

LOCAL GOVERNMENT AND COMMUNITIES COMMITTEE

Wednesday 20 February 2008

Session 3

£5.00

© Parliamentary copyright. Scottish Parliamentary Corporate Body 2008.

Applications for reproduction should be made in writing to the Licensing Division,
Her Majesty's Stationery Office, St Clements House, 2-16 Colegate, Norwich NR3 1BQ
Fax 01603 723000, which is administering the copyright on behalf of the Scottish Parliamentary Corporate
Body.

Produced and published in Scotland on behalf of the Scottish Parliamentary Corporate Body by RR
Donnelley.

CONTENTS

Wednesday 20 February 2008

Col.

DECISION ON TAKING BUSINESS IN PRIVATE	687
SUBORDINATE LEGISLATION	688
Valuation and Rating (Exempted Classes) (Scotland) Order 2008 (Draft)	688
DIGITAL TELEVISION SWITCHOVER	694

LOCAL GOVERNMENT AND COMMUNITIES COMMITTEE

5th Meeting 2008, Session 3

CONVENER

*Duncan McNeil (Greenock and Inverclyde) (Lab)

DEPUTY CONVENER

*Kenneth Gibson (Cunninghame North) (SNP)

COMMITTEE MEMBERS

*Alasdair Allan (Western Isles) (SNP)

*Bob Doris (Glasgow) (SNP)

*Patricia Ferguson (Glasgow Maryhill) (Lab)

*Johann Lamont (Glasgow Pollok) (Lab)

*David McLetchie (Edinburgh Pentlands) (Con)

Jim Tolson (Dunfermline West) (LD)

COMMITTEE SUBSTITUTES

*Robert Brown (Glasgow) (LD)

Rhoda Grant (Highlands and Islands) (Lab)

Tricia Marwick (Central Fife) (SNP)

Margaret Mitchell (Central Scotland) (Con)

*attended

THE FOLLOWING GAVE EVIDENCE:

John Swinney (Cabinet Secretary for Finance and Sustainable Growth)

CLERK TO THE COMMITTEE

Martin Verity

SENIOR ASSISTANT CLERK

Jane-Claire Judson

ASSISTANT CLERK

Ian Cowan

LOCATION

Committee Room 1

Scottish Parliament

Local Government and Communities Committee

Wednesday 20 February 2008

[THE CONVENER *opened the meeting at 10:00*]

Decision on Taking Business in Private

The Convener (Duncan McNeil): Good morning and welcome to the Local Government and Communities Committee.

Under agenda item 1, I invite members to agree that we take item 5 in private. Is that agreed?

Members *indicated agreement.*

Subordinate Legislation

Valuation and Rating (Exempted Classes) (Scotland) Order 2008 (Draft)

10:01

The Convener: I welcome the Cabinet Secretary for Finance and Sustainable Growth; Robin Benn, team leader of the non-domestic rates team; Laura Sexton, the senior policy adviser to the non-domestic rates team; and Linda Hamilton, a principal legal officer in the legal division.

The Subordinate Legislation Committee did not draw our attention to any points, and so we move straight to the cabinet secretary.

I seem to be going off my script this morning; obviously I have not prepared properly. I should have said that the instrument is laid under the affirmative procedure, which means that the Parliament must approve it before it can come into force. It has been normal practice to give members the opportunity to ask questions of the minister and his officials prior to the formal debate, in which officials cannot participate. Therefore, I give the minister an opportunity to make any introductory remarks that he might want to make—or he might want to hold them back.

The Cabinet Secretary for Finance and Sustainable Growth (John Swinney): I would like to make an opening statement and to explain some of the background to the order to assist the committee.

From 1 April 2008, the Valuation and Rating (Exempted Classes) (Scotland) Order 2008 will exempt from rating in Scotland any international subsea telecommunications or electricity cable and associated apparatus and works.

Wherever practical, we want to maintain the policy of harmonising rating valuation practices with those in England, Wales and Northern Ireland. In England and Wales, liability for rating is determined by local authority boundaries and stops at the low water mark. In Northern Ireland, rates can be levied only within a local government district boundary. In practice, that means that international subsea telecommunications and electricity cables are not rated in other parts of the United Kingdom. However, in Scotland, under existing legislation, rating liability generally extends seaward of the low water mark of ordinary spring tides in Scottish waters, which means that subsea cables are rated. The new instrument is intended to address that anomaly, as the resulting business rates burden might discourage operators from improving connectivity between Scotland and its international neighbours.

Reducing business rates for international telecommunications and electricity cable operators in Scotland by exempting subsea international cables from rates will reduce operators' fixed costs and improve the business case for expansion of the connectivity links between Scotland and its international neighbours.

The proposed new rating exemption further underlines our commitment to attracting businesses to Scotland and to creating a supportive business environment in which they can flourish. It is entirely consistent with the strategic priority contained in the Government's economic strategy to focus investment on making connections with Scotland better than they are today.

I am happy to discuss any issues arising from the committee's consideration of the draft order, or to answer any questions.

The Convener: Thank you for those opening remarks. I invite committee members to ask their questions.

David McLetchie (Edinburgh Pentlands) (Con): On the day that Dr Paisley is visiting the Parliament, will the cabinet secretary explain how a cable between Scotland and Northern Ireland can be regarded as international, when I assumed that we were all still part of the United Kingdom, which is one indivisible nation?

John Swinney: That is a fascinating first question. The order will exempt a cable that has one end in Scotland and the other end outside Great Britain—it is the Great Britain point that is at issue. Northern Ireland is part of the United Kingdom, but it is not part of Great Britain. That is the distinction that is being applied. The practical effect is that cables such as the new electricity cable between Scotland and Northern Ireland will be exempt from business rates from 1 April 2008. From the Government's perspective, that is a good thing and it will increase the economic opportunity that arises from that link.

David McLetchie: I understand that; I just wanted to emphasise that, although you have repeatedly described the cable link as international, it is not—that is the wrong nomenclature. However, it is perfectly correct that you are exempting from rates cables that connect one part of the United Kingdom with another.

John Swinney: My point was that circumstances will arise in which we have cables that are international connections and which will be exempted by the order. For example, the development of the cable to the Faroe Islands is an international connection that would be liable for business rates if the Government did not take the step of introducing the order.

David McLetchie: I accept that some connections are international, but connections between Scotland and Northern Ireland are not international.

John Swinney: The last time that I looked, Northern Ireland was still part of the United Kingdom and, regrettably, so was Scotland.

David McLetchie: From what you said, my understanding is that there is a degree of reciprocity in the rating system in Northern Ireland. The cables will not only be exempt from rating by Scottish assessors, but will not be liable to be rated at the other end by the Northern Ireland authorities. Is that correct?

John Swinney: At present, Scotland is the odd country out. We could apply business rates to cables that emanate from or arrive in Scotland, whereas England, Wales and Northern Ireland currently exempt such cables. The Scottish position must be addressed to ensure that the exemption applies throughout the countries of the United Kingdom.

David McLetchie: I will move on from cable connections within the United Kingdom to the true international cable connections: those with foreign countries. Do all foreign countries with which we may have cable links of the nature that you describe exempt such cables from any form of non-domestic rating? In other words, will the same reciprocity apply, or could we have a situation in which we exempt a cable from rates—thereby denying revenue to our Exchequer—but the same structure, which may have been created and built by investors and companies in this country, is rated abroad?

John Swinney: That could be the case. I cannot say definitively whether every country to which there might be a connection applies business rates in such a situation. All that I can reasonably do is set out what the Scottish Government considers to be the correct rating regime for subsea cables. It is a matter for other countries to decide what their rating position should be.

We have a competitive disadvantage in Scotland, because we apply rating to subsea cables in a way that the other countries of the United Kingdom do not. The Government takes the view that establishing an exemption for subsea cables within Scotland and within Scottish waters will give us a competitive advantage. I would like to think that our having that exemption, when other countries do not, would encourage investment in Scotland because of our more sympathetic rating regime.

Kenneth Gibson (Cunninghame North) (SNP): I was going to ask a similar question to Mr McLetchie's, without denying that Scotland is of

course a nation. I also point out that we are citizens of Great Britain and Northern Ireland.

David McLetchie: We are citizens of the United Kingdom.

The Convener: Now, now.

Kenneth Gibson: Northern Ireland is not British. The United Kingdom is the United Kingdom of Great Britain and Northern Ireland. Therefore Northern Ireland is an appendage; it is not part of Britain as such.

What is the situation with regard to the Isle of Man? Does it have an anomalous position or would it fall within the scope of the order, if indeed we have subsea connections to the island?

John Swinney: I cannot give you a definitive position on the Isle of Man, but I am certainly happy to provide that information to the committee. *[Interruption.]* My officials have updated me, Mr Gibson. On the basis of my new encyclopaedic knowledge of the rating regimes of different jurisdictions, I can tell you that the Isle of Man is not rated either.

Kenneth Gibson: I do not want to get into a discussion about the status of the Isle of Man.

The Convener: Thank goodness for that.

Johann Lamont (Glasgow Pollok) (Lab): I have a simple question. The Executive note states, under the heading "Financial Effects":

"The costs of this measure are likely to be negligible. This Order will not impose any financial burden on local authorities".

What will its effect be in respect of loss of income?

John Swinney: Our assessment is that there will be a negligible loss of income. Under the order, there are likely to be only a limited number of circumstances in which there would be a potential loss of revenue. I have given the example of the Faroe Islands, where a cable is about to become operational that would have been liable for rates. The sum would not be significant. The order follows the pattern of a number of other orders that have been introduced, which have created exemptions from business rates for what I would call non-domestic subjects. If a cable runs within Scotland it is subject to business rates, but if it is in a non-domestic situation it is not liable for business rates under the order. In April 2006, offshore wind farms were exempted from rating for these purposes. Wave and tidal power electricity generators were similarly exempted at that time, as were offshore oil and gas pipelines. Offshore oil rigs and any public road bridge lying wholly or partly over the bed of the sea were exempted in 1977. The order follows a pattern of exemptions that have been applied to non-domestic subjects

over time. We estimate that the order will have a negligible impact in respect of financial loss.

Johann Lamont: So, the policy is about harmonising the process, rather than about the cost to business. Given that the cost is negligible, the rates would hardly be a deterrent to a business.

John Swinney: All those factors might apply. Our assessment is that there will be a negligible impact on the public purse.

Johann Lamont: In relation to potential income as well as the administration costs.

Robert Brown (Glasgow) (LD): This has been a fascinating discussion on a somewhat esoteric subject to say the least.

John Swinney: It is far from esoteric, Mr Brown.

Robert Brown: Absolutely. It is particularly odd that a Scottish National Party minister is engaged in harmonising things throughout Great Britain. It is interesting.

On a more serious note, are any other things outside the low water mark still rated? I just want to know the context of the order. I confess that it had never occurred to me that these sorts of things were rated but, clearly, they are. Are telephone cables and so on rated?

10:15

John Swinney: If you will indulge me, first of all I would like to say that, far from harmonising the situation, what this SNP minister is doing is removing competitive disadvantage, and I make no apology for doing so.

On other scenarios, in my answer to Johann Lamont's question, I went through a number of elements of provision that have had exemptions applied to them. Along with the particular change that we are discussing today, that list strikes the Government as providing pretty comprehensive coverage of the possible avenues for application. Obviously, the order that we are discussing today takes that into account. This order would exempt subsea telecommunications and electricity cables. To answer your point directly, telecommunication cables would, obviously, be exempt as a consequence of the order.

Robert Brown: I am not an expert, but I imagine that there are telephone cables and other things of quite some significance all around the United Kingdom that connect to all sorts of places. Presumably, if they are rated, they must bring in a reasonably significant sum of money.

John Swinney: I am afraid that my encyclopaedic knowledge of subsea telecommunications cables does not extend that

far. However, we consider that new cables of the sort that I referred to in the Faroese example would be of the type that would be caught by the existing provision.

The Convener: If there are no other questions, we will move to the formal debate on the motion. I invite the cabinet secretary to move motion S3M-1187.

John Swinney: I have nothing to add to my comments, so I will simply move the motion.

I move,

That the Local Government and Communities Committee recommends that the draft Valuation and Rating (Exempted Classes) (Scotland) Order be approved.

Motion agreed to.

Digital Television Switchover

10:18

The Convener: Under agenda item 4, the committee is asked to agree an approach to its work on the impact on communities of the switchover to digital television. We have an approach paper and we need to consider and agree the recommendations.

Johann Lamont: I genuinely do not recall agreeing anything in relation to the digital switchover that would create this amount of work. It was interesting to read the papers, but I am not convinced that the issue should be a priority for the committee at this stage. We agreed on a range of issues relating to housing and fuel poverty. Increasingly, we ought to be examining the way in which single outcome agreements have been developed, how they will be monitored and how national standards, which the Cabinet Secretary for Finance and Sustainable Growth has committed himself to, will be ensured.

I would be concerned about how work on the digital switchover would fit into our timetable, which seems to be quite pressured, particularly on the local government side. We are advised that the single outcome agreements will be ready at the beginning of April. Given what those single outcome agreements have to do and the responsibility that they have, we must consider our timetable over the coming period. Where would consideration of the digital switchover fit in? How much time would it take? Given the other issues that we must examine, is it a priority for us?

Kenneth Gibson: I do not know whether we would necessarily call the matter a priority or spend a lot of time on it, but I remember that we agreed to consider it. It is important for a number of people.

Constituents have complained to me about the fact that they have been unable to obtain digital broadcasts—they have the digital equipment, but cannot access digital services. The issue has been raised in the House of Commons by my local Labour Westminster MP. The BBC and other providers have been unable to give me a clear indication of when towns and islands on the periphery will be able to access services. Paragraph 6 of the approach paper sets out a timetable for switchover, but that is not necessarily when individual communities will be able to access digital.

We would want to take some evidence on the issue. The paper shows that there are some issues—for example, many elderly people are concerned about the loss of analogue television. We might want to try to reassure ourselves, so

that we can reassure our constituents. Johann Lamont is right about the committee's overall priorities, but I do not see that we cannot find time to fit in a session on the issue.

Bob Doris (Glasgow) (SNP): I take on board Johann Lamont's concerns. The recommendation calls for a "short inquiry". Perhaps we could have one evidence session and after that the committee could judge whether enough concerns exist to justify developing our inquiry further. It would be remiss of us not to clear some time to consider the issue and to establish whether the committee has further concerns. We could have a tight and narrow initial evidence session and decide after that whether we want to expand our inquiry.

David McLetchie: We are all aware that, given the dominant role of television in society—particularly among some of the groups identified in the paper—our mailbags will be bulging if the changeover goes wrong.

We currently have plenty on our plate, so I would like us to look at where consideration of the matter would fit into our timetable; I have no objection to us having a look at it. It would be preferable to do so before the roll-out starts in the Borders in late September. If we could squeeze in a session at the end of May or beginning of June, that might be reasonable. I would not necessarily want to stick it on the agenda for next week or a meeting in a fortnight.

The Convener: I do not know whether that is a solution.

Patricia Ferguson (Glasgow Maryhill) (Lab): Kenny Gibson's comment was interesting. I would have thought that the focus of our inquiry would be not the people who are demanding digital and cannot get it, but the people who have no option but digital and cannot get it. That is where our focus needs to be, rather than on those of us who are smart enough to go out and buy what we need and go ahead and get digital. The issue is not a huge priority for us now but, other business permitting, I would be happy to have an inquiry later in the year, perhaps after the summer recess—either that or, if Kenny Gibson and David McLetchie have a particular interest in the issue, they might like to act as reporters and come back to the committee with some more information before we do anything more.

Kenneth Gibson: I am happy to do that, convener.

The Convener: I will let Alasdair Allan in, as he has not yet spoken.

Alasdair Allan (Western Isles) (SNP): I agree that digital switchover is not an enormous portion of our remit. David McLetchie's suggestion that we hold a session on the issue in June makes sense.

It would make sense for us to examine the matter before the switchover takes place in the Borders. I agree that it should not take up an enormous portion of our agenda.

Robert Brown: I share Johann Lamont's reservations to a degree, but on the other hand the issue is of greater importance in some parts of the country than it is in others and to some sections of the community than it is to others. We should not lose track of the issue. We should hold a session, providing that a slot can be found, or—as Patricia Ferguson suggested—remit the issue for certain members to report on. That approach has been taken by this committee and other committees before. There are big priorities and the committee will have to spend a lot of time on the issues that Johann Lamont mentioned.

Kenneth Gibson: Many sensible suggestions have been made. A 90-minute session before summer would be right. I am happy to be a reporter on the issue. I represent island communities, as does Alasdair Allan. Indeed, Skelmorlie, which is just south of the convener's constituency, has a particular problem. The issue is twofold: it is about people who are worried about the switchover; but it is also about people who have bought the equipment and cannot use it.

I notice that the paper says that 98.5 per cent of people will get coverage when the switchover takes place. That means that 75,000 people will not, and they will no longer have analogue television. The committee should address the issue, albeit that it should not be at the forefront of our deliberations in the foreseeable future.

The Convener: We agreed previously that we would examine digital TV, and I do not think that there is any feeling round the table that we want to go back on that.

Johann Lamont raised the issue of our timetable—perhaps we need to consider it jointly. I regularly examine the timetable with the clerks and consider what is scheduled and when we will bring issues forward. There is an issue about continuity, with single outcome agreements following on from the budget process. I would have thought that that would be of importance to the committee.

We can agree the recommendation to undertake a short inquiry—as Bob Doris says, we emphasise that it will be short. We will call for evidence, but we can hold it back until we consider the timetable and agree when we will consider the issue. David McLetchie suggested that we should have a session on it before the Borders roll-out. If we can do that, I hope that that would be agreeable.

If we are going to look at the timetable again, as Johann Lamont has suggested—it would be logical to do so in respect of the single outcome agreements—members should e-mail the clerks if

there is anything else that they feel we should consider. It is perhaps time for the committee to consider the timetable again, in a private session at the next meeting or whenever it can be scheduled. Is that okay?

Members *indicated agreement.*

The Convener: That concludes item 4 on our agenda. We now move to item 5, which we agreed to take in private.

10:27

Meeting continued in private until 12:29.

Members who would like a printed copy of the *Official Report* to be forwarded to them should give notice at the Document Supply Centre.

No proofs of the *Official Report* can be supplied. Members who want to suggest corrections for the archive edition should mark them clearly in the daily edition, and send it to the Official Report, Scottish Parliament, Edinburgh EH99 1SP. Suggested corrections in any other form cannot be accepted.

The deadline for corrections to this edition is:

Friday 29 February 2008

PRICES AND SUBSCRIPTION RATES

OFFICIAL REPORT daily editions

Single copies: £5.00

Meetings of the Parliament annual subscriptions: £350.00

The archive edition of the *Official Report* of meetings of the Parliament, written answers and public meetings of committees will be published on CD-ROM.

WRITTEN ANSWERS TO PARLIAMENTARY QUESTIONS weekly compilation

Single copies: £3.75

Annual subscriptions: £150.00

Standing orders will be accepted at Document Supply.

Published in Edinburgh by RR Donnelley and available from:

Blackwell's Bookshop

**53 South Bridge
Edinburgh EH1 1YS
0131 622 8222**

Blackwell's Bookshops:
243-244 High Holborn
London WC1 7DZ
Tel 020 7831 9501

All trade orders for Scottish Parliament documents should be placed through Blackwell's Edinburgh.

Blackwell's Scottish Parliament Documentation
Helpline may be able to assist with additional information on publications of or about the Scottish Parliament, their availability and cost:

Telephone orders and inquiries
0131 622 8283 or
0131 622 8258

Fax orders
0131 557 8149

E-mail orders
business.edinburgh@blackwell.co.uk

Subscriptions & Standing Orders
business.edinburgh@blackwell.co.uk

Scottish Parliament

RNID TYPETALK calls welcome on
18001 0131 348 5000
Textphone 0845 270 0152

sp.info@scottish.parliament.uk

All documents are available on the Scottish Parliament website at:

www.scottish.parliament.uk

Accredited Agents
(see Yellow Pages)

and through good booksellers