

RURAL AFFAIRS COMMITTEE

Tuesday 7 September 1999
(*Afternoon*)

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RURAL AFFAIRS COMMITTEE **4th Meeting**

CONVENER :

*Alex Johnstone (North-East Scotland) (Con)

COMMITTEE MEMBERS:

*Alex Fergusson (South of Scotland) (Con)
*Rhoda Grant (Highlands and Islands) (Lab)
*Richard Lochhead (North-East Scotland) (SNP)
*Lewis Macdonald (Aberdeen Central) (Lab)
*Irene McGugan (North-East Scotland) (SNP)
*Alasdair Morgan (Galloway and Upper Nithsdale) (SNP)
*Mr John Munro (Ross, Skye and Inverness West) (LD)
*Dr Elaine Murray (Dumfries) (Lab)
*Cathy Peattie (Falkirk East) (Lab)
*Mr Mike Rumbles (West Aberdeenshire and Kincardine) (LD)

*attended

THE FOLLOWING MEMBER ALSO ATTENDED:

Ross Finnie (Minister for Rural Affairs)

PRESENTATIONS:

Mr Jim Walker (President, National Farmers Union of Scotland)
Mr John MacKintosh (President, Scottish Crofters Union)

COMMITTEE CLERK:

Richard Davies

SENIOR ASSISTANT CLERK:

Richard Walsh

ASSISTANT CLERK:

Tracey Hawe

Scottish Parliament

Rural Affairs Committee

Tuesday 7 September 1999

(Afternoon)

[THE CONVENER *opened the meeting at 13:59*]

The Convener (Alex Johnstone): Good afternoon, ladies and gentlemen. It is a great pleasure to have so much public interest in this committee. For the information of members of the public and observers, headsets are attached to your chairs and the sound from this meeting can be heard on channel 1. I hope that will assist anyone who cannot hear the proceedings. I am afraid that I have no expert knowledge of how these things work, so you will have to work it out for yourselves.

Sheep Industry

The Convener: On behalf of the members of the Rural Affairs Committee it is a great pleasure to welcome Ross Finnie, the Minister for Rural Affairs. I am grateful that he was able to attend this meeting at such short notice. I also welcome Mr John MacKintosh, President of the Scottish Crofters Union, and Mr Jim Walker, President of the National Farmers Union of Scotland. I invite them to take their places at the table.

Item one on the agenda states that we are to examine the effects of the current crisis in the sheep industry. That is why the two gentlemen who are seated at the table were invited to give evidence. Subsequent to the arrangements for this meeting being made public, I received representations from the Scottish Landowners Federation and the Scottish Society for the Prevention of Cruelty to Animals, both of which believed they should have been asked to give evidence at this meeting. I suggested to them that if they wished to make written submissions they would be circulated to committee members in advance of this meeting, and that the committee could take the points that they raised into consideration. Those submissions are now in the hands of committee members. We received today a representation from the Meat and Livestock Commission, which is also in the hands of committee members. We also received a letter from Tavish Scott MSP and Jamie Stone MSP, asking for this committee to establish an inquiry. The discussion on the first agenda item will form the first part of any such inquiry that we organise.

We will now receive evidence from, and ask questions of, our guests. I do not know whether a

ballot was conducted, or whether the order of names was drawn in some other way, but the first name on the list is Mr John MacKintosh.

Mr John MacKintosh (President, Scottish Crofters Union): Thank you for inviting us to come before the committee to speak on what we regard as an urgent matter in the sheep sector. I must emphasise the importance of this matter, because sheep are important livestock, especially in the crofting communities and the hill areas of Scotland.

I will concentrate on the problems associated with the cull ewe population. There are also problems with the marketing of lamb, and we would like the committee to consider those problems in its deliberations at a future meeting. I recommend that it do so in the near future. Opportunities exist to enlarge the market for lamb in particular, but in many cases the current crisis in the ewe market has diverted producers' attention away from them.

The Crofters Union was first alerted to the problem in the summer of 1998 because of a lack of demand for cull ewes, especially with regard to Shetland. A high proportion of producers in Shetland eventually found that their ewes were unsaleable. A similar situation emerged in the outer isles, and had spread to the mainland by the time of the main cull ewe sales.

Following a depressing sale at Ben Nevis auction mart, our local auction in Fort William, I wrote to Mr Donald Dewar on 2 November 1998 in his capacity as Secretary of State for Scotland, pointing out the difficulties that were being experienced by producers: a number of ewes were not selling and many were making less than the minimum commission charge of £1 per head. I tried to emphasise to him that this was a physical dislocation in the market, and not a question of incomes: that issue had already been addressed.

Lord Sewel replied on 10 December and assured me that the Government was aware of the industry's difficulties. He also outlined a substantial package of aid that the Government had agreed to provide. As far it goes, we do not disagree with that reply, but a significant point in my letter was overlooked—that the matter had gone beyond the normal economic principles by which the livestock industry is expected to operate. It is also now beyond the ability of individual—and I emphasise that word—producers and farmers to rectify the situation in which they now find themselves.

By that time the season had more or less run its course and so we let the matter rest because there were other issues to deal with in matters such as land reform. We became aware in the summer of this year that there seemed to be no

preparatory work on, or discussion about, this season's matters. For that reason we referred to the situation in a press release dated 3 August, in which my colleague and vice-president of the union, Mr Donnie MacLennan, pointed out the importance of exports of sheepmeat in the long term. Sheep producers are facing a crisis that will not be resolved by a modest increase in exports. Crofters are already carrying far too many breeding sheep as a result of last year's market collapse, and all indications are that ewe buyers are not returning to the sales this season.

Later, we issued another press statement. The Scottish Crofters Union has been consistent in its emphasis on the need for a cull ewe scheme that would relieve the industry of the surplus breeding stock that has been carried over from last year. Crofters who are trying to dispose of surplus ewes need to know now whether there will be a cull scheme this season.

A number of commentators have claimed that the agricultural sector has brought this upon itself. The suggestion is that sheep producers are mostly responsible for the cast ewe trade. We disagree with that. A product can be brought to market and be unsaleable—no contract of sale can be agreed between a buyer and a seller—but not unmarketable. If that product cannot be given away free—and there are instances of that happening—there is only one option left to the producer, and that is to take the sheep back home.

We were concerned—as were a number of other bodies—that a number of problems would arise as a result. There is the problem of the welfare of the animals over the winter period. There is the husbandry problem—these sheep are competing with others—and there is the problem that they are likely to come back on the market at some point. That is happening in a number of instances. There is also a possible environmental problem.

Many producers have been considering the option of dispatching the animals and burying them on the holding. That option may have been carried out already in a number of cases. It is not something that we are in favour of: there are relatively few good burial sites on hill farms and crofts and we believe that such action would distress producers who believed that they were producing for a market but found that their animals were worthless and dead in a pit.

We believe that a co-ordinated cull scheme is the appropriate way forward. The structure of the industry is such that it cannot co-ordinate such a scheme on its own; hence we believe that Government intervention is required. Ewes must be completely removed from the food production chain, collected, slaughtered and rendered, and

the Government should meet the costs involved for the individual producer. Thus, producers would have sheep removed free of charge, regardless of where they are in the country, and those who face high transport costs, for example, would be treated the same as those who face low transport costs.

The disruption in the ewe market—to which my colleague, Jim Walker, will refer, I think—arises from added costs caused by concerns about public health and, in particular, about the splitting of carcasses for export. Primary producers have had to bear the burden of those costs, as people pay for the sheep and deduct the costs before the price reaches the primary producers, who have been disadvantaged relative to other European Union producers in a number of ways.

It is important that the export market becomes as fully operational as possible as soon as possible. However, the problem in the cull ewe market requires an urgent solution and direct intervention must be put in place prior to the main cull ewe sales. That vital action is required immediately. If the Executive can set up a system before the main cull ewe sales, that intervention will cut out the possibility of attempted speculation where individuals try to judge how the market may work in their favour. If the scheme is operational, people will know that it is a definite option.

I view this scheme in economic terms as it is a market intervention—a market adjustment. It should enable the price to improve on its own to some extent, apart from the other measures that we advise should be taken. If it is co-ordinated, it will be better regulated from the position of the environment and welfare. We are keen to see this problem put to bed as soon as possible.

We have undertaken a number of studies that show that there is a very good image for the type of product that the crofter produces—there is a good crofting image and throughout Scotland there is a good product image as well. If we can rid the system of this problem and get people back to concentrating on what they should really be doing—and what they do best—which is producing quality lamb for a market, so much the better.

I thank the committee for listening.

The Convener: Thank you very much, Mr MacKintosh.

Before I ask members to put questions to Mr MacKintosh, I propose to take Jim Walker's piece. I will then invite questions to the two gentlemen.

Mr Jim Walker (President, National Farmers Union of Scotland): Thank you, convener.

I wish to echo the sentiments expressed by my colleague, John, in his address, as far as the cull ewe scheme is concerned. I also wish to take this opportunity to thank the Minister for Rural Affairs

for his intervention last week, as far as the lamb market is concerned.

For the past two or three weeks, we have argued for the introduction of private storage aid—I was in Brussels last week making that argument—and we hope that that can be set in motion as quickly as possible in order to underpin the lamb market. For that reason, I do not intend to concentrate too much on the lamb market today. I wish to broaden out the issues beyond a cull ewe scheme.

The problem with unwanted ewes and dairy calves—which are already being shot on farms and buried in pits because they are no longer required by the market—is far more deep-rooted than a simple short-term oversupply of the product in the marketplace. The problems of the agriculture industry are not confined to the sheep sector, although I understand that that is the thrust of this committee's suggestions today.

14:15

Agriculture in Scotland is completely intertwined—every sector relies on all the others. The price collapse in dairy farms and the collapse of dairy farm incomes during the past two years, combined with the collapse of incomes in the arable sector—Scottish Office figures from last year show that dairy farm incomes were down to an average of £47 per head and that in the arable sector negative incomes were recorded across Scotland—have been partly responsible for the collapse in sheep prices this year. No one sector can exist alone.

Perhaps I should explain. Lowland finishers in the east, who produce barley and wheat, go on to buy lambs and breeding stock from the people in crofts in the high hills. That is simply not happening now because of a lack of disposable income on lowland farms. Their core business is suffering to such an extent that—after having suffered two years of losses—they do not have the kind of cash to take a chance in the marketplace. Nor do they have any inclination to take such a chance, if they have shed labour to try to simplify their farm systems and reduce costs. The problem is far more deep-seated than simply cull ewes or dairy calves being unwanted.

I will give the committee a graphic example of how the problem can affect a particular economy—Dumfries and Galloway—where I know that at least three members have an interest. Three weeks ago, in two sales of cross ewe lambs—two of the main breeding sales in the area—30,000 lambs were sold and we lost £800,000 of income. If you accept the Government's own figures of a multiplier effect of two and a half in agriculture—by which I mean that

for every £1 agriculture generates in direct income to the industry it generates economic activity of £2.50 around that, most of which, because of the nature of farming, is spent in the local rural economy—you can see that the loss from those sales was more than £2 million.

You can imagine what that would do in a community such as Dumfries and Galloway, where agriculture contributes 23 per cent of the gross domestic product. That is the scale of the problem. It is not simply a question of cull ewes or calves or individual sectors suffering a short-term financial crisis; it is a far wider problem. It is entirely appropriate that the Rural Affairs Committee is considering this matter today; it is indeed a problem for the whole rural economy and not simply for the farming sector.

I agree with some commentators that, in the sheep sector, the industry has contributed to an oversupply of ewes this year. However, two years ago, the same animals were worth somewhere between £30 and £40. Last year they were worth less than £10; some of them were worth nothing. It is not surprising that human nature suggested to some people that it was worth taking a chance in the hope that the market might regain some of its value and that they might be able to trade those animals to some advantage this year. Yes, parts of the industry retained ewes, but that is not surprising. When something is worth virtually nothing it is always worth a risk.

The problem goes back to a decision at the beginning of January 1998 to remove the spinal cords from these animals. The decision meant that we cut off our main export market for ewes—France. Despite repeated attempts in the 19 months since that particular piece of legislation came into force, there has been no real recovery in that market. There has been some tinkering with the regulations, and there are now 21 dedicated plants in France to which ewes can be exported, but—quite honestly—it is not a competitive place in which to sell sheepmeat, simply because of the rules, regulations and costs that are involved in this country in that kind of export.

In the past two weeks I have spoken to one of the largest ewe exporters from Wales; a man who was exporting 3,000 animals a week, but who is now exporting 300 a week simply because he cannot afford it. That has knock-on effects; he has paid off 20 of his abattoir staff in the past year and a half because there is no need for them.

So what about the charges to the industry? What effect have they had? I will give an example from a slaughterhouse in the Edinburgh area from this morning. Since the BSE crisis, and since the Meat Hygiene Service took over inspections from local authorities in 1995, inspection charges in that abattoir—which kills around 600,000 animals a

year—have risen by £3,000 a week. That is as a direct result of the increased costs, regulations and legislation that has been introduced in the United Kingdom.

Furthermore, we have specific risk material charges amounting to almost £2 per animal for the removal of SR material, its disposal and loss of value. Before BSE, a mixed tonne of offal from an abattoir had a top value of about £90 a tonne. It dropped to around £45 a tonne in the wake of the BSE crisis in 1996 and now there is a charge to the abattoir of £35 a tonne. That cost is passed straight back down the line, first to the finisher of the animal and eventually to the highest hill farmer, who has the fewest options. That problem is fundamental for the industry and its future prosperity.

Costs are being levied here that are not being levied in other European countries. We simply cannot compete. Any short-term measures that the minister may care to take, either in co-operation with his UK colleagues or in isolation from them, are a sticking plaster to a broken leg. They do not address the problems of competitiveness in our industry that are bleeding it dry.

The costs go far wider. I have mentioned the SRM and MHS inspection charges, but so many other regulations and pieces of legislation have been levied against us over the past three years. We have no strategy for getting rid of over-30-months cattle. We have no real alternative to removing the spinal cord from ewes. If that legislation was overturned and we were allowed to export whole carcasses again, there would be no issue of cull ewes in the disposal scheme because we would be competitive in a European marketplace. The raft of other rules and regulations that this country has chosen to apply, many at a more stringent level than is applied elsewhere in Europe, is undermining the competitiveness of the industry.

My key message for the committee and for the minister is this. Last week, his English colleague, Nick Brown, announced that he is going to set up a review body to look at all the problems of the livestock sector. We have a list of the problems already. I have sat on committees, sponsored mainly by the industry, for the past 18 months. We have detailed submissions on the exit strategy for by-products from the pig, sheep and beef industries, on the lifting of the over-30-months scheme and on the differential charges for SRM and MHS inspection controls. We know the problems—we have spent a long time on them. The real problem is that nothing has been done to address them and find solutions.

I have every sympathy for the staff of the Scottish Executive, previously the Scottish Office,

who have been snowed under for a year and a half with endless regulations surrounding the Food Standards Agency, the over-30-months scheme and so on. They have neither the time nor the financial resources to address the problems and find solutions. We do not need another committee or another layer of bureaucracy from today's and tomorrow's meetings; we need a dedicated task force of a small group of people, some with political clout and experience of how the civil service works, and some from within the agriculture industry, both farmers and processors, who know how to put solutions into practice. We do not want people who sit down and write rules and regulations somewhere far from here and who have no idea of what they are proposing for the industry.

That is the key message—let us look at what we are doing to ourselves and how we are undermining the future prosperity of the industry. That applies to other industries as well. To add one aside before I finish, if I may. I drive up to Edinburgh four or five days a week and I have passed the same coal lorries every morning for the past 18 months. There are more than 100 of them working from opencast sites owned by a small firm based in Cumnock in Ayrshire. This morning I passed them as usual and for the first time I saw seven lorries with Irish registration plates.

The lorries are now satellited out and their registration and HGV licence fees are paid for in Ireland. The UK Exchequer gets no benefit. Transport policy is undermining the capacity of farming and associated industries to contribute to the economy of Scotland. Today's example shows the stark reality of what is happening.

The central transport policy from Westminster impinges on the people who use the roads and the fuel that pollutes the atmosphere, but the main users will soon be foreign-registered lorries and foreign-owned companies that pay nothing towards the upkeep of the roads or to offset pollution.

That carries over to other inputs to agriculture. In the case of veterinary medicines—which are particularly relevant to the sheep and dairy sectors—we often pay twice as much as people do in Ireland, France and New Zealand. In many cases that is not because the marketplace justifies a high price, but simply because the pharmaceutical manufacturers choose to levy a large cost against the industry.

As a dairy farmer, Mr Johnstone, you will know that if you have 120 cows and chose to buy your dry cow therapy—the inter-mammary tubes that you put into a cow as you dry her off before she calves—in southern Ireland, you would save your business £6,000 in one year. The same medicine costs £6,000 more a year in this country. Bearing

in mind that the average dairy farm income last year was £47, I am sure that a £6,000 saving for that one item on your veterinary medicine bill would be of great benefit to the business.

Last year, the Scottish Office produced a weighty document—and an expensive one; we paid £50 for it—called “Towards a Development Strategy for Rural Scotland”. The publication date of that document was August 1998. A year later, there have been little or no practical results from it. I would like to draw the committee’s attention to page 19, paragraph 83, where the Government said:

“The Government believe that, with the creation of the Scottish Parliament, now is the most auspicious moment for many decades for the development of a policy framework truly responsive to the needs of rural Scotland.”

If ever there was a need for that policy statement to be put into effect, today is the day.

The Convener: Thank you very much, Mr Walker.

I now propose to open the floor for questions to the two gentlemen. I will allow members of the committee to direct questions to Mr Walker or Mr MacKintosh specifically, but I will also allow each gentleman to comment on questions directed towards the other.

Mr Mike Rumbles (West Aberdeenshire and Kincardine) (LD): Jim, we are here to address the crisis in the sheep industry specifically and—quite rightly—you have broadened the issue to include the wider crises in the farming industry and rural areas. I know from first-hand experience of visiting dairy farmers, pig farmers and sheep farmers in my constituency that they all have crises on their hands. In your view, as president of the National Farmers Union of Scotland, which sector has the highest priority? Can you give us an indication of the priority that you would attach to the sheep industry, for example?

Mr Walker: Rather than prioritising the sectors, we should prioritise the solutions so that we can make the best and biggest difference in the shortest time. Some of the items that I mentioned in relation to rules and regulations and increased costs would have an effect across the sectors. Serious consideration of the over-30-months scheme would help the beef and dairy sectors. Serious consideration of the issue of costs and by-products would have a positive effect on the sheep, pig and beef sectors.

This is not about discussions that would lead to the inevitable questions from journalists about financial aid packages and quick fixes. We have had quick fixes and aid packages before; all they have done is show up the immediate problems in the industry—they have done nothing to address its fundamental weaknesses.

14:30

None the less, as a union we recognise—as I am sure John does—that short-term emergency measures will be required to see the most isolated people in the most difficult areas through this winter, in terms of putting food on the table. Those people simply will not have an income on which to exist and we should bear in mind the fact that this is the third year of the crisis, not the first.

Even if there were a pot of gold to be distributed among the industry, to ask me to prioritise would be to do a disservice to every member of the union. As I tried to explain earlier, each sector’s problems are intertwined and to shore up one sector for the sake of a quick, easy media victory would do no service to those who received the financial assistance and no service to this committee or to us as farmers.

Unless we step back, once and for all, and ask how on earth we can allow ourselves to be more competitive, I guarantee that we will be sitting here at the same time next year, discussing the same fundamental problems. The farming industry is desperate for the chance to compete fairly and it is simply not getting that chance. In my experience with the NFU, in the past 18 months we have never gone to the Government with our hand out, looking for an aid package. Aid packages have sometimes been given because the logic existed for them and no one could argue against them, but that is not the issue. The fundamental issue is: give us the chance to compete.

Mr Rumbles: It is obvious that many of the extra costs referred to by Mr Walker have arisen as a direct consequence of consumer confidence about public health over the past few months and years. I assume that the NFU’s position remains that public health must be addressed first—will Mr Walker confirm that? We are trying to address the public health issue. The chief medical officer is coming before the committee on 5 October. In Mr Walker’s opinion, is that the way forward?

Mr Walker: Absolutely. If we—as an industry and as individual farmers—have learned anything from the food scares of the past few years and the BSE crisis, it is that the consumer is king. We are consumers of our products, just like the man or woman in the street, and it is fundamental that consumers’ interests are put first.

On top of that, we have to consider competitiveness. In America, to use an example from the other side of the world, meat hygiene inspection charges in abattoirs are picked up by the public purse for the reasons that Mr Rumbles just mentioned. It is a matter of public health: the American meat hygiene service is beyond reproach; it is controlled not by the industry or by the agriculture department, but by the health

department. The abattoir sector in America is subsidised to the sum of \$700 million a year for meat hygiene inspection charges, because it is deemed worthy for the public health department to make that a priority. We are only asking for the same treatment.

Mr MacKintosh: I agree with Jim that we must try to identify what has to be done now to resolve the situation and to settle what should be regarded as the strategy for the industry and the rural areas.

It is vital that we identify the measures that can be taken now, get the problem out of our way and reach a position from where we can concentrate on the bigger issues that surround the industry. As crofters, we are very interested in what happens to the farmers. We do not sell directly to the Tescos or Safeways of this world—perhaps I should not mention individual supermarkets—but to people who are NFU members, further down the country. Those people are our first-line customers and if they are in a parlous state, that reflects back on our situation in the north.

Alasdair Morgan (Galloway and Upper Nithsdale) (SNP): I want to address some of the emergency measures that both speakers accepted were necessary. I think that Jim referred to them as sticking plaster, but we may have to use sticking plaster before we set the bone. In relation to the cull ewe scheme, the factors that caused the dislocation in the market last year still exist, in terms of supply and depressed demand. How many ewes will have to be taken out of the system to reach what Jim would consider—even in the short term—an acceptable situation?

Mr Walker: There are something like 2.3 million cast animals in the UK; in a normal year, there are about 2 million. Therefore, there is a carry-over from last year of about 300,000 animals. In addition to that, there is the usual crop of five-year-old draft ewes, which leave Scotland's hills and come down to the lowlands for further breeding or for finishing, depending on their quality. Those animals do not have much fat on their backs at this time of year because of the nature of the terrain and because they have been nursing lambs for four or five months. Because of their poor quality, they are most at risk—the cost of processing such animals is more than the price of their meat. Once transport costs are included, an animal standing on a hill in Perthshire or in the Highlands has a negative value of about £10. If it does not have a recoverable meat value of more than £10, the farmer will have a bill to pay.

Around 200,000 to 300,000 ewes in Scotland are in that category and need to be removed from the market to allow some sort of supply and demand equilibrium to develop. Because everyone in the trade knows that there are tens of thousands of such animals around the

countryside, people pick and choose the ones that they want to buy. To an extent, such buyers are playing games with us because they know that they do not have to put their hands in their pockets and bid a fair price.

If a large number of animals were taken out of the market, the ones that were left would command a reasonable price—nothing like the prices that were being reached 18 months ago, but enough to make selling them worthwhile. At the moment, people are buying ewes for one or two pounds and the market is left with as many as 100 worthless animals at the end of the sale. The dealers and the killers do not want those animals, as it will cost £5 a head to have them slaughtered and that money will not be recovered.

Alasdair Morgan: I have a supplementary question. Obviously, such a scheme would require the Government to take action but it would also require the co-operation of the members of the NFU. Will any of your members be tempted to hold back from the scheme because, if prices go up, their ewes will be worth money again? Will that be a significant factor?

Mr Walker: Given that we are in a new situation, I do not know. I do not have a crystal ball. I have 300 of those animals to dispose of and I do not know what to do with them, so I cannot speak for other farmers. I have spoken to farmers at sheep crisis meetings throughout Scotland in recent weeks and I have found that there is a willingness in the industry this year to break the cycle once and for all. The problem has developed over the past two years, during which time people have been willing to take the risk that prices will return to normal. There is simply no chance that people will take that chance again this year. They need a solution that will allow them some kind of reasonable return next year.

Yesterday, at a sale of black-faced ewe lambs in a market in Castle Douglas in Dumfries and Galloway, 1,500 fewer animals were presented at the sale than were presented at the sale at the same time last year. That resulted in a drop in the average price of around £5, which is nothing like the £12 or £15 drop that we have seen in centres where numbers have been maintained. Farmers learned a lesson yesterday and went home with relieved smiles on their faces because they had done the job right: they had taken responsibility for their marketing and created a situation where buyers had to pay a fair price.

If that situation can be transferred to the cull ewe side, farmers will be responsible enough to make the scheme work properly. If it does not work, what are their options? We do not want to see images similar to those shown on the national media 10 days ago of calves being shot and thrown into a pit. We do not want that to continue

for the dairy sector any more than we want the sheep sector to suffer that fate.

Mr MacKintosh: I would like to refer to the supplementary question first. It is difficult to gauge just how many people would respond to a cull ewe disposal scheme. Our impression, from consulting our members at various meetings, is that the majority would respond to such a scheme because they want to get this problem out the way and get back on the track to the future.

The scheme could be presented as a window of opportunity to clear up the problem: "Take this opportunity and the industry will get back on a safe footing. Stop thinking only about your own interest and try to think about the wider community interest."

I am sorry, convener, I cannot remember the first question.

The Convener: Will Alasdair Morgan repeat the question?

Alasdair Morgan: The first question was about how many ewes would need to be taken out by the cull scheme in order to restore some kind of market.

Mr MacKintosh: I do not disagree with the figure given by Mr Walker, but it is difficult to gauge. A number of ewes came into market, were presented at market and were sold and a number of ewes received offers at a very low price and were taken back home. When that situation broke last year—and we are not sure whether it will occur again this year—a number of people were too embarrassed to take the sheep into the ring; they went round the back of the auction mart, put them back on the lorry and took them home again. We are not 100 per cent clear district by district of the numbers, but I think that Mr Walker's estimate is fair.

Alasdair Morgan: It is nevertheless an important question for the Government. If it were to go down this line it would have to find the cost of funding the scheme and the capacity for dealing with all the ewes.

Mr MacKintosh: The cost of the scheme—as I indicated in my presentation—also relates to the location of the ewes. The cost of getting ewes out of the Shetland islands is substantial, so the cost there will depend on whether a disposal scheme is set up on the islands.

Mr Walker: Last week, I met one of Scotland's main renderers, so I can confirm that, if such a scheme were put in place, there is the capacity for the ewes to be rendered down within about three months. That is similar to the Meat and Livestock Commission's proposal for such a scheme, which envisaged a period of about two to three months, from September through to the end of November.

The capacity is available if there is any way of putting that scheme to practical effect.

Lewis Macdonald (Aberdeen Central) (Lab): I was interested in the difference in emphasis between the two contributions. A couple of times Mr MacKintosh talked about the need to get this problem out of the way in order to deal with the wider and longer-term problems. I am interested in his view on what some of the longer-term roots of the problem are. Obviously we are considering the short-term issue, but I am interested to find out how far he concurs with some of the points that Mr Walker has made about the wider market difficulties, such as the relationship between the over-supply of sheep in the past two seasons and the indirect effects of the BSE crisis. In some areas, marginal and hill farmers have switched, wholly or in significant proportions, from cattle to sheep over the past three or four years. If there is a long-term solution that goes beyond the minister's meeting tomorrow and the proposals that the Government may introduce, where does Mr MacKintosh think that it lies?

Mr MacKintosh: What I indicated was that we have a problem at the moment. Over the past few years, we have investigated the marketing of croft produce, which has a slightly different perspective from that of farm produce. The marketing of farm produce works on the basis of individual product quality—Scotch beef, Scotch lamb and so on. We think that the image in crofting—perhaps also in hill farming—relates to the region and to the geography of the area. Various surveys showed that the image was good and that marketing could be developed on the basis of that image. That is what we want to get back to.

14:45

In the past, I have expressed concern about the general direction of Agenda 2000. The idea that we should ram down prices and then try to improve income by compensating for those lower prices is not, in my view and in the view of many of my members, a healthy way forward for the industry or for rural areas, because it undermines the quality and value of the product. In crises such as the one that we are now experiencing, the product value can fall to zero. We have already spoken about the price of cull ewes falling to zero, but at the bottom end of the lamb market, too, the price of one or two small lots has fallen to zero. That is not a major problem, but such cases have nevertheless occurred and fall outside our price classification structures.

We must work strongly on the image of particular areas and create a market locally—as some people in our area are trying to do. By developing the market, we can drive up the price of the product. There are considerable benefits in

that, even within the present support price mechanism, both for the producer and for public expenditure. If we get the prices up, the level of support for certain products will not need to be quite so high, assuming that we get back to reasonable incomes. The support mechanism should target the disadvantages of particular areas, so that agriculture is assisted across the country on a fair and equal basis.

As Jim Walker has said, that is equally important when dealing with competitiveness throughout the European Community. I do not disagree with his statement that we must return to a situation in which there is a genuine single market, with the same regulations applying everywhere. However, that will not solve our current problem. We need to get that out of the way and to knuckle down quickly to solving the other problems, one by one.

We in this country can deal with the problem that we have at the moment. The other problems, such as exports, must be dealt with in conjunction with other countries. In order to have successful exports, we need a willing buyer. The French may be perceived as willing buyers at the moment, but in the past they have been perceived as very unwilling—the committee may remember that there were disruptions at ports and other problems.

Mr Walker: For the committee's information, between 1997 and 1998, the breeding ewe flock in Scotland increased from 3,666,000 to 3,732,000. If my maths from long ago serves me right, that is an extra 66,000 breeding ewes, which may not be very significant in the context of the overall number—there has been a carry-over and too many animals have been left on the market this year.

I have one or two comments on the market for sheep. First, the 12 per cent increase in the value of sterling against the euro has made the French market, which is our main export route for prime lambs, extremely difficult for us. Secondly, we as an industry must always be aware that, with all meats that we sell from Scotland, we are part of a global marketplace. There is an over-supply of protein in Europe and throughout the world. We are competing against some very cheap products, such as pig and poultry meat, on the French market and in our home market. Lamb is not competing effectively against those products.

Moreover, the problems of the pig industry, not just in the UK, but in the far east and in America, are at our door, and have to be taken into account in any strategy for the future.

As if that problem was not big enough, the French have re-nationalised their lamb market, in which they are keen to sell locally sourced, French-produced lambs that are labelled as such.

The vast proportion of lamb carcasses that are exported from Scotland end up in a commodity market in Paris and are sold as Euro lamb: they start with a British sticker and end up being sold with a Euro sticker.

Lamb from Scotland simply does not command the same value as French lamb. For example, last week, UK lamb was worth £1.82 a kilo in Paris; French lamb on the same market was worth £2.50 a kilo—a differential of around 70p a kilo. Seventy times 18 kilos, the average weight of a lamb, comes to around 14 quid. We are not, therefore, competitive in that market.

Part of the longer-term strategy for the whole meat industry is to work on what the Parliament has helped to create this year: the image of Scotland. Let us start to sell products as Scotch beef, lamb or pigmeat—whatever it happens to be—and exploit that more. In France, there is still an interest in Welsh lamb and, to an extent, in Scotch lamb; there is certainly interest in Scotch beef, if we could get it there. That is something on which we must work far harder. All members will be aware of recent press reports about various attempts to establish a more appropriate body to take that issue forward in Scotland, something to which we are committed.

On the problems that could occur in isolated areas, we have an opportunity, with Agenda 2000 and less favoured areas support—I am pleased that the people in the Scottish Executive most closely involved in that are here today—to change from a headage-based system to an area-based system, which could address some of the fundamental problems of that support scheme.

Over the past few years, when product prices have been eroded year on year, farmers have, unsurprisingly, been encouraged to keep greater numbers, because that means more support. If the regulations are put into place effectively, we can break that link. That would allow numbers to be reduced in areas where it may not be appropriate to carry such stocking levels; it would also allow us to maintain a support mechanism that takes account of the fact that an area is isolated and that farmers there have to adopt difficult farming methods to make a decent living.

There is also a chance to change the breeds. Until now, the definition of breeds has been appropriate for various levels of hill livestock compensatory allowance payments. It may be that, with a drop in numbers and the change in breeds, the animals that come off the most difficult hills, which at the moment hardly command any market at all, may become more appropriate for the marketplace that farmers seek. Those animals may find a market at 12 kilos in Spain or Portugal; they may find a market in Italy, where the quality of the animals coming off the hills is poorer.

There are opportunities to achieve that in the current system and in Scotland alone. We can examine the problems in Scotland alone and in various regions of Scotland; we can put in place appropriate measures to take account of natural disadvantage. The Scottish Executive is aware of that disadvantage and is being encouraged to tackle it in some of its outline proposals for changing the system.

The Convener: I emphasise that we are running short of time, and I would like to bring the minister in as soon as possible. I see that a couple of members wish to ask questions, but I ask that we keep this reasonably short.

Mr John Munro (Ross, Skye and Inverness West) (LD): Thank you, gentlemen, for coming to speak to us. What you are saying is very informative and will, I am sure, help us in our deliberations.

We hear the same story around the country—north, south, east and west. We are looking for solutions and ideas for addressing the situation. Money does not seem to be the answer—the problem will not go away at the wave of a magic wand. I was interested in Jim's comments on self-regulation and on the fact that producers were cutting the numbers being presented to the mart, which was effectively providing a solution in some areas. Many areas do not enjoy the same facility.

As everybody knows, stock is being retained from previous years. If crofters do not dispose of the stock in the autumn, they will be landed with it through the winter, and the situation will get worse and worse. Can you suggest how crofters in remote parts of the Highlands, who depend mainly on sheep and cannot diversify to any great extent, can address the situation?

Mr Walker: The crofters are in a very difficult position—the proverbial rock and hard place spring to mind—and that is why we are here today. The cull ewe scheme will not give them financial benefits. If the scheme is put into effect, it will get rid of what is essentially an environmental and welfare problem, but will do nothing for the financial difficulties of the sheep sector. However, as you are aware, the hill-farming review will begin in earnest soon. We do not need a crystal ball to know what the incomes of sheep farmers will be like this year, so the review is an obvious route, which has been used before, to give sheep farmers breathing space and get them through this winter.

Apart from that, there is an opportunity in the short term to consider some of the restrictions that are placed on the trade of cull ewes from those areas and to consider some of the costs that are involved. Such an investigation need not take months or years, but could be targeted and acted

on quickly. If restrictions in the cull ewe market cannot be eased in the short term because of problems with the Spongiform Encephalopathy Advisory Committee or with Brussels, the next best thing is to deal with the charges that are entailed in the new restrictions.

As I said, other countries pick up the tab for meat inspection and specified risk material controls as a matter for public health, and there is no reason why that should not be the case in this country. That would reduce the negative effect of the costs that these producers have to suffer. If £6.50 of costs were relieved from a ewe that is worth minus £10, farmers could consider moving and marketing the ewe.

Private storage aid for lambs is certainly a good idea, and should be initiated as soon as possible. It would relieve the pressure on the prime lamb market in the short term. There are more favourable indications for the prime lamb market later in the season. There is a shortage of pork and beef—in a beef market that has, at least partly, recovered from the BSE crisis—and we are well ahead in the killing of lambs this year. Some 270,000 more lambs were either killed or live-exported last week than at the same time last year. The Irish are 10 per cent ahead in their prime lamb kill numbers as well.

There are no indications of recovery in the market for cull ewes, however. That is why our predicament is so serious. There is nothing underpinning sales of breeding ewes and breeding ewe lambs at the moment, whereas—in the hope of better times to come—the price of finished lambs is underpinning the markets for store lambs and breeding ewe lambs, because at least lambs that are not bought for breeding can go for killing.

There are positive indicators out there. We should step back and think more clearly of a strategy. It may be that the strategy that our industry desires cannot be implemented—we are not stupid and realise that there will be restrictions from Brussels and from other countries that are not as keen as we are. If a strategy cannot be put in place by a certain date, it should be made quite clear how the industry will be supported until that goal can be reached. It is not that difficult if we set out a strategy and a time scale, but we have nothing at the moment. Everything that has happened on by-products and costs has been industry-led and has come up against a brick wall, because nobody has had the time or willingness to tackle this very difficult matter. The issue has been left to one side, and the competitiveness of the industry has been consistently undermined since 1995 and 1996.

The Convener: Would you like to comment, Mr MacKintosh?

Mr MacKintosh: Mr Munro mentioned crofters and people in remote areas. I was speaking to a haulier the other night whose costs have risen substantially. He has not yet changed his pricing—he is trying to live it out and hope for better times. A number of hauliers are finding themselves in this squeezed situation. At some point in the future they will either have to review their position with regard to haulage into the Highlands and Islands, or put up their charges. That will be reflected in the not-too-distant future in charges that have not yet been passed on to some remote areas.

The question of transport is a major problem throughout the Highlands and Islands, as you well know. It is a question not just of the cost of transport, but also of the kind of vehicle that can be used. In some areas, around where I live, it is not possible to use an articulated vehicle. If that were possible, it would significantly reduce the cost. Most of the lorries that work in our area are 15-tonne load lorries and that adds to the cost.

15:00

The Convener: I am anxious to progress, but Dr Elaine Murray would like to ask a question. I encourage her to be brief, and hope that the answer will be brief also.

Dr Elaine Murray (Dumfries) (Lab): I have spoken to a number of farmers who have told me that if things do not get better they will get out of farming. I have also had reports of farmers having to let staff go—shepherds and people like that—because they cannot afford to pay them any longer. Can you give any indication of the number of businesses that have collapsed, the number of people that have lost their jobs, and what the implications will be of not taking any action on employment in the agricultural sector?

Mr Walker: Dr Murray will be aware that last year the Scottish Agricultural College conducted a farming study in Dumfries and Galloway. Based on the figures that were available at that time, July 1998, and on the crisis continuing at that level, job losses in the area were estimated at 1,700 over a three to four-year period. We are now a year down the track, and the crisis is worse than it was then, so we can only speculate as to the accuracy of that information. We do not have evidence of the number of employees who have left the industry, but I can give you anecdotal evidence from my own situation and from that of those around me.

Two weeks ago I returned from a sale where I suffered a loss of just short of £10,000 on 350 lambs. I made a man redundant, and he left my employ on Sunday night. Fortunately, he found a job, which starts next week, at a local factory. I have three neighbours who, among them, employ 14 shepherds. They are large-scale sheep farmers

and all three of them have been in the business for three generations. One of them has 3,500 ewes and has three shepherds looking after them. He is seriously considering paying off the three men before the end of November, when they will be given their redundancy notices, and continuing to shepherd those sheep on his own. What he can do for those sheep during lambing and at other busy times we can only speculate.

We are facing the kind of situation with which New Zealand and Australia have worked for years, where one man looks after upwards of 10,000 to 20,000 sheep. My next-door neighbour's son is in Australia at the moment, and two men—himself and one other—look after 26,000 ewes. That is their job, and virtually all that they do is muster the ewes for various procedures during the year and bury the remains of the dead when the vermin and the predators have finished with them. If that is the situation that people want in Scotland's hills, then farmers will adapt—some farmers will remain to produce the sheepmeat that we require—but I do not for a second believe that that is what this committee or the Scottish Executive wants. I know for a fact that it is not what the farming industry wants. We have been raised to care for and to produce quality animals under standards of welfare that are unmatched in any sheep industry in the world.

However, if the current financial crisis continues—and it is not just in the sheep sector, but across all sectors—then farmers will have to take stock of the situation and change their farming practices to adapt to the financial and economic climate that we face. Farmers are a very resilient bunch, and the vast majority of them will survive the coming crisis, but the shape of the rural communities in which they live, the look of the hillsides that they care for, and the kinds of communities that are currently sustained by agriculture and associated industries will change significantly in the next three years.

Farming will survive, but it will not be the kind of farming that you would want to continue, for example, in Dumfries and Galloway. The consequences in the more isolated and difficult areas that John represents will be even more catastrophic than that which I described, whereby large farmers are considering paying off members of staff because they cannot justify their employment. How many lambs at £15, how many ewes at £1 or £2, does it take to pay a man's wage of £20,000 a year? Consider that.

Mr MacKintosh: On the question of employment, people can consider forms of diversification to maintain the farm or estate income. Those diversifications do not provide the same level of employment as livestock husbandry. They do not have the same multiplier effect in the

rural economy. When they are set up they do, but once a woodland scheme is in place it requires a very low input of employment. Other rural industries are not in a bright condition. The tourist industry has experienced difficulties this year, and many of our members—and in particular their sons and daughters—work on fish farms, which have question marks over them as well.

One of the problems is the declining interest among young people in rural matters. They look around to see what they can do, but eventually the best option is to come to the city to get a degree and a starting salary of perhaps £16,000, which is often twice the income of the household that they have just left. You will not see the immediate effect of this crisis; you will see its effect on succession in farms and crofts. Many of our members who are off croft employment are working on the farm or estate next door because their croft experience gives them good training for that sort of work.

The Convener: I now propose to move on and invite Ross Finnie, the minister, to speak. It has been suggested that I should allow the witnesses to return to the pub—[*Laughter*—to their seats in the public gallery.

The Minister for Rural Affairs (Ross Finnie): I am sure that all members of the committee will join me in expressing our thanks to John MacKintosh and Jim Walker for the constructive way in which they have contributed to the discussion of a vexed question. I echo Jim Walker's comment that this requires an overall and different approach.

During the short time that I have held my ministerial position, it has become clear to me that I must initiate a different approach if we are to make a constructive contribution to the way in which agriculture is conducted in Scotland. If the Scottish Executive is to make a difference, we must have medium-term and longer-term strategies for what we are trying to do for and with the industry. It is not enough for us to disburse largess from the common agricultural policy; there must be dialogue with the primary producers, the processors, and through to the end of that food chain, engaging those who are most closely connected with the consumers.

Stratagems must be in place to ensure that we understand where we are. That point is all the more acute in relation to the problem of the sheepmeat industry. Over the last two years, consumption of sheepmeat worldwide has dropped by 25 per cent. In the UK as a whole, household consumption, per person per week, has dropped from 75 g in 1987 to 56 g in 1997. Yet, in the absence of a strategy—and this is not about pointing fingers at anybody—we in this country produce 400 times the amount of lamb that we require. That is now set against the background, referred to by the two previous speakers, of all the

problems associated with the strength of the pound, which has led to the collapse of one of our major exports.

Mr Jim Walker's proposition, which is one that I have come to independently, is that there is a need for a different approach by the minister with responsibility for agriculture in the Scottish Executive and that the discussions cannot be simply about directing subsidy and looking at the plight of individual farmers or the primary sector. There has to be a strategy that embraces the whole industry. I would like to move on to that in the medium and longer term; I am sure that, with the committee's help, we can talk further about that.

The particular problem that is facing the sheep and lamb industry is clearly of more immediate concern to committee members. The point has been made, not so much about how the problem arose, but about the difficulties that are involved. The problem about money is that last year the sheep sector in Scotland received £116 million through the common agricultural policy, while the latest calculations are that that sector will receive £134 million this year. The real tragedy is that despite that very high level of support, we know—and indeed we have been told by both John MacKintosh and Jim Walker—that in some cases the net incomes of the individual farmers will be near zero. Although it is a monetary problem for the individual, for whom we must have great sympathy, we should not overlook the fact that there are high levels of subsidy in place. Even in the current year, the way in which the sheep annual premium operates means that, because the price has gone down, it is expected that increased premiums will be paid out next year.

Members will want to spend more of their time asking me questions, but I want to refer to the steps I have taken in the short term. I have made several visits to sheep farms throughout Scotland, and have had meetings with the NFUS, leaders in the sheep industry—whom I will be meeting again on Friday—the Meat and Livestock Commission and those responsible for the processing and selling ends of the business. No template or plan was handed to me; it would have been nice to have walked through the office and been handed the plan for the agricultural industry.

I have taken one or two initiatives—I think that members are aware that I have a meeting with agriculture ministers tomorrow. I would like to share two views on that with you. First, it would be worthwhile to secure a number of short-term measures on a United Kingdom basis. Secondly, if I do not manage that, I have to reflect on what might be required in addition on a Scottish basis. I hope that the committee will understand that I do not believe that to conduct tomorrow's discussions

through the airwaves, as some of my ministerial colleagues appear to be doing, is a recipe for success. Therefore, if I am slightly hesitant about my tactical position tomorrow, I hope that you will sympathise. The prospects of achieving success are far better if I conduct the meeting in the spirit in which it was set up.

I turn to issues that we have tried to address and to which we have tried to give some support, such as the cull ewe scheme. I have already asked officials to discuss the various ways and means by which the matter might be approached through Brussels. There are severe problems, and I understand the point made by the two previous speakers on the environmental and welfare importance of the scheme. I have already initiated discussions, as issues to do with state aid are involved. Whether those issues can be overcome remains a bit of a puzzle. However, the matter is also firmly on the agenda for tomorrow's meeting, as members would expect.

15:15

The split ewe carcass problem was highlighted as having done deep damage to our ability to penetrate the French market. We have written to the French authorities about more flexible transport arrangements, which would involve sealing the carcasses in individual cases, rather than having to dedicate a whole truckload—as happens at the moment—that has to be delivered to one of the 21 dedicated plants that exist. I am making strenuous efforts to press that point and, while more flexibility would help, I regret to say that I am very much in the hands of the French authorities.

I have also written to German, Greek and Italian veterinary authorities to see if they would be prepared to take unsplit ewe carcasses. Again, however, while we have initiated that action, I am in the hands of those who are concerned that the spinal cord of sheep and specified risk material should not enter the human food chain.

In order to avoid any embarrassment, convener, I checked that the procurement policy of the Scottish Executive was to purchase Scottish lamb. I am relieved to be able to tell you that 100 per cent of the lamb sourced by the Scottish Executive is from Scottish producers. That is a small point, but it might have been somewhat embarrassing had that not been the case.

I turn to the question of the markets, particularly the export market. We produce 400 times more than we require and now we discover that the export markets are flat. At a meeting that I convened on 10 August, I instructed—requested—the Scottish Quality Beef and Lamb Association and the Meat and Livestock Commission to re-

examine what on earth they were doing about their marketing plans for the current year. I am pleased to say that, as a consequence of that initiative, their marketing plans were brought forward and there is some evidence to suggest that the net result has been an improvement in the fat lamb price across the board.

There are other issues that I, too, have been concerned about, such as the supermarket question, although, on preliminary examination, I find that a more complex and complicated question than it appeared to be at first view. Clearly, there are issues in the food chain as to where cost accumulates and where profit is taken. My colleagues Jamie Stone and Tavish Scott are right to be raising those issues. As members are probably aware, we have a food chain working party, which is chaired by the vice-chairman of the National Farmers Union of Scotland, and on which a member of one of the supermarket combines sits. It is a complex issue, but it may well be, sir, a matter that your committee would wish to return to.

As I recognise that time is moving on, those are, in brief, some of the initiatives that I have tried to take in order to put into context some of the short-term ameliorative packages which would be of short-term benefit to the industry. I close by re-emphasising the need for a longer-term strategy. Even if we are able to do something about the particular problems of cast ewes, the fact is that within the less favoured area arrangements for Agenda 2000 the current subsidy arrangements for sheep annual premium would themselves militate against any substantial destocking in that sector. Against that I have a particular responsibility, as indeed does this committee, to ensure that such restructuring does not occur in the most vulnerable of our rural communities, and that is a difficult balance to achieve.

That is a brief outline of my position, convener, and I would be happy to answer questions.

The Convener: Thank you very much, Ross Finnie. Would anyone like to begin the questioning?

Alasdair Morgan: Both Jim Walker and Mr MacKintosh referred to the fact that farmers feel that they are not competing on a level playing field with their opposite numbers in other countries—specifically in other European countries. Given the amount of lamb and sheepmeat that we have to export, it is essential that they are able to do that. Does Ross Finnie accept the proposition that farmers do not compete on a level playing field on matters such as abattoir charges, veterinary charges and the other ancillary charges that they have to pay before they can sell their beasts?

Ross Finnie: I would not want to go right across that category, Alasdair. There are serious issues

in relation to costs. I have had some general discussions with the union about this, but I am particularly concerned about hygiene costs. We seem to apply those rules in a way that tests everything at every stage. From a public health point of view that might well be right, but I would like to investigate an approach to the issue from the point of view of risk management—not in a month, but urgently.

If one is looking at one of those establishments, one ought to take account of the quality of the management that runs it and the quality of the systems that are in place there. An assessment must then be made as to whether it is absolutely essential to check every single piece of the transaction in those circumstances. I intend to examine that urgently because it will be a way of removing costs. I have had representations from the union and others in the industry making constructive suggestions relating to that.

Alasdair Morgan: I would like to examine a specific means by which fewer lambs than previously are exported, and that is live export. I spoke to some sheep farmers yesterday who are expecting veterinary charges in respect of that to increase. They feel that the Government is almost actively discouraging live exports. While it is not actually banning live exports it is discouraging that process.

Ross Finnie: That is certainly not the Government's intention. Much of this is the result of the additional hygiene costs caused by BSE. Both the previous speakers made it clear that while they do not want to create an issue in public health, there are issues about how we should try to drive down some of the costs that have been imposed. We are still suffering badly from that.

Alasdair Morgan: I would like to turn the question its head. Does Mr Finnie feel that there are measures that could be taken to encourage the practice of live exports?

Ross Finnie: That would have to be done within current regulations. We are constrained in the issues of live exports and dead-weight exports because those are highly regulated. I would not want to end up with a regime, but we are balancing—in the public's perception and the European Commission's perception—our image with the facilitation of greater exports. We desperately need those markets both for beef and lamb. They are crucial to the health of the industry.

Alasdair Morgan: My final question is on the cost of veterinary medicines which, in this country, appear to be higher than elsewhere. Has that been taken up with the Department for Trade and Industry in relation to competition legislation, or is that something that Mr Finnie intends to do?

Ross Finnie: I do not know that it has been

taken up with the DTI. That is a serious issue and getting on to a level playing field is imperative if we are to compete in a single European market.

Alex Fergusson (South of Scotland) (Con): It appears that Mr Finnie would accept that there is a need to examine the call for a cull ewe scheme. I assume that this is one of the items on which he does not want to be too heavily pressured before his meeting tomorrow. Much as I would love to pressure him heavily I accept that that is the case and will not do so.

Can the committee have an assurance that if a solution can be found, any financial cost incurred would be provided for with new money, rather than by a rejigging of existing budgets? I ask that question because it recently came to my attention that a moratorium had—from the end of August—been placed on the agricultural business improvement scheme. That scheme was meant to run until the end of October. There is money being saved there that could be used in other ways.

A lot of people have put a lot of work into preparing applications for that scheme, which I think I am right in saying applies only in the Highlands and Islands. I would like an assurance that that scheme will run, and be open to new applications, until the end of October. I would also like an assurance that hill livestock compensatory allowance payments will remain at at least the same rate as last year.

Ross Finnie: The moratorium has arisen because we are coming to the end of the current European Union scheme and it is in serious danger of being oversubscribed. The second part of the information that you have had, about money being available there, is not wholly accurate. If we are able to put in place some form of cull ewe scheme, it will require us to find new money.

I do not wish to duck your question on the HLCA, but you will understand that that is very much on the agenda for tomorrow, because it relates to the whole bidding. HLCAs have effectively almost come to an end. There are further payments to be made, but they are now governed by the new regulation. Part of tomorrow's agenda is to discuss, first, what bid will be made by the United Kingdom in terms of its total package and, second—the issue that you very properly raise and that is also of concern to me—the level at which HLCA payments will be made in the second part of this year. I understand the point that you are making and why you want to press me, but again, I do not wish to negotiate that point before tomorrow.

Alex Fergusson: I recall from last year that the HLCA aid package was a two-year scheme. The EU had had doubts from the previous year when a one-year package had caused problems, so last

year's scheme was for two years and would therefore have to be adhered to this year.

Ross Finnie: What causes confusion and difficulty is that, when the amounts were announced by the former Scottish Office, it was stated that they were for one year. The provision is therefore on a one-year basis at the moment. I do not disagree with what you are saying in relation to statements by the European Commission. That is why I have to have a very serious negotiation on that point tomorrow.

Alex Fergusson: I would like to go back to the business improvement scheme. You will be aware—and I hope that you will not mind me pointing out—that a lot of farmers have been completely caught on the hop by the moratorium. They have spent a great deal of money on getting planning permissions and applications together, and I hope that their circumstances will be taken into account if the scheme comes to a premature end.

Ross Finnie: As I understand it, in the new package there will be a replacement scheme through Highlands and Islands Enterprise.

Richard Lochhead: I would like to follow on from Alasdair Morgan's point about the un-level playing field, a point that was echoed by the industry representatives. Since you came into office, have you initiated a comparative analysis of the red tape and costs that have to be borne by industry across Europe? Have you undertaken any analysis so that we know exactly what the situation is?

Ross Finnie: I do not know that I have initiated an analysis. I have certainly asked for information to be gleaned as to how various other countries either pay for themselves or impose charges, and there is almost no uniformity across the European Union at all. Some countries have annual charges, which give the impression of being lower charges. What they work out at depends on how often they are paid. It is an unsatisfactory picture.

With regard to costs relating to the imposition of public health measures, we need to consider what is happening in our own back yard before we criticise others.

15:30

Richard Lochhead: It would be useful to examine case studies from Europe and the wider world so that we can consider the circumstances of farmers elsewhere.

Will the minister respond to Jim Walker's sensible suggestion of setting up a task force to implement an action plan, instead of setting up committees year after year?

Ross Finnie: As the minister, I propose to tackle the long-term problem in an entirely different way. I cannot dictate how the industry should be run, but I can play a crucial role in ensuring that all the parties are involved in discussions.

I welcome the chance to discuss with Jim Walker his ideas for the short term and medium term. If we are considering how to help the sheep industry in the longer term, it is essential to provide more information for the primary producer—the farmer—and to involve people in the processing industry and those at the other end of the chain so that any plan fits with our actions. In that way, our knowledge of what is happening on consumption will relate back to the plight of the farmer. If economic changes should throw us off course, we will know exactly where we are and will not get caught cold. Such a task force might make up one of the groups that would examine the industry as a whole.

I do not dismiss Jim's suggestion of groups to investigate charges, because it is a nonsense to pretend that the minister himself will solve such problems. Instead, the minister will be able to convene discussions with various parties to ensure a proper, informed debate to devise a far better plan for the short term, the medium term and the long term.

Mr Rumbles: Today, Ross and Jim have told us about the importance of public health in food standards and that the NFU still regards that issue as its No 1 priority. However, we keep hearing that costs are being piled on to the producer. As far as the Food Standards Agency is concerned, the Government has recently announced that it will not proceed with the charge of about £100 on food outlets. However, I hope that the minister will fight our corner on behalf of the rural environment and producers in rural areas by arguing that our producers should not pay for that.

As for a level playing field for inspection charges, I am aware that in the US inspection charges are considered to be a health issue, which is different from this Government's approach. Will the minister confirm that he will be fighting our corner on behalf of the producers so that any extra costs on the agency go where they should—to public health instead of producers?

Ross Finnie: Convener, you would not expect me to compromise the health minister's position by commenting on matters of public health. However, on environmental and health matters, I—and my deputy minister with his responsibility for fisheries—have a wider responsibility to be aware of any potential imposition on any part of the agricultural sector and the subsequent impact on rural areas.

Mike, I hope that I made it clear in my response to Richard that elements of cost need to be driven down. We can have a rational and serious debate about transferring such costs to the public purse and about what we need to cut to pay for them. For the moment, I am determined to ensure that we drive those costs down and keep them to the absolute minimum.

Lewis Macdonald: The contribution from Jim Walker highlighted the effect of the introduction of the split carcass requirement, in particular, on exports. The committee welcomes the fact that the minister indicated that he would consider public health and hygiene costs and how they could be driven down in the context of the primacy of public health considerations. Has the minister had the opportunity to examine the split carcass requirement in that context and, if so, what conclusions have been reached?

Ross Finnie: The split carcass requirement comes from the imposition of the specified risk material controls. As you know, the only attempt not to alleviate—it was hardly that—but to overcome that profound difficulty was to negotiate with the French authorities to ensure that they would accept whole carcasses. Unfortunately, while the French authorities indicated that there were 21 dedicated sites to which whole carcasses could be delivered, they insisted that whole lorries be dedicated to the purpose and be sealed before leaving this country.

The only further movement that I have initiated with the French authorities is to try to get them to accept cages full of whole carcasses, as opposed to whole lorries. I have also written to the French authorities to see whether we can get a slightly wider range of centres. However, there is no way in which we can obviate the SRM regulation—that is the position at the moment.

Dr Murray: On the question of creating a level playing field, one of the complaints that I receive from farmers is that food safety and hygiene standards are less rigorously observed in other parts of Europe and for imported foodstuffs. Is that the minister's perception and has he any evidence of that being the case? Is there a case to be made by the United Kingdom for harmonising standards across Europe, so that our farmers are at least competing to produce food of the same standard as in the rest of Europe and do not feel that they are being undercut by inferior products from elsewhere?

Ross Finnie: That raises several issues. Any time that I have been with personnel or management from any of the major superstores, I have made it my place to inquire of them what standards they impose. They have assured me that they set standards that are compatible with those that we have in the United Kingdom.

Health is another of the issues on the agenda for tomorrow's meeting; there are two aspects—the position in Europe as a whole and, just as important, the position of the World Trade Organisation. The WTO seems to be almost disinterested in health standards, which it appears to regard as some sort of moral standards. The view seems to be that if countries care to set such standards, that is their problem. As far as the WTO is concerned, it is there to promote free trade. It is therefore vital for the United Kingdom to make it absolutely clear to the WTO that first, we want health standards to be uniform across Europe and secondly, we do not want to compromise on that position. That is what I shall press for.

The Convener: Are there any further questions for the minister? If not, we have come to the end of this part of the agenda, although not to the end of the committee's interest in the problems associated with the sheep industry and in the much wider problems that have been highlighted today.

The minister referred several times to tomorrow's meeting. At this juncture, it is only appropriate that members of the committee should take this opportunity to say to everyone, including the minister, that we all have the interests of the sheep producer in mind and therefore have a common interest in the minister's success tomorrow. I am sure that everyone will join me in wishing you the best of luck in representing the interests of the Scottish sheep farmer. Thank you very much for attending this meeting.

Ross Finnie: Thank you very much. I also thank the members of the committee for their understanding about the tactical issues arising from the meeting. I am much appreciative of their indulgence.

The Convener: We have a long agenda to get through, but I realise that a number of people may not wish to stay so we will have a couple of minutes' break, during which anyone who wishes to leave or to have a comfort break can do so.

15:40

Meeting suspended.

15:47

On resuming—

The Convener: We have apologies from Mike Rumbles, who is attending the conveners group meeting at 4 o'clock. I attended the first of those meetings, but as Mike did not, he has taken the opportunity to go to today's.

Highlands and Islands Draft Plan 2000-06

The Convener: We now come to item 2 of the agenda. We appointed Lewis Macdonald and Rhoda Grant as reporters, and they attended the meeting of the European Committee at which the paper was discussed. Their report has been circulated to members, and I invite one of our reporters to speak on it.

Rhoda Grant (Highlands and Islands) (Lab): We attached a copy of our report to the papers for today's committee. It is important to note that most of the European Committee members were as one in their comments on the paper. They felt that it needed more of a strategic outlook, and we have reflected that in our report. They also wanted to see how European funding could be held for further years, perhaps through setting up a fund to help business in future.

Lewis and I were given the draft holding statement outlining the position of the European Committee. We have glanced at it and it seems fine. That will go to the Executive. We will then have another chance to speak on the rural affairs and fishing parts of the document when they come to hand.

The Convener: Are there any questions on the report? Lewis and Rhoda, were you able to take part in the discussion?

Lewis Macdonald: Yes. George Lyon from the Enterprise and Lifelong Learning Committee took part as well—it was an unprecedented cross-committee consideration. There was general agreement on the weaknesses of the paper and on what was required to move it forward for fuller consideration.

The Convener: We could move on briskly, but I am anxious not to come to a conclusion while John Munro is not present. Would anybody like to make any further comments on the report?

Rhoda Grant: One of the things that was suggested at the committee was that the plan was geographical or sectoral and that there was not enough crossover in the strategic planning. It was thought that the agriculture and fisheries parts should feed into the other parts such as infrastructure and that sectors should not be

considered in isolation. It was also suggested that money should be targeted at less-well-off areas in the Highlands. Quite specific things were being asked of the strategic plan.

The Convener: Given the position that we are in, would it be appropriate for us to accept the report? It is agreed.

Fisheries Sector

The Convener: The next item on the agenda is consideration of the Agenda 2000 consultation paper on EC structural assistance in the fisheries sector. Our timetable requires us to deal with it today. I have read through the document; I assume that all members have done so, too. We will take the document heading by heading and invite comments as we go through it.

The areas that have been highlighted by the Executive and by the assistant clerk, who wrote a report on the document, start at article 6. Would anyone like to comment on articles 1 to 5?

Richard Lochhead: Do we have to deal with this matter today and never again?

The Convener: Our comments must be passed on today.

Richard Davies (Committee Clerk): The document is being considered by the Fisheries Council in October and comments from the Scottish Parliament must be fed into the process through Westminster. Effectively, today is the last opportunity for the committee to comment on it.

Richard Lochhead: This is definitely the last opportunity?

The Convener: Yes.

Article 1 refers to the objectives; article 2 to means; article 3 to common provisions; article 4 to multi-annual guidance programmes for fishing fleets; and article 5 to the monitoring of those programmes.

Does anyone have any comments on those articles?

Richard Lochhead: In recent years, European funding has been extremely important to fishing communities.

The Convener: Could you adjust the microphone a bit? The sound system in this room is not all that it might be, I fear.

Richard Lochhead: I am sure that everyone on the committee is aware that in recent years European funding has been vital for our fishing communities. PESCA funding, for example, has initiated many good things in the industry. Local authorities and fishing organisations around the country have made submissions on the issue,

because they want many of the effective initiatives to continue, albeit in a different form, so as to maintain momentum and continuity.

Given that the fishing organisations and local authorities have made submissions and that this is a complex area, I suggest that we get a synopsis of those submissions from the rural affairs department. If we were able to see such a synopsis, it would put us in a better position to make recommendations to the department.

The Convener: Is it fair to say that at the moment it would not be constructive to go through the document on a point-by-point basis?

Richard Lochhead: Yes, because it is a draft regulation, not a final regulation.

The Convener: Having suggested that we go through the articles, I am keen that we take this opportunity to comment on them. Does anyone have comments on a specific article in the document?

Rhoda Grant: In article 15 there is a great deal of emphasis on local management of fisheries. That is important, in terms of both conservation and local input. I am referring to page 46.

The Convener: Are there any other comments on article 15?

Do members want Rhoda's comment to be noted and passed on?

Richard Lochhead: Yes.

The Convener: For the benefit of John Munro, I repeat that today we have an opportunity to comment on this document. Given the time scale and the way in which information will be fed forward, this may be the last opportunity that we have to do that. I am, therefore, keen to ensure that anyone who wants to comment on the articles is able to do so.

Richard Lochhead: It is imperative that most of the measures that are before us form part of the new structural assistance. I know that the industry will support the continuance of those measures in the new programme, especially measures such as fleet renewal and modernisation, from which—unfortunately—our industry has not been able to benefit. The issue is not so much the content of the measures, but how they will be implemented. However, the committee should support the inclusion of all the measures in the new programme.

The Convener: I have read the document and there is nothing in it that I object to.

16:00

Lewis Macdonald: It is of value to us that the European Committee has examined this and

made comments, which run along the lines that the structures for delivering support are appropriate. As Rhoda mentioned, regional management of fisheries and the renewal of the fleet must be done in a particular way. As far as it is possible to judge on a quick look, the regulations point in the right direction.

The Convener: Will we note that the committee is generally content with this document?

Richard Lochhead: Yes, but it would be useful to see a synopsis of the submissions received from local authorities and other organisations.

The Convener: We can ask the Scottish Executive rural affairs department to give us a summary of the responses received during the consultation.

Lewis Macdonald: It might also be useful to consider the process of how the consultation was carried out. The European Committee considered this before the recess. It might have been helpful for members of this committee to have received a little more advance notice that this was coming up for discussion today.

Richard Lochhead: Does anything prevent us from making recommendations to the rural affairs department once we have seen the synopsis?

The Convener: Nothing would stop this committee from commenting on any aspect of this matter at any time. This is an opportunity to feed into this consultation process.

Mr Munro: In article 16.1A—

Rhoda Grant: I cannot hear what Mr Munro is saying.

The Convener: We will have to shout.

Mr Munro: Is the microphone not working?

Rhoda Grant: Pull it closer.

Mr Munro: Article 16.1A refers to the cessation of fisheries caused by biological factors. That seems relevant to the ban on scallop fishing in the Minch, but it is not effective until 2000. That fishery has been suspended for the past three months.

The Convener: We will examine scallop fisheries at our next meeting, on 21 September.

It is proposed that we ask SERAD to give us a summary of responses received during the consultation process. Lewis Macdonald has also requested that we ask for more information on how that consultation process was carried out. We will ask for a list of those who were consulted. Do any members want to comment further on this matter?

Members: No.

Plant Health (Amendment) (Scotland) Order 1999

The Convener: We now move on to item 4 on the agenda, which is consultation on a statutory instrument. At our previous meeting, I was asked exactly how we would proceed on statutory instruments. A sheet has been circulated, which outlines the general procedure.

On 1 September 1999, the Parliament agreed to give the lead committee role on the Plant Health (Amendment) (Scotland) Order 1999 to the Rural Affairs Committee and to invite the European Committee to make comments on the order to the lead committee by 1 October. The order came into effect on 21 August. It was laid under the negative procedure, which means that Parliament has power to annul the order by resolution within 40 days. In this case that means by 8 October—timed from the end of the recess.

Any MSP may propose to the lead committee that the order be annulled. Should an annulment be required, the Rural Affairs Committee would have to report to the Parliament with its justification. In practical terms that means having a report for the Parliamentary Bureau by Monday 4 October, taking account of any recommendations made by the European Committee.

Since that is what we have to do, it would be appropriate for the item to be put on the agenda for our meeting of 21 September. Would it be appropriate to have someone come to that meeting to explain the order in some detail, although not at great length, so that before we pass this on we have understood what it says? Members have a copy of the document in front of them. It is very technical—I am a farmer and I did not understand it. Who would be appropriately invited to speak to it?

Richard Davies: An official from the rural affairs department could give us a memorandum on it and, if the committee wishes, explain orally what it is all about.

The Convener: We could ask for a written memorandum, but I think it is often more effective to have someone come along and go over a document. It is quicker and easier to understand. If members are content, we will take that course of action.

Lewis Macdonald: We may find that we do not want to do that with every order but, as this is the first, it would be particularly helpful.

The Convener: As we all know, committees other than this have, in the past, nodded through such articles and lived to regret it. We will ask the rural affairs department to send someone with an understanding of the area to highlight the issues.

Mr Munro: Is there a committee member with expertise in this matter?

The Convener: Does anyone wish to volunteer such expertise? It seems not.

Mr Munro: Then your suggestion, convener, is the best course of action.

The Convener: It will be put on the agenda for the meeting of 21 September.

You will notice that the clerk has carefully stapled together my paperwork this week so that it does not spread across the table and get lost.

Petition (Homing Pigeons)

The Convener: Item 5 is on the petition on the problems associated with the killing of pigeons by peregrine falcons and sparrowhawks.

This is an issue on which I will invite members of the committee to comment, because I know—from my recent attendance at a number of Countryside Alliance meetings—that the issue of raptors inspires more heated debate than others on which one would expect heated debate.

Does anyone have any comments on the contents of the petition from the Scottish Homing Union?

Alasdair Morgan: This is an area in which there seems to be a distinct lack of scientific evidence, but about which there is much prejudice and people think they know what is going on. I understand that a group has been set up by the Department of the Environment, Transport and the Regions to gather evidence on the situation. That group is expected to report later this year. We should take no action in the meantime—certainly not until we have a firm base of evidence on which to proceed.

Cathy Peattie (Falkirk East) (Lab): I agree—we should see the report before we discuss the issue. The report will help us to decide on the way forward.

The Convener: Would it be appropriate to consider asking the Scottish Parliament information centre to correlate the information that is currently available with the forthcoming report.

Members: Yes.

Dr Murray: I agree with Alasdair and Cathy. The other thing that worries me a little is the owners' suggestion that they could legitimately protect their pigeons. What exactly are they driving at? If the owner has a shotgun, can he let it off when he sees a hawk? I am not quite sure what is being asked for.

The Convener: We must consider in the longer term exactly what they have in mind. We will defer

this matter until all the relevant information is available, but we will discuss what further investigations we think are needed by SPICe, and suggest to it that this might be an area that needs further examination.

We have been asked to refer our views to the Transport and the Environment Committee tomorrow—8 September. Do members have any views that would be appropriate for referral?

This is a controversial situation, and one on which it would be difficult for this committee to comment at this point. I question whether we are in a position to give a coherent view to that meeting.

Lewis Macdonald: Is there a lead committee on this matter?

Richard Davies: The Public Petitions Committee did not appoint a lead committee. The *Official Report* of that debate suggests that the Transport and the Environment Committee might become the lead committee, but that is still to be resolved.

The Convener: Is it the view of this committee that it would appropriate to report to the Transport and the Environment Committee?

Dr Murray: Would not it be appropriate that we suggest to that committee that it, too, waits until it receives more evidence before coming to a decision, or should we merely report our desire to have more evidence presented to us?

The Convener: That is a fair and appropriate comment for us to pass on.

Lewis Macdonald: In doing that, would we be suggesting to that committee that we would be able to come back to the subject?

The Convener: Yes. It would certainly be appropriate that we comment once we have the relevant information.

Alex Fergusson: I apologise for my late arrival. Are we going to get a chance to comment on that petition?

The Convener: Yes. We have been asked to comment in advance of the Transport and the Environment Committee meeting tomorrow, but we have decided that it is not appropriate for us to comment at this point. We need to investigate this matter further and should make no further comment until we avail ourselves of the relevant information.

Work Programme

The Convener: I would now like to move on to item 6 on the agenda, which is a discussion of the future work programme of this committee.

I refer members to the document, which has been circulated, that outlines the subjects that we identified as our priority areas.

We identified our priority areas at our first meeting. We should now assess them in the light of developments in the intervening period. We need to put them in order of priority and decide which ones we want to progress immediately and which ones we want to defer. We also need to look at how the subjects are defined and decide whether we need to adjust the definitions in any way to cover issues that have recently come to light. Does anybody want to comment on this?

16:15

Lewis Macdonald: I seek guidance on the legislative aspect of those subjects. The land reform proposals will come before Parliament in any case. Does it therefore follow that the consideration of forthcoming land reform legislation will be out of our hands as far as timetabling is concerned? Are there any other bills that will come before this committee?

The Convener: I agree. I would be interested to hear other comments on land reform and on whether it would be appropriate for us to wait until the bill is laid before us.

As to other bills that may come our way, there is some confusion about whether the member's bill on fox hunting will come to this committee or to the Justice and Home Affairs Committee. That appears to be up in the air at the moment.

Does anyone have any other comments on how we should order our priorities?

Richard Lochhead: We decided that the Scottish beef industry should be one of our priorities. In the light of today's evidence, perhaps we should widen the scope of our investigations.

The Convener: Yes. This morning, I found myself apologising to my colleague, Alex Fergusson, because he suggested that some time ago and I bombed him out—I think that that is the expression he used.

Richard Lochhead: The Scottish fisheries strategy is also an important issue. Perhaps, after a short investigation, we should subsume the shellfishing issue into that subject, especially if we are going to conduct major investigations over the next four years.

Alex Fergusson: It is ironic that, since we first discussed the matter on 5 August, the beef industry has become the best sector of British agriculture to be involved in. That has come about quite quickly, which shows how rapidly the structure of agriculture is changing at the moment. Members of the committee will agree that the

evidence of the two witnesses whom we heard today lends powerful weight to the argument that we should be considering the state of Scottish agriculture as a whole, rather than just the beef industry.

The Convener: If our mentioning the beef industry set a precedent, I hope that our hearing evidence about the sheep industry will have the same effect.

Should we widen our interest in the Scottish beef industry to some extent? If so, how wide do we want it to go?

Lewis Macdonald: On 5 August we discussed some specific aspects of the beef industry, as well as a wider range of issues connected with the industry.

The Convener: At that time, we invited the chief medical officer to comment on the issue of beef on the bone. Do we want to add the sheep industry problem to our list as a further priority, or do we want to take the previously identified priority and widen it to cover the sheep industry? Do we want to define the priority as the livestock industry or as the whole of the farming industry in Scotland?

Rhoda Grant: I think that we should define it as the farming industry. As has been said, the whole industry is intertwined: when one part goes down, that has knock-on effects on the others. If we are going to consider this strategically, we will have to take everything together.

Alasdair Morgan: I very much support that. If we are considering only the very short term and a specific issue such as the cull ewe scheme, we can, to some extent, compartmentalise things, but if we are considering the long term, we cannot unravel all the different aspects of the industry.

Richard Lochhead: Ultimately, we need to have information on the sheep industry. We can treat each issue as it arises and we can still have our short investigations—such as the one that we are having today—which will form part of our overall look at farming in Scotland. When other issues arise in the future, they should be considered as part of our overall strategy.

The Convener: How do we wish to define the item in our list of priorities? Do we define it simply as the Scottish farming industry?

Lewis Macdonald: That is a very broad category, but I agree that the different aspects of the industry are indivisible. The overall state and structure of the agriculture industry is a large topic, which we might want to spread out over time.

The Convener: Given what Richard said about our information being likely to be the summation of a series of individual investigations into specific areas, the Scottish farming industry—if we have

identified it as one of our priorities—would remain one of our priorities throughout the four-year period of this committee.

Mr Munro: Would you use the term farming as opposed to agriculture?

The Convener: That is a fair question.

Mr Munro: The term agriculture would cover all aspects.

Cathy Peattie: There is a danger that we become an agriculture committee. We need to watch the language that we use and hold on to the whole of our agenda and all our priorities.

The Convener: Yes. As a farmer myself, and remembering that this whole sector was once considered as the agriculture and fisheries sector, I am aware that I have to resist any temptation to creep—deliberately or otherwise—back in that direction. That point was well made, Cathy, and it is one that we have to keep in the front of our minds all the time.

Irene McGugan (North-East Scotland) (SNP): The No 1 priority that we identified at the beginning was employment, poverty and housing, and—apart from our very good briefing—we have not had the opportunity to debate any of those issues. As the situation in the farming industry is causing an increase in unemployment and worse poverty among people in rural areas, those issues may now be even more pressing. They are slipping down the agenda. We have pre-set dates for other aspects of our agenda, but no date has been set—even tentatively—for us even to start to consider the issues that we identified.

Where there is proposed legislation, such as that on land reform, and where there is a consultation paper, would it be appropriate for this committee—either collectively or individually—to respond at the consultation stage, rather than simply to wait for the bill to come before us? A precedent has been set: we were invited to respond to the forestry consultation paper and to the cattle passport initiative. I do not know whether any other members did, but I responded to the forestry consultation. Do we want to get involved at an earlier stage—at the consultation stage—and be proactive in making an input before a bill is put to us?

The Convener: Are there any other comments on the land reform part of that?

Lewis Macdonald: I think that Irene's first point is important. What the briefing on employment, housing and poverty highlighted most of all was the enormous ignorance on those subjects and the amount of work that needs to be done to get a full picture. We have major agenda items pencilled in for the next two meetings but there is no reason why we should not begin to consider those issues

methodically at the third meeting on our schedule.

The Convener: Are there any suggestions on how to pursue that? It is a sound proposal. I am not comfortable with defining the route that we should take and am open to members' guidance.

Alasdair Morgan: I presume that the best method would be to invite written submissions from bodies and individuals who are interested in those subjects, pick, perhaps, the more interesting submissions and then take oral evidence from those people.

Cathy Peattie: We must ensure that the information that we gather is appropriate. It must take into consideration all the things that we have been discussing today and their implications. I would be loth to invite one or two folk along and ask them for their views. I would like to initiate—I am not quite sure how to do this—ways of research into the issues that would give local people the opportunity to put forward their ideas. That would give us a bit of reality; otherwise, we could simply do things from an office somewhere.

The Convener: Any other comments?

Richard Lochhead: Presumably we will consider the overall title of a big investigation that we want to undertake—in this case employment, housing and poverty—and then seek to identify priorities within that. Would that be a way forward?

The Convener: I think that it would be.

Cathy Peattie: Would there be any merit in linking in some of the work that has been done around social inclusion, for example? Much of that work centres on urban areas, but there are similarities with what happens in rural areas. We might want to involve Jackie Baillie; we could ask her questions and trawl as much information as possible.

Irene McGugan: There are academics and others who have made rural disadvantage their specialism. They would be some way down the track in terms of having the information or at least of helping us to determine how to get the information that perhaps is not readily available but which we want.

The Convener: Given that the schedule that we are considering will cover a couple of meetings, would it be appropriate to proceed initially by asking for submissions, as was suggested, and then to make that an agenda item for the next meeting? That would give us a rough indication of the submissions that have been received; we could decide how to proceed on that basis. Our specific intention would be to identify those who can give us the evidence that we require at a meeting as soon as possible after 5 October.

Lewis Macdonald: I concur with that. There are

two categories of witnesses. Reflecting on what Irene said, I think that it would be helpful in the first instance to have witnesses from an academic perspective or witnesses from rural communities who have personal experience of these matters. We want to move on to how the people who are spending our money are using it to tackle the problems. That involves Scottish Enterprise, Highlands and Islands Enterprise, Scottish Homes and those in the Scottish Executive who deal with social inclusion, local government and housing. Towards the conclusion of the investigation I would like the ministers to come to the Rural Affairs Committee to tell us what they are doing to tackle poverty, poor housing and poor employment prospects in rural Scotland.

Richard Lochhead: I agree with everything that Lewis said, but I think that, rather than decide just now to invite submissions, it might be useful to ask the clerk to bring back a note suggesting those from whom we are likely to want submissions. We would ask the clerk about sending them a draft letter so that we know what we are doing and whom we are contacting.

16:30

The Convener: I am anxious that that would extend the lead-in period by two weeks. Do you have any suggestions about how we might proceed more quickly?

Richard Lochhead: I raise the point so that we are clear that we have one strategy for undertaking investigations, as opposed to taking a decision within a few minutes and agreeing to send out a letter. We should have a note of how we are going to proceed with the whole investigation, and that should include a list of those to whom letters will be sent requesting submissions. If we could see that before the letters go out, we could be sure of having our strategy right before the investigation begins.

The Convener: I am anxious that no organisation or individual who feels that they have something to contribute should be denied the opportunity at this early stage. For that reason, I am not entirely averse to the blunderbuss approach of asking for anyone to write to tell us what they think. We may proceed at the next stage by the method that Richard outlined.

Dr Murray: How do you intend to invite people to make submissions if you are looking for as wide a spread as possible? What would the mechanism be?

The Convener: The method that we have used in the past—it might be suitable for this—is that the clerking team sends out a letter immediately to those whom they have identified as relevant. The text of the letter and a list of those to whom it was

sent is then circulated to the members of this committee, who can let the clerks have further suggestions of organisations or individuals that should be contacted. That way, anyone we suggest can be included without the need for a meeting.

Richard Davies: I suggest that if the committee agreed to a press release on the subject, that would enable those groups that are not on our database to comment, too.

Cathy Peattie: I agree. We are anxious not to get only the usual people who respond. Their information is important, but I want to ensure that communities can say how the issues are affecting them. We need to have as wide a spread as possible.

The Convener: Would it be appropriate to ask for a press release to be drafted? Normal practice is for me to see a press release before it goes out. I suggest that it would be appropriate for Cathy to see it, too. You would like to see it too, Irene?

Irene McGugan: Yes.

Alex Fergusson: It would not be the hardest thing to e-mail it to the entire committee, would it?

The Convener: It is far easier to get agreement among two or three than among 11.

Richard Lochhead: I support that way forward. I would, however, like an idea of how we are going to proceed with an investigation of that size. It would make sense to put out the letter seeking submissions and issue a press release; we would choose a few of the key submissions in the main areas for investigation and then produce a report.

The Convener: Depending on the response, I would hope to be able to progress to defining key areas at the next meeting.

Richard Lochhead: Time scale is important, too.

Lewis Macdonald: Can we make the press release and the letter available on the Parliament website?

Richard Davies: We will try.

The Convener: Although we have decided to extend the inquiry to the whole of agriculture in Scotland, Richard pointed out that the chief medical officer is coming to speak to us on the subject of beef on the bone on 5 October—we hope. Would it be appropriate to do anything else on the beef industry on that day, or do we wish to hear the evidence of the chief medical officer in isolation?

Richard Lochhead: We should stick with that day's agenda.

The Convener: Agreed. As I said before, we

have in front of us a list of the materials that have been supplied to us and those that will be supplied in the near future. I invite committee members to identify any additional information or inquiries that they require on the priority topics.

We have identified employment, housing and poverty as priorities that we wish to pursue. We have the shellfish investigation on 21 September. During our discussion, did we decide whether it was appropriate for us to comment on land reform in advance? I think that we were sidetracked. Do we wish to comment on the white paper on land reform at this stage?

Dr Murray: I think that that might be a bit precipitate, given that the consultations will be put together in the form of a draft bill anyway and we will get the opportunity to comment at that time. It might be better to wait until the department has finished collating the responses to the consultation before we comment.

Lewis Macdonald: That view is broadly correct, but my understanding is that the land reform bill proposals will be part of a rolling programme of land reform. It would be useful if the committee were briefed on where those proposals fit in to the wider project of reforming Scotland's land laws. We will have a role in dealing with the legislation, and I would want to concentrate on dealing with them in committee formally, but there is room for examining other aspects of the land reform proposals through briefings.

The Convener: Are there any other comments on land reform? I am always keen to hear every voice. We must decide whether we are to comment at this time.

Irene McGugan: My comments do not apply only to land reform but to all the other consultation papers that have a rural dimension. On transport, for example, we will not be the lead committee, but there will be a rural element and we will have to scrutinise the proposed legislation in great detail. That will allow us to have an input, either as individuals or collectively, before the final details are in the bill; we will be able to influence legislation at an early stage.

Dr Murray: My understanding is that the legislation would, at that stage, be a draft bill, which would have to go out for consultation again.

The Convener: It occurs to me that we have said on a number of occasions that members have a dual responsibility: they must work together as a committee and discharge their party political responsibilities outside the committee. Would it be appropriate for us to comment individually in our party political roles, and then comment on the draft bill at a later stage in our committee role? Irene, do you have any comments?

Irene McGugan: I would be happy with that.

Members *indicated agreement.*

The Convener: At this point, we have the opportunity to identify any work papers that we would like to be prepared. Are there any investigations that we would like the Parliament's information centre to carry out?

Alex Fergusson: To what extent should we take those SPICe papers to be authoritative—the be-all and end-all of information—on their subjects?

The Convener: We have to accept that the SPICe papers contain the information that is available and are prepared by an individual who has done a professional job. However, we should also use information that we gather from the public domain and continue to rely on our own experience.

Alex Fergusson: The reason I ask is that during today's visit to the Scottish Executive rural affairs department, I talked to an official about one of the SPICe papers. He pointed out that, while it was not incorrect, several things that would play a considerable part in any discussion of the subject had been omitted. I wonder whether there should be a back-up to the documents. Perhaps experts could be available to add to them as necessary.

The Convener: The relationship between this committee and those who produce the papers is such that, should any member feel that there was an omission in a document, it would be in order for that member to contact the author of the paper.

Richard Davies: We have tried to give the committee advice from the Parliament's information centre and from the Executive. At times, differences will appear between papers from those sources. The SPICe papers will be revised, I believe.

The Convener: Alex, do you have a specific proposal for a revision?

Alex Fergusson: No. I was talking in general and will provide proposals later.

The Convener: We have spoken about priorities and I want to run through the topics listed to decide what research papers we want.

We have outlined the way in which we would like to proceed on employment, housing and poverty. Would any research that has already been made available be appropriate at this point?

Cathy Peattie: Local authorities and local enterprise companies might have useful demographic information, particularly about employment. Some local authorities keep information on housing and poverty in their areas.

The Convener: Would it be appropriate to trawl for information or statistics on employment, housing and poverty in rural areas?

Cathy Peattie: Yes. Also, as Irene said, some of the information produced by on-going academic studies would be useful to us.

Richard Lochhead: I am sure that many academic studies have collated such information. We have only to identify those studies.

Cathy Peattie: We should be given what has already been written and find out what else is available.

16:45

The Convener: Yes, I also think that we should find out what information is available and then make that available to committee members.

Richard Lochhead: When we have read the submissions, we will know what issues to highlight and what information to send for.

The Convener: We are probably talking about pages and pages of statistics that will become relevant when we decide how to proceed. However, at this point, it would be appropriate to find out where those statistics are and how they can be made available.

Cathy Peattie: If you like, to provide us with back-up information when we start to trawl.

The Convener: Does any member wish to raise any other points about employment, housing and poverty? I understand that the SPICe team is keen to schedule its work, which is why the team wants to know what information we may require in future.

I will move on to the topic that we have renamed "agriculture". We have mentioned the priority issue of the Scottish beef industry. Perhaps we should make progress on that matter as part of our broader investigation into the Scottish agricultural situation. As committee members have already discussed the problem with the resumption of beef exports, what do they feel about making progress on that issue?

Lewis Macdonald: I do not think that we can take a sensible look at Scottish agriculture without examining how we can restore beef export markets.

The Convener: I am concerned that time is passing and that little or no progress has been made on the restoration of the beef export market. Many of the problems associated with that situation exist in Scotland. We need to identify both what those problems are and what methods the Parliament can employ to help the restoration of the export market. It would do a service to the industry to keep the issue in the public eye and

would hopefully give us a chance to define what problems are standing in the way of beef exports.

Alasdair Morgan: I agree with that. I think that this is a chicken-and-egg situation waiting for a virgin birth to happen. There are no facilities in Scotland to prepare beef for export because there is no market for beef exports and there is no market for beef exports because there are no facilities to prepare beef for export. We need to find out whether we can do anything about that situation.

The Convener: Do we need to commission any further research on that topic?

Lewis Macdonald: It would be useful to keep up to date on any developments in the beef export market. I believe that the market is zero at the moment and that nothing has moved since 1 August. We should be kept up to date with any changes in that situation.

The Convener: The matter seems to have faded away after all the publicity that was generated by the lifting of the ban, and other issues have taken priority. Given that the issue is not receiving as much publicity as it should, it would be interesting to know what the latest position is. Is it possible for SPICe to conduct some research into the current position of the beef export market?

Lewis Macdonald: Perhaps we should consider the situation in a month or two, by which time the industry—particularly the slaughtering end—will have had time to work through the options and will know whether it will be able to make progress on the issue in Scotland.

The Convener: I would be interested to know whether progress has been made in that area, as the issue has certainly faded from public interest.

Alex Fergusson: It would be worth asking the Meat and Livestock Commission, our agent for selling beef abroad, how negotiations are progressing with various European meat importers. The organisation should also be able to give us fairly up-to-date figures or some hope about when active export might happen.

The Convener: I understand that the SPICe team has met the Meat and Livestock Commission, which has been doing the rounds. That means that we will be able to elicit information from the MLC on the subject.

Moving down the list, we come to Agenda 2000 reforms to the common agricultural policy. There is a report on that, dated 17 August, and I do not imagine that there have been any changes since then that would require further investigation.

Lewis Macdonald: We should be conducting an continuing investigation into Scottish agriculture.

The Convener: We have spoken about land reform proposals. On 21 September, we are to investigate the prohibition on shellfishing, and that has been added to our list of priorities. Members may want SPICe to get involved in investigations in that area. Would it be more appropriate for us to decide that at our meeting on 21 September?

Richard Lochhead: Yes.

The Convener: During September, we are to receive briefings on transport in rural areas and on the strategy for Scottish forestry.

Lewis Macdonald: You jumped over the reference to the fisheries strategy.

The Convener: Oh, sorry.

Lewis Macdonald: There was a reference to the Scottish Executive rural affairs department's intention to arrange a briefing for MSPs on fishing matters. Is that for all MSPs or only for members of this committee?

Richard Davies: Last week, the department said that one or two members of the Parliament had approached them for a briefing. The department felt that it would be more appropriate to plan a presentation for all MSPs with an interest in the subject, not just for members of this committee. I do not yet have a date for that.

The Convener: The fishing industry remains one of our highest priorities. Would members like any investigations of the industry to be conducted, by SPICe or by this committee?

Lewis Macdonald: The briefing from the department will set some of the parameters for the things that we may want to look into in detail.

The Convener: We note what Lewis Macdonald has said.

Let us move on to other matters on the list, including potential visits. A programme of visits has been set out. We discussed whether it would be appropriate to move the last meeting of Tuesday 30 November to the following Friday. Shall we put that into the minutes as a decision? Members are agreed. So the meeting that would have taken place on 30 November will now take place on 3 December.

We have largely covered the programme of business, we have set out a programme to cover the next two meetings, and we have provisionally agreed the subject of the next meeting after that. We are aware of where the investigations that we are to conduct will fit in with our broader strategy and with our priorities.

We have been presented with a strategy for deciding how committees ought to use the limited budget that is available for travelling around Scotland. We have said in the past that the Rural

Affairs Committee, perhaps more than any other, should be prepared to meet in places other than the Parliament in Edinburgh. We also identified early on that budgetary considerations would be important. The situation has now been explained more clearly.

Before the committee is able to meet outside Edinburgh, we will have to be very careful about how we decide when we should do that. The outline procedure suggests that the subject of the meeting should be relevant to the local population and the committee should show that it will benefit the people in that area if the committee meets there. Where a site visit is proposed a committee should demonstrate that it is essential to enable it to understand the topic being considered. Where the committee wishes to hold an informal meeting outside Edinburgh it should be able to demonstrate the benefits it believes will accrue to the committee or the local population.

Irene McGugan: Is there a difference between the treatment of formal and informal meetings outwith Edinburgh?

The Convener: We have already held an informal meeting of the committee. It would be appropriate to consider an informal meeting when, for example, we are invited to meet the NFU, something we are about to deal with.

Richard Davies: An informal meeting still requires expenditure that has to be approved, but I think would not fall under the rule that says that the bureau must approve the location of any committee meeting.

The Convener: Yes and no, I think.

Moving to the next point in the document, in the case of individual travel on committee business, the trip should be approved by the committee and be designed to obtain information relevant to a current inquiry or one that is planned, and it should represent a more cost-effective way of obtaining the information than any alternative considered; for example, the evidence of a witness.

Initially, requests to utilise the travel budget will go before the conveners group. Each request should be dealt with on its own merit rather than applying a system whereby every committee is allowed one meeting outside Edinburgh, for example. It is then up to the bureau to approve the location of a formal committee meeting in terms of rule 12.3.2 of standing orders.

Does anyone have any comments to make on the outline procedures?

Richard Lochhead: At the conveners meeting perhaps it should be made clear that the Rural Affairs Committee, of all the committees that should meet outside Edinburgh, has the strongest case.

The Convener: The committee of conveners is meeting at the moment, and we are represented there. However, I have already made that point and I will continue to do so.

Lewis Macdonald: We should welcome the clear statement that requests are dealt with on their merits, rather than one per committee, and endeavour to make sure of the application of that.

Alex Fergusson: I notice that there is a reference to one meeting outside Edinburgh per committee, but that the words "for example" do not appear. Is there a move—

The Convener: No—what the conveners group has said is that it is not taking that view; it will not limit committees on an across-the-board basis but will look at each proposal on its merits.

We should now deal with pending invitations. We have an invitation from Alison Hay, council leader of Argyll and Bute Council, to discuss issues of concern in that area—it will arrange an island or a mainland invitation; from Alistair McNeill of the Scottish Landowners Federation to visit privately run estates in Inverness-shire or Midlothian; from Andy Myles of the Royal Society for the Protection of Birds, for a meeting and/or a tour of any operations run by it; from Tom Stove, convener of Shetland Islands Council, to discuss issues of local concern; from Iain Smart of Portree community council to discuss local issues in Skye and Lochalsh; and from Jeff Maxwell of the Macaulay Land Use Research Institute to discuss issues of concern to the committee and how research on land use might assist in resolving such issues. Another invitation, which has been wrongly listed as not subject to travel limitations, is from SRG Young of Dunecht Estates to visit the estate.

Those invitations are relevant to on-going investigations of the committee, but it would be inappropriate to take advantage of the invitations without having an agenda to pursue. We should take the invitations seriously, but leave them until the appropriate time. I suggest that I write on behalf of the committee to thank the individuals and organisations for their invitations.

Rhoda Grant: Many of the reasons that are given for meeting the committee are to discuss issues of local concern. Could you ask those individuals and organisations to give more specific subjects? If we knew exactly what they wanted to speak to us about, it might fit in with what we are doing; otherwise, we could miss something important.

17:00

The Convener: I suggest that we ask those individuals and organisations to outline their areas

of local concern and that we tell them that they will remain on our database and will be approached on any subject on which they might be able to help us. Their invitations could be taken up in due course, if they become relevant to an investigation. I believe that that will encourage them to become involved in the processes of the committee, but will avoid the problems of funding our travel around Scotland. It is a long-term aim of mine that the committee be seen to move round Scotland; the Highlands and Islands, in particular, needs to feel that it is part of the processes of the committee.

Dr Murray: And the south of Scotland.

The Convener: And the north-east—we could have a good argument about this. It is important that everybody feels included by the committee. Where necessary, I will be happy to argue that the committee be funded to travel anywhere in Scotland.

We should be able to deal with a limited number of contacts and invitations without funding. The Scottish Fisheries Protection Agency has invited us to visit its vessel when it is in Leith—we received that invitation in person during our visit to Pentland House. Jim Walker of the NFU has invited us to meet him and his office-bearers at his headquarters in Ingliston. Before he left this afternoon, I asked him whether an evening visit, which would allow us to fit it into the parliamentary week, would be suitable, and he said that that would be okay. Alasdair Fairbairn of the Sea Fish Industry Authority has offered to brief the committee on the role of his organisation—he has invited us visit his offices, but I am sure that it would be possible for him to visit us.

A letter got lost on a fax machine somewhere between me and Richard Davies. It is from the pig convener of the NFU, inviting us to visit pig farms in the Edinburgh area. It will be circulated to committee members as soon as possible. The pig industry is suffering as much as any in the Scottish agricultural sector.

Richard Davies: The letter has just arrived.

The Convener: Here we are. That was a neat move by the fax machine. The letter was sent to me and was faxed on to the clerking team. It is from P M Loggie, policy manager for the NFU, and is an invitation to visit pig units in the Edinburgh area. I have had further phone communication about that, and the people involved understand that the committee is under pressure of time. They would be grateful for the opportunity to come here and make presentations to us if that were considered more appropriate.

I move on to the invitations that we can do something about. Do we have a date for the visit to the fisheries protection vessel when it is in

Leith?

Richard Davies: No.

The Convener: Would it be appropriate for us to contact the Scottish Fisheries Protection Agency and get possible dates with a view to arranging a visit by members of the committee?

Members indicated agreement.

The Convener: We have attempted before to organise a date for a meeting with Jim Walker and the office-bearers of the NFU, and failed to do so. We now have an open invitation, so that if we can arrange a date, they will try to fit in with it. Does the committee want to arrange a date in the current parliamentary year?

Members indicated agreement.

The Convener: Would it be appropriate to arrange an evening that can be fitted in with parliamentary business?

Members indicated agreement.

The Convener: I do not know what members' domestic arrangements are. Would a Tuesday or a Wednesday evening be preferred? There are bids for Tuesdays and Wednesdays.

Mr Munro: Let us have a show of hands.

The Convener: There is a definite preference for Wednesday evening. We will see whether that can be arranged. Members of the Sea Fish Industry Authority wish to brief the committee on the authority's role and work. Do we want to visit them, or would the committee prefer someone to come to the Parliament?

Lewis Macdonald: I have a query about Jim Walker and the NFU, and the same query about this. If it is useful for us to see them in situ, and there is a real reason for doing that, that is fine, as long as the clerk is satisfied that there is a good reason for going there and that we will learn things there that we would not learn here.

The Convener: Should we make contact with Alasdair Fairbairn to agree an appropriate date and to ask whether he would prefer to come here or for us to go to him?

Members indicated agreement.

The Convener: The letter from the pig farmers and the subsequent discussion have resulted in them volunteering to come and make a presentation. Shall we make further contact with them to establish a suitable date? The person who spoke to me today said, "Any time, any place."

Members indicated agreement.

The Convener: We will make further contact to arrange something.

Mr Munro: The pig farmers are due a lot of support. It is one of the agricultural sectors that does not get any state subsidy or support.

The Convener: The content of the presentation is likely to be an explanation of the pig farmers' position.

Minutes

The Convener: Members will notice that the minutes of the previous meeting are published at the back of the paper that was issued for today. The clerk tells me that it is not a requirement that they should be published, but that it has been suggested that it would be appropriate to include them so that anyone wishing to comment on them can do so.

Cathy Peattie: I have no wish to be awkward, but I would like it to be recorded that I did not know that the meeting was happening, rather than have it appear that I did not turn up.

The Convener: We will look into methods of communication. The next scheduled meeting is on 21 September, when we will examine the problems associated with the current ban on shellfish fishing because of amnesic shellfish poisoning.

Are there any other comments relevant to this meeting? Not any other competent business, you understand. [*Laughter.*] It was quite an achievement to do everything that we have done in three hours and 11 minutes. Thank you.

Meeting closed at 17:11.

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