand what I am saying. There is a £400 voucher scheme and there is also one for £5,000. The first is designed so that people who are unlikely to be able to get a connection by the end of next year can get one, whereas the second is for those who are not going to get one unless they are helped.

I have discovered that among my constituents there is a little confusion as to whether joining the £400 scheme will take them out of the system. I have received questions about that. I would like you to make it clear that the first scheme is simply being offered because of the delay and does not take people out of the system.

Michael Matheson: Let me check the specific point that the member has raised and on which he feels that confusion exists, in order to provide clarity for his constituents.

Mike Rumbles: Thank you.

Michael Matheson: If it would be helpful, I would be more than happy to write to the member to address that specific issue.

The Convener: Cabinet secretary, it would be helpful if the information that will be provided in writing to the member could also be provided to the committee so that we can all understand the points that have been raised.

Mike Rumbles: The cabinet secretary did not get to my other question, which was about whether everyone can now access the scheme's address checker, in which they put their details into the system. Is it working?

Michael Matheson: Yes. I am just looking at the details on that. As far as I am aware, the address checker is operating. It has already had some 14,000 visitors, 83 per cent of whom are first-time users. It appears to be proving popular.

If there are technical issues such that some areas are not currently operating and if either the committee or Mr Rumbles has specific examples that we should look into, I would be more than happy to take those away and have them addressed.

Mike Rumbles: Thank you.

Maureen Watt: Just quickly, cabinet secretary, we have had a helpful letter, dated 30 September, from Paul Wheelhouse to the convener, which outlines various scenarios on how people might access the online checker. It also goes into the number of houses to be connected in the central and south lots. May I ask that, once you sign the contract for the north lot, the committee receives a similar letter to say how many premises are being covered and by what, and stating how many will be left over for the broadband voucher scheme?

Michael Matheson: I am more than happy to take that question away, and I will ensure that we follow it up.

The Convener: I have just one more question, which is on the £5,000 capital grant to allow people to connect to broadband. I see that, in Wales, they have understood that the cost might exceed that level in remote or rural areas, so grants of £7,500 per property have been made available in such cases. If it becomes apparent that £5,000 per property will not be sufficient in our remote or rural areas, will you consider matching what is happening in Wales?

Michael Matheson: I do not know what is happening in Wales, or how comparable its

scheme is with ours, which has the R100 programme underlying it. I would be more than happy to take the point away and consider it, but I do not know how the existing scheme in Wales compares with the R100 programme that we are progressing.

The Convener: It would be helpful if you could come back to us on that.

I think that we have now come to the end of our questions—I hope that I have not missed anyone. I thank the cabinet secretary and his team for attending and for giving evidence.

I suspend the meeting until 11 o'clock, when we will take evidence from our second panel of witnesses.

10:54

Meeting suspended.

11:00

On resuming—

The Convener: We resume our meeting focusing on Covid-19 and financial scrutiny. With our next panel of witnesses, we will focus on agriculture, fisheries and aquaculture. Before we begin, do any members wish to declare interests? I will kick off by saying that I am a member of a family farming partnership. Angus—I think that you want to declare an interest.

Angus MacDonald: I own properties in a crofting township in the Western Isles, but derive no income from them.

The Convener: Peter, do you want to declare an interest?

Peter Chapman: Yes, absolutely, convener. I declare an interest in a farming partnership in the north-east.

The Convener: Stewart, do you want to declare an interest?

Stewart Stevenson: I am a joint owner of a very small registered agricultural holding, from which I derive no income.

The Convener: I welcome Fergus Ewing, the Cabinet Secretary for Rural Economy and Tourism. I also welcome from the Scottish Government Catriona Maclean, who is the head of the rural economy and communities division; Shiree Donnelly, who is the head of finance; Jonathan Pickstone, who is the deputy director of regional economic development; and Allan Gibb, who is the acting deputy director of fisheries.

Cabinet secretary, I am sorry that we are starting slightly later than anticipated, but I offer

you the opportunity to make a short opening statement of up to three minutes.

The Cabinet Secretary for Rural Economy and Tourism (Fergus Ewing): Thank you, convener.

The unprecedented pandemic has caused exceptional pressures on the health, economy and society of Scotland, and Scottish gross domestic product fell by 19.4 per cent in the second quarter of 2020. The Scottish Government has already allocated more than £2.3 billion—that is, £2,300 million—to help businesses and protect jobs during the Covid crisis.

We can build our rural economy with wellbeing and a green recovery at its heart. Our ambitious woodland creation targets are directly supported by £150 million from the low-carbon fund. We have committed £250 million to funding peatland restoration for the next 10 years, thereby enabling land managers to plan with confidence. The launch of the agricultural transformation programme last month begins the work of moving to a post-common-agricultural-policy support system to support better the sector's response to the climate crisis.

The Scottish Government was quick to respond to the needs of our fishing and aquaculture industries. It is crucial that the UK Government provide a future funding guarantee that matches the multiyear certainty in funding that we would have enjoyed had Scotland remained in the EU. Our food and drink industry has been one of our strongest economic performers, but models suggest that there has been a 20 per cent reduction in turnover because of Covid-19. We are working with the sector to develop and launch our joint recovery plan.

On top of Covid-19, we now face the prospect of a no-deal or low-deal Brexit. Therefore, we must prepare for the possibility of tariffs and quotas on agricultural products in just three months' time. As we have discussed in the committee many times, sectors including the sheep-meat sector could be hit extremely hard. Sectors that need transitional support should be able to get it. We expect the UK Government to provide that support, and we continue to work with Welsh colleagues to push the UK Government to restart work on that. We need to provide support to the sheep sector when it needs it. The Scottish Government can continue to support a thriving rural Scotland only if it is properly funded to do so and is afforded sufficient time to plan.

The UK Government's recent decision not to set a budget, along with confusion about the future EU trading relationship in just a few months, brings unacceptable uncertainty to people's livelihoods. I

and my officials are happy to answer members' questions.

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

Richard Lyle: At the previous committee meeting, you were asked a question that I would like to have clarified. How many people are employed in the rural payments and inspections division? What do those people do? How does that actively contribute to the rural economy and support rural businesses during the crisis?

Fergus Ewing: There are 385 staff working in 17 area offices around Scotland, from Benbecula to Inverurie, and from Lerwick to Dumfries. That figure comes from a statement to Parliament on 24 June last year. In addition to the 385 people in local offices, the total number of staff working in RPID, including in the head office, has varied from 436 in 2017 to 441 in 2020. There is a risk of confusing the two figures: 385 people work in local offices; the higher figure of 441 represents staff in local offices plus the head office contingent who deal with head office functions.

I am proud of the excellent work that RPID staff have done, especially during Covid, when the vast majority have been working from home and have increased productivity. That can be seen from the fact that they secured and succeeded in both pillar 1 and pillar 2 targets. That is a creditable result.

Richard Lyle: It is good to clear that up.

Does the Scottish Government see a need to provide any additional short-term to medium-term funding for the rural economy while the effects of Covid-19 continue? If so, where will that funding be targeted?

Fergus Ewing: We have already delivered Covid compensation, particularly to the marine sector. I can give details, although I will just answer generally now. In the marine sector, the in-shore shellfish sector and aquaculture were hit hard.

The farming sector has mostly managed to carry on throughout Covid, but it has been affected in particular ways—I am thinking of the arable and dairy sectors. We have not identified a need for bespoke transitional support on the farming side.

Covid numbers are rising, so there is still a risk. If further measures have to be taken, and if those affect farming, we cannot discount the need for additional compensation.

If there is no post-Brexit trade deal and World Trade Organization tariffs therefore apply—at a rate of around 40 per cent or 50 per cent on products such as sheep meat—that could decimate the sector. We are very worried about that. We must bear that in mind and we must be

able to make contingency plans. Of course, as Brexit is a UK Government policy, we would expect that Government to adhere to the assurances that Michael Gove gave to me in person and to the interministerial groups of the devolved Administrations that the UK Treasury will pay for any Brexit transitional costs arising from a no-deal situation.

Peter Chapman: Scotland's rural economy faces the concurrent challenges of recovering from Covid-19, uncertainty due to Brexit and the need to tackle climate change and biodiversity loss. On top of all that, there is still, I believe, a target to double the food and drink sector to £30 billion by 2030.

Does the Scottish Government still share all those objectives and, if so, how will funding be targeted to achieve them?

Fergus Ewing: Yes, we still have high ambition for our food and drink sector and great admiration for the work that farmers have done throughout Scotland—arduous work to continue to put food on the plate for people in Scotland and further afield.

I am pleased that we have managed to ensure continued reliability of the various payment streams within pillars 1 and 2, and I am particularly pleased that the pillar 1 loan payments—which are de facto advance payments—were made starting from around 1 September. In most cases those were around 95 per cent of entitlement, which means that most farmers received most of their basic entitlement about three months ahead of the rest of the UK.

That is important, because money in the bank account and pocket means that farmers can make investments and improvements. I know that many of them have made improvements in fencing, for example, which has had a knock-on effect for the sawmill sector, and has provided it with a boost at a time when it was much needed. It has also enabled payments to hauliers, feed suppliers, contractors and the whole supply chain. I regard that part of my responsibilities as being extremely important and look forward to updating Parliament on future plans for stability of payments until 2024.

To answer Mr Chapman's question, I say that my impression is that that is the foremost thing we can do to assist farmers and crofters throughout this period of maximum uncertainty. I think that anyone and everyone would accept that, until the Brexit mist has cleared, we need to reserve our position on precisely how we should go on beyond 2024, when we will see how the post-Brexit landscape looks.

Peter Chapman: Thank you for that answer. However, the industry desperately needs some clarity. When will we hear from the farming and food production future policy group? It was

originally going to report by Highland Show time, but we are almost four months beyond that and we still do not know what the advisory group is saying. Why the delay, and when will we hear what the recommendations are?

Fergus Ewing: First, since that group was formed we have been hit by the enormous impact of the Covid crisis. The group determined, rightly, that it wanted to take that into account, which led it to decide that it wanted to take more evidence.

Secondly, Mr Chapman did not mention that we have recently committed in the programme for government to set up farmer-led groups to inform us on how we can tackle climate change in adaptation of farming practices. The first report, on suckler beef, should be available shortly from former NFU Scotland president Jim Walker. I expect that that work, led as it is by experienced farmers who are respected in the sector, will provide a route map of how best to respond to the climate change challenge. I can give more detail on that later.

As far as publication of the farming and food production future policy group's report is concerned, I hope that it will be available before the turn of the year—possibly earlier. The group was set up on a resolution of Parliament—including an amendment that was lodged by Mr Rumbles, with the support of the Scottish Government and Parliament, as I recall—and is, therefore, independent of the Government. It is right that it should come to its conclusions.

11:15

I do not sense that there is a huge clamour for getting the report out. My feeling is that farmers' number 1 practical business concern is that we ensure that money is in the bank. The number 2 concern is that we provide clarity on whether the sheep sector will be hit with tariffs at 50 per cent in just a few months. Those are the present dangers, as is the question of equivalence of standards in respect of imports of cheap meat from other countries that might not observe the high standards of animal welfare, hygiene and abattoir practices that must, of necessity and rightly, be applied in Scotland.

Peter Chapman: I hear all that. I agree that short-term funding is vital, and I accept that the sector has questions. In so far as you can outline at this point, what changes to funding priorities do you envisage in the short term and in the longer term?

Fergus Ewing: It is fair to say that, in the next five to 10 years, the main change will be an increasing focus on tackling climate change. That is why we have made a start with the agricultural transformation programme, and it is why we have

announced £150 million for forestry and £250 million, over the next 10 years, for peatland restoration.

I am keen that, when we translate the overall funding support packages that have traditionally been available under pillars 1 and 2 of the common agricultural policy, we reflect the important contribution that farmers and crofters make. In other words, farmers and crofters already do a great deal for the environment, for which they do not always get credit. They provide permanent grassland, which is terrific for biodiversity, as several non-governmental organisations agree. They also provide a managed landscape, which is at the heart of our tourism attraction, as well as being at the centre of rural communities.

As we devise and design ways in which to tackle climate change, I want to ensure that farmers and crofters are at the heart of that work, so that we get maximum buy-in and do not dictate top-down policies but work with the grain—with well-respected farmers—to come up with ways in which farming practices can tackle climate change. That practical and pragmatic approach, working closely with my colleague and friend Roseanna Cunningham, is the best one that I can think of that will most likely achieve our climate change targets.

Peter Chapman: I mean—

The Convener: Hold on. I am sorry, but I want to bring in Colin Smyth. If Peter Chapman wants to come back in later, he should let me know.

Colin Smyth: I will follow on from Peter Chapman's questions. A key component of the Agriculture (Retained EU Law and Data) (Scotland) Act 2020 is pilot schemes for new approaches. How will the pilot schemes be funded? When are they likely to happen?

Fergus Ewing: First, Scottish Natural Heritage is already working on pilot schemes. Secondly, I expect that funding for the pilot schemes will come from pillar 2 and, possibly, Bew funding. Thirdly, we expect that the farming and food production future policy group will give advice about pilot schemes. Finally, I expect that we will consider pilot schemes following the reports of and outcomes from the farmer-led groups, starting with Jim Walker's suckler beef group.

Colin Smyth: I turn to the wider rural economy beyond agriculture. It is clear that Covid will be with us for some time to come, so there will be an urgent need for tailored support for rural businesses. For example, I know that the cabinet secretary has strong views on the recent rules for self-catering providers. The two-households rule will have a significant impact on such providers in the coming weeks running up to the holidays. What does the cabinet secretary see as the

immediate short-term priorities for support for rural businesses?

Fergus Ewing: I think that the member has asked me to generalise, and I cannot quite do that. As far as farming goes, the important thing is that we get the money out to farmers as quickly as possible. I hope and expect to secure time for a parliamentary statement, possibly in early November, in order to bring forward details of the payment schedule. I can give notice of that now, as it is correct that I share that information with Parliament.

In respect of tourism—although I am not sure that this is to be covered today—the member is correct that we have provided significant support for self-catering properties already, and I know that it has been appreciated. However, I do not underestimate the impacts on those businesses. In recent days, I have engaged with Fiona Campbell, who speaks on behalf of the Association of Scotland's Self-Caterers, and our engagement is continuous. I know from discussions that some self-catering businesses are doing very well, but others are finding it extremely difficult.

Mr Smyth raises the interesting point that there is a general need for more support in the tourism sector of the rural economy. We need to continue to work on that with the UK Government, although its decision to replace the furlough scheme with something that—I think it is agreed by industry—is not fit for purpose was a mistake, and I hope that the UK Government will review it. The tourism task force report is expected shortly, and it will make recommendations that I will wish to debate with the UK Government.

On the fisheries side, I am very worried about the shellfish sector, and the prawn market and prawn sector—

The Convener: Cabinet secretary—

Fergus Ewing: Mr Smyth asked me about the whole rural economy, so I am trying to answer, convener.

The Convener: I am sure that you could answer him for an extremely long period of time, which might mean that no other committee member would get a question in, which would upset them.

Fergus Ewing: Mr Smyth did ask a general question.

The Convener: I know, and I am trying to get him to focus down. I think that he has a brief follow-up.

Also, cabinet secretary, I think that you have been as confused as I have been about the latest name changes. SNH has become NatureScot.

Colin Smyth: My reference to self-catering was about the fact that many businesses in rural areas offer self-catering accommodation as part of a wider business model that also includes agriculture. That is quite a specific challenge for rural communities.

The committee has taken evidence on the budget, from a range of stakeholders in rural areas, about the types of support that is needed for businesses. For example, Savour the Flavours made the point that

“It is essential that small and micro businesses, including those without growth ambitions, receive needs-based support that is appropriate to their capacity, their business priorities and their ambitions. For example, a small shop in a rural village is more likely to require advisory support in succession planning, improving environmental efficiency and HR, rather than e-commerce or innovation support.”

I am keen to hear what the cabinet secretary is doing to ensure that the support that is given to those businesses in rural areas is tailored to the specific needs of those businesses.

The Convener: Specifically, cabinet secretary.

Fergus Ewing: Different businesses needs different support. Some non-agricultural businesses access support from Business Gateway, a service that is delivered by local government economic development departments. Others obtain support via the Scottish Government from our contracts with bodies such as Scotland’s Rural College. It think it is correct to say that different types of businesses need different support, and it is desirable that we ensure that it is provided where it is needed, from across a range of Government departments—not only my own, but others as well.

The Convener: We will move on to the next question, which is from Oliver Mundell.

Oliver Mundell: That question leads neatly on to my own. Cabinet secretary, rural issues are often at the bottom of the priority list across a number of Government departments. We have heard in evidence—and I also heard from rural leaders yesterday in a round-table meeting—that there seems to be a silo approach, which means that things such as housing and education in rural areas do not get the focus that they deserve. What are you doing, as we look at the budget, to ensure that your colleagues around the Cabinet table and throughout Government understand the challenges that people in rural areas face?

Fergus Ewing: I heard what the member said, but I am afraid that I do not agree with that characterisation at all. I do not think that rural concerns are at the bottom of the pile or that we are operating in silos at all, so I must, respectfully, disagree. I point out that the agricultural champions’ report recommended rural proofing,

and the Scottish Government accepted that recommendation. I assure the member that I work closely with, for example, Mr Hepburn on skills and tourism, Ms Campbell and Mr Stewart on housing and planning, and Ms Forbes on financial support for tourism. We speak to each other all the time. In fact, I am due to attend a meeting at 12 o’clock, which I imagine might be postponed, because I will still be answering questions here, due to the late finish of the earlier evidence session. I do not accept the premise at all. We need to constantly strive to collaborate across Government fully and effectively. Government is a big beast and there are lots of parts to it. Therefore, it is not an unfair question to ask, but I thoroughly reject the characterisation of the position.

Oliver Mundell: Cabinet secretary, I am sure that rural leaders and those living in rural communities will watch with interest, but I am happy to leave that line of questioning there. I will come back in later on a different topic.

The Convener: The next questions are from the deputy convener, Maureen Watt.

Maureen Watt: Have commitments around the green recovery and the wellbeing economy changed spending priorities in the rural economy portfolio?

Fergus Ewing: Yes, they have. We all acknowledge the climate change challenge, which has impacts on many portfolios and on the rural portfolio, in particular. That is precisely why I made the decision to set up farmer-led groups. In that way, we can have a pathway or route map for adapting farming practices to become ever more sustainable, to cut methane emissions from cattle, to improve livestock health, and to improve and adapt the marketing cycle of beef cattle, for example. The best way to get things done, to achieve policy change—which we require, to answer Ms Watt’s question—and to tackle climate change is to bring together well-respected farming leaders who can come up with really practical ideas. It is far more likely that those ideas will get buy-in, that there will be good take-up and that the policies will be informed by what is practical, achievable and deliverable than if I, with a background as a solicitor, came up with similar ideas, not having had that wealth of experience.

Therefore, yes, we have changed our view, and Ms Cunningham and I are working extremely hard on that. Yes, our future priorities and our funding must tackle that. As I said in my introduction, there is an extra £150 million for forestry and £250 million for peatland restoration, and we have launched our agricultural transformation programme. We have set out these programmes, initiatives and funding packages precisely because

we know that we have to do that in order to work towards meeting our climate change targets.

Maureen Watt: There have clearly been conversations recently about conditionality and public funding. What impact has that had on your portfolio with regard to your spending priorities?

Fergus Ewing: As I said, in the future, we will want to devise funding support packages for rural Scotland that, in time, will replace the existing schemes that apply up to 2024, under our 2018 document “Stability and Simplicity: proposals for a rural funding transition period”.

11:30

A timescale of four years gives us enough time to shape new policies that will involve conditionality. In the future, there will be more of an ask of farming and crofting in general to meet climate change targets. There will be more conditionality when it comes to obtaining funding, and, as a general proposition, that is correct. However, the way in which it applies is very much the topic of debate.

My last point is born of experience. Whatever we do, we must finalise our policies in time to devise the IT systems and adapt the overall computer systems to ensure that they can be delivered and administered on budget and on time. If I am saying that slowly and deliberately, it is because one does learn from experience. *[Laughter.]*

Maureen Watt: There are a lot of smiles around the table, cabinet secretary.

In our evidence taking and our questioning of the cabinet secretary previously, a number of stakeholders touched on the need for place-based approaches, which have very much come to the fore in response to Covid-19 and in rural economies. They have talked about local food supplies and such things. Do you think that there will be a change in Scottish Government spending to put more of an emphasis on communities across portfolios and the need for place-based approaches?

Fergus Ewing: That is a very general proposition. My rural budget is delivered largely to individual businesses, which is a successful model. Some programmes, such as LEADER, are very much place-based because they are intended to provide significant funding directly for local community projects that communities do not have the money to undertake themselves, such as the building of a new community hall. That has been one of the greatest successes of LEADER.

Boat of Garten, on my own home patch, has a magnificent new facility that was used day in, day out until Covid happened, and it is hugely

valuable. There are also new tennis courts in Rothiemurchus.

We really need to protect the LEADER programme. I am not quite sure whether we have had clarity from the UK Government about programmes like that, which are truly place-based, but there is an appetite for extending that type of programme among many of the communities that I visit.

Maureen Watt: You are absolutely right about the LEADER programme, and I hope that money comes from the UK Government to keep it going. While we are on that topic, I note that the rural leadership programme has been a very popular Scottish Government initiative. Do you think that it offers value for money, and how might it help businesses and communities to recover?

Fergus Ewing: It is an excellent programme. I think that it was set up by Julian Pace at Scottish Enterprise about 11 years ago, although I could be corrected. It has enabled a cohort of a substantial number of people, many of whom have been in business, to improve their overall business acumen and skills and to update their understanding of the public sector policy landscape by getting information about it. John Scott MSP tended to chair a session each year that I would attend—I know that Ms Watt has also attended, as have many other members of the committee—at which we had a dialogue and discussion with many of the programme members. I have never spoken to any person who has not found that course invaluable.

Three years ago, at a question-and-answer session with graduates of the programme, I was asked, “Why is this not operating in the Highlands and Islands area?” After that question, it was extended to the Highlands and Islands area. I suppose you could say that that was democracy in action. I very much want to continue that programme.

Lastly, we can benefit. We now have more than 500 graduates, and we can perhaps use that resource to provide mentoring to help younger people to bring on their skills. Going back to the question about advice, some of the best advice can be provided by senior people in areas of the agricultural economy who have been there, done it and got the T-shirt. We are actively looking to use that cohort of graduates for that purpose.

Stewart Stevenson: John Finnie and I have questions about fishing. John will ask about the consumption end of the business and green recovery. My interest, building on the answers that you gave to Richard Lyle in relation to Covid-19 rather than Brexit, is in the effects that there have been on the industry, how the Scottish Government has responded to the pandemic and

how that places us for future resilience against similar or other challenges.

Fergus Ewing: If I may, I will bring in Allan Gibb to give some details about the funding. We announced the first intervention on 25 March, I think. That was for smaller vessels under 12m. We started with that, and, because Marine Scotland has a close relationship with the fishing sector—it knows where people are and who fishes where for what—it was able to administer the scheme so that the recipients were, I believe, the first in Britain to get any money at all, which was a signal achievement. The fishing sector—particularly shellfish and the processors—has been hit hard, and we are worried about tariffs, labour costs, the availability of labour—particularly the EU labour that we enjoy at the moment—and issues such as boats having Filipino crew, which has been an ongoing and unresolved sore with the UK Government. Mr Gibb can give some details of what we have done on the financial side to help out those in need.

Allan Gibb (Scottish Government): Overall, we have provided some £15 million for seafood businesses and the onshore fishing sector. For our under-12m vessels, which are our small inshore vessels, we have paid out some £5.2 million to about 630 fishing businesses that made applications. For our over-12m sector—larger vessels, but primarily those affected by negative impacts on exporting, such as mackerel and langoustine vessels among others—we have paid about £3.2 million to just under 200 individual vessels. We have also supported our onshore processing sector, aquaculture and tank farming, providing—*[Inaudible.]*—million in support. The cabinet secretary is right that we were the first in the UK to get money out to our industry. The schemes were designed in partnership with stakeholders before being developed and delivered on.

Stewart Stevenson: I am happy to hand on to Mr Finnie at this point.

John Finnie: I will look for a little clarification. Stakeholders and witnesses have highlighted the importance for fisheries of diversification. That includes market diversification and the development of a domestic market for Scottish seafood, along with diversifying the types of fish that are caught. Will that be a priority for Scottish Government spending?

Fergus Ewing: That is an important area. I had a good session yesterday with three environmental NGOs, looking at sustainable fishing in general. Diversification is part of that. Consumers want to see sustainable products in supermarkets and elsewhere.

We also want to see more direct sales. One encouraging sign during Covid has been that some enterprising members of the fishing community who have lost their markets have sold directly to the public. That is encouraging. As a sort of market disrupter, that is a good idea, and we should see whether we can provide support, where appropriate, to businesses—particularly small ones such as shellfish businesses—that want to sell directly to the public.

It has been difficult to persuade UK consumers to shift from the traditional haddock and cod—Spanish consumers seem to have more adventurous palates. That has been a challenge for a long time. Nonetheless, because of the enormous variety of delicious fish, we should do more. I know that Scottish seafood is seized of—*[Inaudible.]*—as well, working on that.

The Convener: I am sorry cabinet secretary; we lost you briefly.

John Finnie: I would like to pick up on some Scottish Government terms that have been used in the meeting: “green recovery” and “wellbeing economy”. How will you ensure that spending priorities in the fishing sector are aligned to that commitment? Will conditionality play a role in any future fisheries fund?

Fergus Ewing: We do that in a number of ways. Mr Finnie will be aware of the discussion paper on the future of fisheries management. Last Thursday, we published an analysis of the 120 responses that we received thereto.

I was pleased that our discussion paper proposed making marine littering a crime. That is long overdue. My daughter bemoans the fact that I have not taken action to deal with plastics in the sea. I assure Mr Finnie that I get a hard time from her. He may understand that from past experience.

John Finnie: Indeed—well done, Miss Ewing.

Fergus Ewing: Indeed. A future conservationist awaits.

To go back to the question, remote electronic monitoring is a very important development. All the ENGOs agreed with that. As Mr Finnie knows, we are starting to equip those of the scallop fleet who do not already have remote electronic monitoring—many of the larger vessels do. The future of fisheries management paper goes further than that and talks about more ambitious plans to apply remote electronic monitoring, which brings benefits in relation to discards and also makes it possible to track, trace and detect locations and to resolve the relatively small number of gear conflict issues.

On questions of fishing in the wrong area, REM helps both to convict the guilty and to exculpate

the innocent. Nobody is satisfied with the current situation, in which the lack of any ability to clearly evidence alleged incidents means that most incidents come to an inconclusive end. I do not know whether I have put that clearly enough. REM will bring clarity and will help to exculpate vessel owners who are wrongly accused of fishing in inappropriate areas or of other infringements of the law of the seabed and the sea. That is the most practical aspect of our answer.

The last thing that I would say is that, in the approach that we take to fishing negotiations and the settling of quota, we have regard to maximum sustainable yield and sustainable levels of fishing.

For completeness, convener, I have given the detailed answer that such a wide question truly merits.

11:45

The Convener: We always like detailed answers, but I tactfully remind members and the cabinet secretary that we are doing budget scrutiny. This is not about every single policy that is out there; it is about budget scrutiny. There is a long time to go this morning, and I hope that everyone is happy to stick to that subject.

Angus MacDonald: Good morning, cabinet secretary. This committee and the Environment, Climate Change and Land Reform Committee, which I also serve on, very much welcome the Scottish Government's announcement of the blue economy action plan in the PFG. What are your spending priorities for the action plan? What are the objectives of the plan and the spend?

Fergus Ewing: I am looking for precise details, but I cannot find them. However, what I can say in general about the blue economy is that the marine part of Scotland is many times larger than its landmass, and I think that I am right in saying that we have around 10 per cent of the marine resource of the whole of the EU. Therefore, we have an enormous area, which we use for a variety of purposes, and we want to build on the various usages of it in a more sustainable fashion, whether we are talking about fishing, aquaculture, cruise liners, leisure craft, offshore renewables, such as offshore wind, or oil and gas. We want to be more sustainable.

I ask Mr Gibb to give the figure. I have a figure in my mind, but I will not quote it in case it is wrong. That is sensible expedience. Maybe Mr Gibb can help me out by giving Mr MacDonald the budget figure.

The Convener: Allan Gibb can come in on that. If he gets it wrong, I am sure that the cabinet secretary will correct him.

Allan Gibb: Apologies. My connection broke off there, and I am not sure whether the question was about the budget figure that we are asking the UK Government for in respect of future funding. Was the question about that?

The Convener: Angus MacDonald, could you reiterate the question for Allan Gibb, to clarify what you are after?

Angus MacDonald: That figure would be helpful but, basically, I am looking for some detail on what the spend will deliver. For example, are any pilot schemes under way? Is it too early at this stage to know whether the approach is that advanced?

The Convener: Are you happy with that, Mr Gibb?

Allan Gibb: Yes, convener. Thank you.

In short, the announcement is relatively recent, so it is too early to be specific but, in general terms, it is about taking a more holistic and strategic approach across the whole range of activities across the marine sector, from offshore wind renewables, fishing and tourism to the aquaculture sector, and trying to make a collective impact in developing economic growth in those areas. Obviously, there will be trade-offs and decisions to be taken.

There are no pilots yet. Funding in support of that depends on the cabinet secretary's assurance from the UK Government on the replacement of the European maritime and fisheries fund scheme. The cabinet secretary put a very—*[Inaudible.]*—million pounds to bridge the gap—*[Inaudible.]*—the European fisheries fund scheme.

The Convener: I am sorry; your sound was fairly broken up. I did not catch the figure that you mentioned. Was it a million pounds or several?

Allan Gibb: I apologise for the IT. The cabinet secretary has written to the UK Government and stated that the required figure to bridge the gap from what we would have got from European funding should be—*[Inaudible.]*—million pounds—*[Inaudible.]*—commitment—*[Inaudible.]*

The Convener: I am sorry; your sound broke up again. I heard "million". Can you hold up your fingers—

Fergus Ewing: I can come in if you want.

The Convener: Sorry, cabinet secretary—I thought that you were deferring to Allan. It would be really helpful if you could clarify the figure.

Fergus Ewing: I think that I am clearer on the microphone. The figure is £62 million per annum for the lifetime of the programme, which is 67 years. That figure is derived from an analysis of what we would have expected to receive under the

EU EMFF budget of €4.4 billion—based on our sea area of 10.9 per cent. In an effort to be helpful, we have written to the UK Government to indicate that that figure would be reasonable to reflect our responsibilities and aims to develop the blue economy over the coming years, and is what we would have expected had we had the security of continued funding, which we would have enjoyed as a continuing part of the EU.

Angus MacDonald: That is helpful. Can the committee be kept in the loop with regard to any pilot schemes, just to keep aware of their progress?

Fergus Ewing: Yes, I am happy to arrange that. A wide range of pilot schemes have been undertaken, which involve work with local in-shore fisheries management groups, and have been, by and large, pretty well received. A lot has been done already but there is a lot more to do.

Emma Harper: I have a couple of quick questions about the infrastructure investment plan, that was published in September this year. It commits £100 million to the Scottish rural development programme over the next five years, which appears to be less than the total funding that was available in the previous SRDP period of 2014 to 2020.

On what aspects of the SRDP does the Scottish Government intend to spend that money? Do those include forestry, for instance? Has the UK Government sought any advice from the Scottish Government about future forestry funding?

Fergus Ewing: I will answer the second part and ask Shiree Donnelly to answer the first part about the budgetary intersect between the European Commission and SRDP. With regard to the second part, we have announced an additional £150 million for both a nursery development and the planting of more trees, to reach our target of 18,000 hectares per annum.

The member is correct to say that we engage with the UK Government. I recently had a conference call with Zac Goldsmith, the UK minister with responsibility for forestry, who asked how we had achieved such success in Scotland over recent years, increasing overall new plantings from a relatively few thousand hectares to 11,000. We had a good discussion. Some co-operation is already going on in respect of the funding of new seedlings in nurseries.

An important wider point is that we might need to do an awful lot more in the UK to meet our forestry targets. The Confederation of Forest Industries has done an analysis on that, as have others. Scotland already plants between 80 and 90 per cent of all new trees in the UK and, if more is to be done across the UK, that extra planting can perhaps only be done in Scotland. If the UK

wants to achieve its climate change targets, it might well decide that it would be prudent and necessary to fund new plantings in Scotland on a much higher level. That will be a coming debate.

Shiree Donnelly can give a technical answer to the first part of your question.

Shiree Donnelly (Scottish Government): The SRDP funds the woodland grants for the existing planting on 12,000 hectares. The infrastructure investment plan is providing an additional £130 million of funding to increase planting to 18,000 hectares, as the cabinet secretary highlighted.

Emma Harper: The infrastructure investment plan commits to

“Investing £525 million, aligned with local authority and UK Government funds, to deliver the next five years of £5 billion city region and regional growth deals.”

I obviously have an interest in the borderlands growth deal. What are the intended outcomes of that spend for rural areas? The borderlands is a great example of a rural area that should benefit from funding, but there are other rural areas to consider across the rest of Scotland.

Fergus Ewing: The city deals are dealt with by my colleague Michael Matheson, and we work closely together on them. The priorities for spending within the deals are negotiated and discussed between the Scottish and UK Governments, local authorities and others in the area in question, which all work together. In South Scotland, which Ms Harper represents, there are a number of ways in which the rural economy will benefit from the intended spend on the borderlands growth deal. She is right that such deals are intended, in part, to benefit the rural economy, but they are not directly within my budget purview.

Angus MacDonald: Sticking with the infrastructure investment plan, we know that the Scottish Government has given a commitment to allocate £30 million towards resourcing the national islands plan. Can the cabinet secretary provide insight on the extent to which that investment will address priorities related to the rural economy, the nature of support to the rural economy that it will provide, and how the spending will be aligned with public objectives on increasing resilience and tackling climate change and serious biodiversity loss?

Fergus Ewing: Again, the national islands plan is not within my direct budgetary control, but I know that £30 million from the infrastructure fund has been allocated to delivering the plan over the next five years. The national islands plan was developed with the input of island communities and local authorities. The investment will support a number of areas, including tourism, infrastructure, innovation, energy transition and skills, and it will

be informed by a consultation that took place from April to July last year. The team visited 40 islands and organised 61 events with face-to-face meetings involving 1,000 people. There has been quite a democratic and exhaustive exercise, and the investment will cover the areas that I have mentioned.

12:00

Oliver Mundell: As we have left the EU and as we look towards the end of the transition period, there are opportunities, as we have heard today, for doom mongering, but there are also opportunities to do things differently and better. I have asked the cabinet secretary about the less favoured area support scheme before. Is he in a position today to back the NFUS's calls to reinstate the LFASS 2020 payments to be made in spring next year to 100 per cent of the 2018 levels? Can he say with certainty that farmers can expect LFASS to continue past 2021 with a £65 million budget? Will he commit to retaining the Scottish upland sheep support scheme, albeit with added safeguards and better targeting?

Fergus Ewing: I can assure the member that financial support to those who are farming and crofting in our most fragile and remote areas is a priority for the Scottish Government. It is not possible to circumvent EU rules and reinstate payments to 2018 levels for the 2020 scheme, but I have already made it crystal clear that the convergence moneys will be utilised to maintain support in the less favoured areas. I was clear, following the passing of the Agriculture (Retained EU Law and Data) (Scotland) Bill at stage 3, that LFASS would be one of the schemes to continue in 2021.

It is crucial, as Mr Mundell well knows, that the UK Government provides a clear statement on the future funding of all CAP pillar 2 schemes, so that plans can be progressed for those schemes, including LFASS, in 2021. We will continue to press the Government for the clarity that is required.

I have delivered for our hill farmers, and I will continue to deliver. As long as I am around, that is a priority for me. I have made that crystal clear on every occasion, and I am very grateful to Mr Mundell for allowing me the opportunity to reaffirm that today.

Oliver Mundell: I would simply say to the cabinet secretary: show us the money and make the commitment. We have heard a lot of words there, but I am looking for a simple yes or no. Are you backing the NFUS's calls today? It has said that it is an urgent priority, that farmers are looking for clarity in the short-to-medium term and that

they are looking for it from you and your Government today. Is it a yes or a no?

Fergus Ewing: I have not seen the document to which you refer, and I do not comment on things that I have not seen, but I have been working with the NFUS—

Oliver Mundell: Well—

Fergus Ewing: If I could please answer without being barracked by Mr Mundell again, as I was at the previous meeting. I have worked very closely—

The Convener: Hold on, cabinet secretary. With the greatest will in the world, I will try and keep this meeting in order, if you do not mind. I do not appreciate those comments. I try very hard to ensure that everyone gets their answers heard. If you would like to answer Mr Mundell, cabinet secretary, and I will give him a chance to come back.

Fergus Ewing: Okay—thank you, convener. As I was saying, I have not seen that particular document, so I will not refer to it, but I can say that I work very closely with the senior elected representatives and the staff of the NFUS, and I totally share the desire to support our hill farmers. I am delighted that we have succeeded in maintaining LFASS, whereas other parts of the UK abandoned it eight or nine years ago. I fully intend to continue to do that.

I cannot give the unqualified commitment that Mr Mundell thinks I can give, because we have not had the confirmation from the UK Government that the funding will be available. It is simply not possible, in the real world and in Government, to do what he is asking. However, as soon as I get that confirmation from the UK Government, I will then be able, I think, to provide total clarity. I have made it crystal clear that I fully intend to support our hill farmers. That is an absolute priority.

The Convener: I have let that discussion go as far as I can allow with the time constraints that we are under. I am sorry, Oliver; I know that you wanted to come back on that, but I am sure that you will find time to do that with the cabinet secretary in another place.

John Finnie: Cabinet secretary, the situation around the EU is rapidly evolving. Are you confident that the Scottish Government will have the funding that it needs to continue current agricultural and rural development schemes in 2021? What is the situation beyond 2021?

Fergus Ewing: I am reasonably hopeful that we will continue to receive the funding. As I have said, there is a difference between casual statements made in the press and in the course of elections and financial commitments received from the UK Treasury, and in Government one must counter

that. Let us assume that the funding will continue; I am determined that the funding continues to be dispersed efficiently and effectively to support activity in the rural economy in the hill farming areas and other areas as well, because all the farming communities in Scotland are important. Perhaps we do not tend to hear about areas such as arable, potatoes and the pig meat sector, which are all part of a tapestry of the complex farming sector, and all of which play a valuable part. The public appreciates the valuable role that farming plays.

The Convener: The next questions are from Mike Rumbles, who has been waiting patiently.

Mike Rumbles: Thank you, convener. Could the cabinet secretary tell me how the proposal to reserve state aid as part of the United Kingdom Internal Market Bill will affect the Scottish Government's ability to determine what type of support can be provided for the Scottish rural economy from the end of the year, when the transition period ends?

Fergus Ewing: That is a very general question and I do not profess expertise in the somewhat arcane world of state aid. As soon as you mention state aid, there is usually a pause while one reflects on it, but generally speaking the internal market bill is extremely problematic, and Mr Russell has set out the Scottish Government's response. It would be far better if we could deal with those matters here in Scotland. Does Mr Rumbles have a specific area in relation to budgetary aspects that he wants to probe? I might bring in officials to assist me with the answer if he is intent on pursuing a technical question.

Mike Rumbles: What I am trying to say is that, with the exit from the EU, it was clear that agriculture, particularly, was completely devolved to the Scottish Parliament and the Scottish Government, but with the internal market bill, the UK Government wants to reserve state aid. Will the cabinet secretary's budget be even more constrained by the internal market bill as it goes through the House of Commons? Will his ability to assist everybody in the rural economy be limited by the bill?

Fergus Ewing: The state aid rules apply in determining the maximum amount of financial aid that can be provided to businesses outwith the envelope of the CAP. State aid does not apply to CAP payments made in pillar 1, but outwith it, state aid applies, as I understand it. That is the current rule. Maybe I could get a bit of help from my officials; I am not sure whether we have officials here who are working on a day-to-day basis on state aid, nor am I sure which, if any, of the four officials whom I can see on my screen are volunteering to answer the question.

The Convener: I do not see anyone volunteering, cabinet secretary—you might have to volunteer somebody yourself.

Catriona Maclean (Scottish Government): I am clearly not an expert in the matter, but my understanding is that the bill reserves state aid to the UK Government, and that might raise concerns about how that is delivered and how Scottish ministers might be consulted on the establishment of any future regime.

Serious consideration needs to be given to how any UK-led subsidy framework would meet Scotland's needs, in relation to the level and types of financial interventions for our public sector. There is a risk that the internal market bill could cut across our ability to design a future agricultural subsidy regime that works for Scotland, particularly where our priorities might diverge from those of the rest of the UK. Officials who are leading on that work are in close discussions with UK Government colleagues and are putting forward our priorities and the risks that that would pose for Scotland.

Mike Rumbles: You might imagine what I am trying to get at. I have been very interested in the new system that is being discussed by the policy group for post-2024, and my concern is that, if the group makes recommendations to help, that could be classified as state aid. Therefore, could the plans that the group is working on be overruled by the UK Government? Do I understand that correctly?

Fergus Ewing: Mr Rumbles raises an interesting point. I have not given it close consideration, but I will ask the farming and food production future policy group to consider that expressly. The question is really whether the UK Government's post-Brexit state aid regime will interfere with our powers under devolution to formulate our own policies on appropriate agricultural and rural support. Would we be constrained in any way and, if so, how? What role will we have, and what role will the Scottish Parliament have in ensuring that no such constraint would impede the desire to produce a sustainable, practical and successful set of financial support policies?

Now that I understand better Mr Rumbles question, I think that it is an apt one. I will take that up and ask the farming and food production group to consider that, with the back-up of Scottish Government officials who work on state aid, who will obviously be better able than other officials to provide good technical advice.

Mike Rumbles: Thank you. That is very helpful.

The Convener: Thank you, cabinet secretary. The committee will look forward to receiving that information. That brings us to the end of our

evidence session with you. I thank you and your team for attending the meeting.

European Union (Withdrawal) Act 2018

Common Fisheries Policy (Amendment etc) (EU Exit) Regulations 2020

12:13

The Convener: Item 3 is the European Union (Withdrawal) Act 2018. There is a consent notification in relation to one UK statutory instrument, namely the Common Fisheries Policy (Amendment etc) (EU Exit) Regulations 2020. The instrument is being laid in the UK Parliament in relation to the European Union (Withdrawal) Act 2018. Do committee members have any comments?

John Finnie: Thank you, convener. I am not making an objection. I cannot find it in my papers at the moment, but I noted the phrase,

“There is no direct non-EU equivalent to STECF”,

which is the EU’s scientific, technical and economic committee for fisheries. Given the important role that the STECF has played, that is something that the Rural Economy and Connectivity Committee should monitor going forward.

The Convener: Thank you for raising that, John. I will come to a potential solution for that in a moment. I can see that there are no other comments. The papers contained some questions, and given that John has raised another one, it seems apposite that we consider adding that to our list of questions that we want to raise. Does the committee agree to write to the Scottish Government to confirm that it is content that consent be given for the UK SI?

Members indicated agreement.

The Convener: I suggest that we write to the Government with the list of questions that were posed in the paper, adding the question that John Finnie has raised, and seek responses to those. Does the committee agree to that?

Members indicated agreement.

The Convener: Thank you. We move into private session.

12:15

Meeting continued in private until 12:43.

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