

RURAL AFFAIRS COMMITTEE

Tuesday 30 May 2000
(*Afternoon*)

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RURAL AFFAIRS COMMITTEE

15th Meeting 2000, Session 1

CONVENER

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

DEPUTY CONVENER

*Alasdair Morgan (Galloway and Upper Nithsdale) (SNP)

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)

*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 ALSO ATTENDED:

Christine Grahame (South of Scotland) (SNP)

Ian Jenkins (Tweeddale, Ettrick and Lauderdale) (LD)

Euan Robson (Roxburgh and Berwickshire) (LD)

Professor Mark Shucksmith (Adviser)

WITNESSES

Tony Fitzpatrick (European Rural Exchange)

Ewen Gabriel (Scottish Council for Development and Industry)

David Hawthorn (LEADER Network)

David McFadyen (Locate in Scotland)

Raymond Young (New Deal Rural Task Force)

CLERK TEAM LEADER

Richard Davies

SENIOR ASSISTANT CLERK

Richard Walsh

ASSISTANT CLERK

Tracey Hawe

LOCATION

The Hub

Scottish Parliament

Rural Affairs Committee

Tuesday 30 May 2000

(Afternoon)

[THE CONVENER *opened the meeting at 14:06*]

The Convener (Alex Johnstone): Good afternoon, ladies and gentlemen, and thank you for your attendance. We are running a few minutes late, but we are meeting in another unusual venue and five minutes to get people here is not bad going.

Before we proceed with our main business of the afternoon, I would like to discuss a couple of issues with members of the committee. I suggest that item 5 on the agenda, which is a draft report on the Scottish Executive's budget proposals for 2000-01, be taken in private. Does that meet with members' approval?

Mr Mike Rumbles (West Aberdeenshire and Kincardine) (LD): Is it a draft report?

The Convener: Yes.

Members indicated agreement.

The Convener: Item 5 will be taken in private.

In order to deal first with those matters that we wish to have included in the *Official Report*, I suggest that we take item 4, which concerns the Borders rail debate, before item 3, which is future business and does not need to appear in the *Official Report*. Is that agreed?

Members indicated agreement.

Alex Fergusson (South of Scotland) (Con): I have heard that Christine Grahame is very keen to be present for item 4. Has she been informed of the change that we are making? I know that she asked you about the timetable for our meeting, convener. She was going to arrive at around half past three.

The Convener: She should be safe. Do we have enough seats to go round? After all this waiting, it is nice to have a crowd.

Rural Employment

The Convener: Item 2 on the agenda is the continuation of our inquiry into changing employment patterns in rural Scotland. The purpose of this item is for the committee to hear further evidence. With us today are representatives from a number of organisations. It

has been suggested that, to make things easy, they give evidence in two groups.

The first group is made up of Raymond Young of new deal rural task force, who is accompanied by his adviser Charlie Husband; Ewen Gabriel of the Scottish Council for Development and Industry; and Roy Kirk and David McFadyen of Locate in Scotland. I propose to invite those gentlemen, beginning with the representatives of Locate in Scotland, to speak to their reports. After we have questioned them individually, there will be a short period when anybody who wishes to cross-question them can do so.

David McFadyen (Locate in Scotland): Thank you for the invitation. I trust that the short paper that we provided in advance was of some help to the committee. Rather than read it out, I thought it might be better to talk briefly about some of the background and our approach to inward investment in rural Scotland.

The approach taken towards rural Scotland was a new and unique venture for Locate in Scotland and required some fundamental changes in our approach to inward investment and our local product market. The constant has been our focus on our customers, which in this case are rural Scotland and our prospective client base in the international business community. The rural team's aims and objectives mirror those of Locate in Scotland. It is only the approach that we adopt to win inward investment that differs.

First, I will explain what Locate in Scotland does. As per our current mission statement, we seek to contribute to the achievement of Scotland's economic development aims through the delivery of a wide portfolio of inward investment. To do that, we identify mobile investment opportunities, assess where and whether Scotland has the strengths to attract them, and where a match exists we will proactively market it. We offer Scotland as a sales proposition. We question and seek to listen to and understand our clients' needs, and from that we propose potential opportunities and solutions in Scotland, which I hope we can differentiate from the wide competition that exists around Europe and further afield.

Until 1998, the way in which we practised inward investment was more a reflection of economic policy than regional policy, in that Locate in Scotland focused on Scotland as a product. We did not seek to focus on any specific areas, or indeed point clients to specific areas. We pointed them to where solutions were apparent for their needs. Our focus was also generally on large projects that required a large infrastructure and demographics that typically would be found in the central belt or urbanised Scotland.

In the summer of 1998, Brian Wilson, who was then the industry minister, came to us during the discussions that he was having on the difficulties in the Borders and the wider discussions on rural Scotland, and invited us to consider setting up a team to look at rural Scotland. Resources were allocated to that task and the team was set up by September of that year. Our first step was to define rural, to give us something to aim for. We were determined to take a positive approach to the subject and decided to have no preconceived ideas.

We felt that it was better to go in with a blank sheet of paper and to be prepared to look at things differently. We acknowledged from the outset that while there were similar challenges across rural Scotland in terms of demography and transport, for example, areas had to decide for themselves what would fit them best. The challenges for different areas might be similar, but the opportunities and the strengths were not. It was also clear from the outset that we could not possibly succeed unless we had strong local partnerships.

We wished to establish the strengths and opportunities in rural Scotland, build projects—or at least propositions—around them, test products, and take them to market. We recognised that Locate in Scotland's existing practice probably failed to exploit strengths and opportunities in different parts of Scotland.

14:15

We needed to understand much better the strengths and opportunities that rural Scotland can bring to bear. We also accepted, breaking from our traditional model, that a reasonable number of small projects can have a disproportionate impact on rural communities.

The role of the team was to establish a close liaison with Highlands and Islands Enterprise, the various Scottish Enterprise local enterprise companies and local authorities. Initially, the purpose of liaison was to explain our role, our commitment and our ideas, but it was also to stress that projects had to be led locally. We could not determine the strengths or aspirations of local areas; other people had to do that and pass the information to us in order for us to respond.

We sought to stress the fact that inward investment was not necessarily a quick fix and that it was certainly not a cure for local rural economies. We took that message to Highlands and Islands Enterprise and the LECs during the latter part of 1998. We also established a broad remit for the team, which was to achieve investment of all types and from all sectors, including Scottish indigenous companies. For the

first time, Locate in Scotland, or at least one part of it, was perfectly entitled to engage with existing Scottish companies to discuss expansion or growth into other parts of Scotland.

In the early stages, with the help of local enterprise companies and local authorities, we started the audit of the local product to establish or try to recognise the strengths and opportunities and to identify and, hopefully, begin to address areas of weakness. From that, we established propositions and started a series of exemplar case studies. We did that using local resources and our own design team in Scottish Enterprise; companies such as British Telecom; potential customers to test the product that we were offering; the Employment Service; and local colleges of education.

At the same time, we sought to build a database of existing companies, overseas companies and inward-investing companies across rural Scotland and to establish contact with all existing investors, integrating them into our new investor support strategy, which spans all Locate in Scotland's activities.

When the proposals were agreed in the local areas, we then sought to encourage them in the product build, through physical business infrastructure, training, demographics, skills and the whole range of things that we package to take to potential investors.

At the same time, we sought to pursue areas of research where we saw real opportunities. Those were in such areas as call centres, financial services, industrial textiles, forestry and the care sector. We also took the product—or the project opportunities, as they were then—to the LIS field teams worldwide, so that our Asian, American and European teams could use the information as part of their marketing.

In all, the process to date has been remarkably successful. I am not saying that simply from a Locate in Scotland standpoint, but from what we have seen and detected around rural Scotland. We have met all our initial targets, including project success, and now, for the first time, we have some reliable data on the extent of inward investment across rural Scotland and a database of cases to build on.

For the past year—forgive me if I do not go into details on this, convener; our results are not due to be announced for another few weeks yet—we can say with confidence that the number of projects around rural Scotland, including the Highlands and Islands Enterprise area, is in double figures, with the number of jobs in four figures, and there is a strong pipeline of considerable client interest.

To date, we have achieved an increase in local product and confidence has greatly increased

among local enterprise companies and local authorities in what inward investment can bring and where it can bring it. It is not, however a complete solution. We have also noted and highlighted some areas of continued weakness and areas that require further attention, such as demographic data, skills and skills growth, property provision and some areas of physical business infrastructure.

For the future, we see rural Scotland offering a distinct and strong opportunity. Locate in Scotland cannot achieve that alone; we would never pretend to be able to do so. We need, and to date have had, a close and solid partnership with local enterprise companies and local authorities. The team will not solve all the challenges that are facing rural Scotland. As I said before, it will not provide a short-term fix, but we hope that it will be part of a portfolio of measures that will help to strengthen the local economy. We are committed to a long-term evolving strategy and, in short, we remain very much demand-led while continuing to serve local needs.

The Convener: Thank you very much. We will progress directly to questions to Locate in Scotland to tie up this part of the session.

I want to refer to the four priority areas that you listed; forestry and wood products, care, services—mainly telephone based, as you say in your submission—and food and drink. Where does tourism fit into that structure?

David McFadyen: It certainly exists as a strong product opportunity in rural Scotland. We have been asked on a couple of occasions to make tourism one of our key target sectors. We have declined to do that, to date, for two reasons. First, the majority of small-scale tourism developments happen locally through business growth. That is not a Locate in Scotland added-value area, but an area for local enterprise companies and local authorities. Our key target areas are those that we market proactively worldwide.

The second reason relates to our approach to large mobile investment opportunities in tourism. When such opportunities are identified, we certainly support the case and work with it. However, most of those opportunities tend to arise through the company itself—whether it be Disney or, perhaps, one of the brewery chains—looking at demographics and working out in a matrix the sort of areas in which it would be willing to make such investment. We would get involved at that stage but, with the limitation on our resources, I do not see any great benefit in our scanning the world proactively for such major projects.

The Convener: Two of your key priorities are based largely on what have been considered in the past to be rural primary industries; the other

two are not. Do you differentiate between those two aspects? Is investment seen to be of more value where it fits in with a strategy that is designed to support primary industries, or where it is designed simply to create jobs in the rural environment?

David McFadyen: We do not differentiate so much between primary and non-primary. The differentiation that we have is in listening to local aspirations, desires and opportunities; that is the foundation from which we will look on. We will also bring to a community's attention areas in which we see mobile investment occurring, and that we think might fit, but we would not seek to market that unless, at local level, were told, "Yes. We would like to share in that."

I stress that it is not a case of jobs at any count; we are not there simply to provide jobs, but to provide sustainable employment. In that sense, where there is a link to primary industries, one would hope that sustainability was even stronger.

Cathy Peattie (Falkirk East) (Lab): I am interested that care is listed as one of your priority areas. That seems similar to tourism—perhaps you could explain the difference between developing businesses in the care sector and in tourism.

I am also interested in the IT element—call centres and so on. People I have spoken to in the western isles, for example, were concerned that developing call centres would be difficult because there would not be enough people in the area to sustain such businesses. What approach could be taken to secure such businesses in rural areas?

David McFadyen: I will address the care issue first; it is worthy of some definition. We look at the care sector in a broad sense. I know that some people think of care as homes for the elderly and no more than that. We have done some initial research on this. We are mainly considering private sector or charitable organisations with care facilities or health facilities; anything from a health farm through to an autistic school or some of the private clinics in osteopathy or whatever in London.

We have a major piece of research under way to identify those further to give us specific target areas. We know from conversations with many of the bodies in London that they are looking for opportunities to move out of a very tight labour market into an environment that would be more conducive to the type of care that they are trying to provide. Those organisations bring very skilled and labour-intensive projects. We feel that there is a good fit with Scotland in that. The research is not finished yet so I cannot give a definitive answer, but it is a broad range of care and health-related spheres.

On the IT side, Scotland's initial success—and I mean this for Locate in Scotland in a general sense—was on very large projects. It was not uncommon for us to see call centres or data centres of 1,000, 1,500 or even 2,000 people. The industry has now backed off from that; centres now more typically employ between 200 and 500 people. We feel that they are sustainable in many parts of rural Scotland, but not all; the smaller the community, the smaller the opportunity. In saying that, no one, including the company that runs it, would have believed that Thurso would have supported a 550-person call centre when it started with 50 seats five or six years ago.

Similarly, we now have a very small—15-person—call centre in Kinlochleven. One of the myths that exists is that a call centre is a call centre. Many companies have different applications; some are small but highly skilled, others are large but use a more generic skill.

Cathy Peattie: Are jobs such as those in call centres sustainable? There are concerns that call centres will exist for a year or two and then disappear.

David McFadyen: There is a great debate on this. I have heard more than one answer to that question. I believe that they are sustainable. They will change, but they will need people. North America is four to five years ahead of the UK, which in turn is one to two years ahead of continental Europe in service provision and, in particular, in call centres. We have seen a migration of call centres to web-enabled multi-channel centres, so they might be responding to e-mails or voicemail, but the commonality—even in the United States to date—is the ability to default to a human voice and have a conversation rather than communicate with a programmed voice recognising computer.

I am not saying that the jobs will necessarily stay at the same level, but when you have the centres, you are much more likely to have and sustain whatever will follow on from them than if you do not have them in the first place.

The Convener: Before we move on to the next question, I have been asked by the soundman to remind members to switch off their mobile phones. He is getting some interference.

Richard Lochhead (North-East Scotland) (SNP): I will talk a wee bit about what happens when delegations come to Scotland from potential inward investors. If you talk to people in Dundee, Inverness and Aberdeen, they tell you that it is difficult to get Locate in Scotland to take the delegations beyond Glasgow—never mind into rural areas. Glasgow is usually the point of arrival in Scotland for delegations from, for example, a

Korean company. That is convenient for Locate in Scotland as its offices are in Glasgow. It can put the delegation up in a nice hotel, perhaps take it away for a day trip the next day and it is only here for two days.

Given that it is difficult to get Locate in Scotland to go beyond Glasgow, it must be incredibly difficult to get it to go beyond the cities into rural Scotland. I would like your comments on that. An engineering company, for example, which is looking for somewhere to set up, does not have to set up in Lanarkshire. It could set up in Montrose, Arbroath or Stonehaven, but unfortunately if you speak to economic development agencies it is often impossible to get Locate in Scotland to go to those places. How often do you take delegations that visit Scotland for a couple of days to rural locations? Do you keep statistics? Has there been a change in trends since your rural unit was set up? If so, to what extent have things changed?

14:30

David McFadyen: I recognise the issue immediately, because Locate in Scotland has exactly the same complaint about the Invest in Britain Bureau getting companies out of London. When we complain to London, I have always been struck by the irony that parts of Scotland could level the same accusation at Locate in Scotland.

Missions to this country are not so frequent as one might suppose. We prefer to deal with individual companies rather than with missions, which invariably come from Asia as opposed to continental Europe or North America. When dealing with missions, we are given a brief beforehand from the Foreign and Commonwealth Office and quite often from our office in country. Such briefs invariably say that the delegates want to see silicon glen, as we call it. They usually want to find out about the supply chain for electronics and they want to see companies from their own country. That tends to focus us in on the usual suspects. Also, delegations tend to be on fact-finding tours. It is very unusual for any delegate on a mission to come over here with a live project, but that does not avoid the issue of letting them see product.

Under the new structure of Locate in Scotland in Glasgow, we have three main sectoral teams covering services, electronics, life sciences and chemicals. The fourth leg of that structure is the rural team, which meets weekly with the other sectoral teams to draw to their attention to areas of good, solid product. I do not have figures, but I would be surprised if there had been more than one or two occasions on which an Asian mission had expressed a specific interest in rural Scotland.

Richard Lochhead: I understand the situation

with missions; that is something that must still be addressed. I am not talking so much about missions as about active inquiries. People fly into Glasgow and a case adviser is assigned to give them a tour. Case advisers are renowned for being creatures of habit, so they take their visitors to the same places all the time. As a result, it can be difficult to get those visitors into rural Scotland, because the case advisers have not been there before and it is not where they are used to taking clients.

From Glasgow, it can take two and a half hours to get to Dundee—never mind a rural area. If the clients have been booked into a hotel in Glasgow, the case advisers have to get them back there at night. That is one of the challenges; is that being addressed?

David McFadyen: It certainly is. On case-specific visits, it is being addressed well. I do not have the statistics to hand, but I can let members have the figures for visit levels to rural Scotland over the past 12 months since the unit has been up and running. The rural team regularly meets the three sectoral teams, which host and plan those visits, and it is copied into every inquiry Locate in Scotland receives. The rural team has the opportunity to go back to the sectoral teams and say, "We've got a bit of product that would really suit this company." In that sense, the resources deployed to the rural team exceed those available anywhere else, because every inquiry is passed before the rural team first.

Dr Elaine Murray (Dumfries) (Lab): According to your written submission, there is evidence that your activities have borne fruit. Can you give us some examples of cases where you have been successful in attracting industries and inward investment into rural areas? What particular qualities are attractive in rural areas? What can we learn from the successes that have already been achieved about how to sell rural areas?

One of your four key target sectors is food and drink. Can you expand a little more on what you are doing to locate food and drink industries in rural areas, given the importance of such industries to primary producers in agriculture?

David McFadyen: Certainly. Our successes—I hope by more than coincidence—largely mirror the targets that we set. We have had two or three successes in the services area, including Cap Gemini and Manpower BT. There is also a project in Dumfriesshire, which we are trying to finalise. There has been significant interest in establishing a substantial call centre in the Borders, and we hope to make an announcement relatively soon. Another successful sector has been that of food, with CKI (Scotland) Ltd carrying out fish processing in Eyemouth and Forest Fencing producing wood products in Dumfries.

In all areas, success has been achieved through our awareness—and that of the local enterprise companies—of strengths that can be used in the marketplace to meet people's manufacturing and business needs. In the food sector, as well as talking to people in local areas, we are working closely with the food cluster team as it pursues its research for Locate in Scotland into identifying where gaps can be filled and opportunities taken through inward investment. In addition, we are asking the team to differentiate between rural and non-rural projects.

Dr Murray: Therefore, it is important for local areas to concentrate on their strengths. What sort of advice do you give to LECs and local authorities on developing those strengths and selling them in the global market?

David McFadyen: We first ask about the type of investment that they are looking for, either to achieve balance or to play to their strengths. We then ask them to demonstrate the strengths that they feel can be offered. We conduct a critique with them and try to articulate what we know, from experience, an inward-investing company will be looking for by way of comfort, product strength, skills or demographics.

Early on, we found that the information—the data and statistics—that was available locally was deficient, and that we could not readily say what the potential for returners to work would be or what the skills on the ground would be. We have worked with several local enterprise companies on that. We will also bring in representatives of one or two tame—or friendly—inward-investing companies to sit in front of the local councils and local enterprise companies to ask the questions that they would ask if they had a live investment, to market-test the area.

Although the availability of skills and property is important—in many cases, we cannot wait a year or 18 months for something to be set up—increasingly it comes down to enthusiasm. One of the biggest differentiators, in any part of Scotland, is the warmth and enthusiasm of people whom companies deal with locally. The confidence-building power of such enthusiasm is amazing.

Alasdair Morgan (Galloway and Upper Nithsdale) (SNP): I return to a point that you made in reply to Richard Lochhead. You talked about the briefs that the Foreign Office sends to you about what a trade mission is looking for. I presume that it has received that information from its trade representative, from the Invest in Britain Bureau or from Locate in Scotland. To what extent do we need to educate people in embassies or other offices abroad about what is going on here? Perhaps the problem is that they are unaware of what is going on outside Livingston, Glenrothes, or wherever.

David McFadyen: We need continually to update and educate all posts in embassies and consulates around the world, regarding specific product opportunities, instead of simply pointing out the good areas. Everyone is saying, "We have a great quality of life, superb skills and a great building; come to us"—not just in the UK, but everywhere in the western world.

When we can say that a product is unique and special—in the Borders, it might be a converted mill that can host call centre operations—that might catch someone's imagination. We can feature it in our newsletter or promote it in a variety of ways. However, we need that proposition to begin with. In other parts of Scotland, we might talk about our electronic strengths and the number of PCs we manufacture, but companies become immune to that approach after a while. If a big facility is available, that will be dealt with separately and advertised across the posts.

Alasdair Morgan: The setting up of the rural section of Locate in Scotland has enabled us to take advantage of opportunities that we previously missed out on. Are you now in a position to assess realistically whether you have adequate resources?

David McFadyen: One could always argue for more resources, and we have been successful. Whenever I try to get hold of members of the team, they are never there: they are always on the road and are clearly busy. It is a question of priorities. I would not want rural inward investment to be regarded as the preserve of Locate in Scotland: it is not. We can take it to market, in which sense the whole of Locate in Scotland will take it to market for us.

The team's responsibility is to get the product right with the LEC and the local authorities. Increasingly, we will be calling on their resources—if they wish to play. We do not force any area of Scotland into this. We will tell people what we are willing to do, but that will be done as a response, rather than proactively.

Alex Fergusson: Some of my questions have already been taken up by Elaine Murray. You said that when you started out, you asked different regions to tell you what they thought their strengths and weaknesses were. Did all regions respond with the same vigour, or did you notice any differences? If you did notice a difference, would the strength with which a region had sold itself to you alter the vigour with which Locate in Scotland supported investment in that area?

David McFadyen: Yes. It would be fair to say that, as we went round all of Scotland, the response was mixed. Nowhere was there a negative response, but in some areas this issue

was a far higher priority than in others. Initially, we piloted much of our proposition work and product build work in the three rural local enterprise companies—Dumfries and Galloway, Scottish Enterprise Borders, and Moray, Badenoch and Strathspey. We also continued our dialogue with Highlands and Islands Enterprise. For some of the larger local enterprise companies with major urban centres and relatively small rural hinterlands, the priority was clearly lower.

I suppose that you could measure our activity by the responses that we receive, and it might be fair to do so. One or two areas, where we have not had as regular a dialogue as we have had in Dumfries and Galloway or in the Borders, have come to us with a strong product that we have been delighted to take to market.

Alex Fergusson: I might have picked you up wrongly, but I think that you said that you hoped, by the end of this year when the report comes out, to have produced a four-figure number of jobs in the Highlands and Islands.

David McFadyen: No, in Scotland.

Alex Fergusson: In that case, my question is null and void.

Rhoda Grant (Highlands and Islands) (Lab): You said that call centres might develop and begin to use the internet. Is it a problem that some companies, such as BT, which invest in updating IT links tend to concentrate their efforts in urban areas and not rural areas? Could that be a threat to jobs?

David McFadyen: That is certainly a consideration in some areas. It depends what the centre is trying to do. If a centre is ISDN capable, as most of the centres that we examined were, it can be a web-enabled call centre. It depends what one is trying to put down the line.

Until recently, Scotland, let alone parts of rural Scotland, would have had difficulty hosting some projects because of the huge bandwidth. Such projects will always be limited in where they can go, even in Europe. In Scotland, we can now accommodate anything, but in some areas we can accommodate less. Recently, members might have seen a major announcement about a digital media campus in Pembrokeshire, Wales. That has no greater capability or bandwidth than many parts of rural Scotland. We are used to hype in my game, I am afraid. There will be constraints, but at the moment, none of the customers to whom we are talking would feel constrained.

14:45

Rhoda Grant: Will it be more of a problem in future, if technology moves further ahead?

David McFadyen: It could well be, depending on the bandwidth that is put down to the centres. We are not complacent about that. I know that the infrastructure providers in Highlands and Islands Enterprise and Scottish Enterprise are considering that. One of the problems is picking the technology, because people gear up for one, only to find that it has been leapfrogged tomorrow.

Rhoda Grant: What would you see as the main barriers to attracting inward investment in rural areas?

David McFadyen: The main barriers—or challenges—are property and people. We are convinced that the people and the skills sets are there, but having the information to demonstrate that to a sometimes sceptical customer base is awkward. Physical transport will always be an issue. For a French or a German company, or even someone from the south-east, getting into Scotland can be difficult enough. Then we might have a reasonable drive to get them to where they are going. We seek to manage expectations from the outset. Having the physical product—the building—with the information back-up is still our biggest challenge in many areas. The Employment Service and local enterprise companies have been superb to date in helping us build the database.

Mr Rumbles: How do you assess your success in rural Scotland? What specific criteria do you use?

David McFadyen: Because this was our first full year of operation, our main target was to ensure that we had reached certain milestones. We had agreed an operational strategy across local enterprise companies and with Highlands and Islands Enterprise, which defined the areas that we would market to. We have completed the marketing exercises, have had the hit rate that we wanted and have met our visit targets—companies coming to visit rural areas. Project success is another measure. At the end of the day, we are not in business to host nice visits for potential customers; we are in the business of winning projects.

Mr Rumbles: You have told me about the marketing strategy and the visit targets, but as you have just said, at the end of the day it is about the end-product. How would you assess your success in bringing projects to rural Scotland?

David McFadyen: Last year, we set a target of four projects with about 500 jobs—I cannot remember the figures offhand—and a certain amount of investment. We have substantially exceeded that this year.

Mr Rumbles: That was a specific target. You had an aim and you achieved it. It is not a case of not having a target.

David McFadyen: No. From the first full year of operation, we set ourselves a project success target.

Mr Rumbles: May I ask how you define rural areas?

David McFadyen: We considered a variety of definitions and were surprised that there were so many—as I am sure that members of the committee would be. We took the fairly standard definition of population per square kilometre, but twisted it a little to include market towns and settlements in those areas. For example, we included Dumfries and Galashiels, because in those areas we would be likely to have quick wins in some categories. We took that definition with a map overlay to the local enterprise companies, to ask whether they agreed with that approach. Essentially, we took the standard Scottish Executive definition and included market towns.

The Convener: Thank you for your contribution.

Our next witness is Ewen Gabriel of the Scottish Council for Development and Industry. Thank you for coming today. We will be pleased to hear what you have to tell us. I understand that you are based in Inverness—is that right?

Ewen Gabriel (Scottish Council for Development and Industry): Yes.

I thank the Rural Affairs Committee for giving me the opportunity to give this presentation on behalf of Scottish Council for Development and Industry. It is a privilege to be here.

I would like to give members some information about SCDI, particularly on SCDI in the Highlands and Islands. The core business of SCDI is policy and representational activity; the SCDI Highlands and Islands committee has adopted that as its main role in promoting business expansion and economic development in the region. A substantial catalogue of issues has been addressed over several years, beginning in 1993 with the Braer oil spillage, when SCDI Highlands and Islands supported the Shetland community, particularly the salmon farming industry. Since then, we have campaigned on many issues; currently we are campaigning on the coverage of assisted area status because certain areas of the Highlands and Islands—Moray, Badenoch and Strathspey and Nairn—are being taken out of that map. SCDI is recommending that assisted area status should apply to the whole Highlands and Islands area as a unit.

The SCDI Highlands and Islands committee is strong and influential. It includes representatives and leaders of the various business communities, such as the director of the UK Atomic Energy Authority in Dounreay, the regional director of the Scottish Environment Protection Agency, the

managing director of Barmac and the regional director of Scottish Natural Heritage. The construction industry is also well represented by the top people in Morrison and Tulloch. The chief executive of Highland Council is also involved in our committee. We are an influential group.

The committee particularly welcomes the opportunity to give evidence in the inquiry into the impact of changing employment patterns in rural Scotland. I will refer to the main points of the SCDI consultation response in the order in which they appear in the paper. Where appropriate, I will make further observations in more detail. No attempt has been made to enlarge upon the very comprehensive sectors such as fishing and agriculture, which are already the subjects of recent consultation submissions.

In paragraph 2 of the submission, we thought it appropriate to record the statement from the briefing paper:

"The Scottish Executive is committed to supporting and enhancing all aspects of rural life, including ensuring the sustainability of local economies."

SCDI also notes that the terms of reference of the inquiry focus on the issues of employment, poverty and housing. Therefore we have set six objectives, following the initial policy document. We have divided our response into those key areas.

SCDI also highlights another area of the inquiry, which is to investigate the effectiveness of current policy responses. We make two references to that. In paragraph 8, we refer to the recent consultation, "Towards a Development Strategy for Rural Scotland". Although some issues in that consultation, such as land reform, have been progressed, democratisation and greater control by local communities—both of which were mentioned as significant in the original consultation—have not been progressed. Non-governmental organisations can still control which economic developments happen or do not happen in rural areas. One example of that is the inordinate delay, through NGO activity, in the progression of the Cairngorm funicular railway, which has had a significant impact on the development of Aviemore and the surrounding area.

SCDI presses for a full partnership approach between local authorities, Government agencies, the Scottish Executive, the UK Government and the European Union in supporting rural Scotland in meeting the challenges of changing employment patterns.

I now refer to the objectives of the consultation. Objective 1 is to identify the key drivers of changes in employment patterns and to analyse the reasons for those changes. There has been a decline in manufacturing and an increase in

service employment, similar to that which has taken place in urban areas. There has also been a continued downturn in farming and sea fishing employment, and a reduction in full-time work and a corresponding increase in part-time employment. Very significantly, the demise of many major employers has hit local communities. SCDI feels that those changes are driven substantially by enlargement in Europe, along with increasing competition and other economic factors resulting from globalisation.

Another significant factor creating change is the rapid development of technology, which inevitably results in lower employment requirements. Rationalisation into larger, supposedly more economically efficient businesses is creating havoc with employment patterns and leading to ever-decreasing job opportunities. I say supposedly more efficient—I do not know how many people in this room have tried to make inquiries about their telephone, gas or electricity services, but it can take a whole morning to get to speak to a human being, because of the queuing system. For that reason, I am not sure that larger companies are more efficient.

Objective 2 is to identify who gains and who loses as a result of changing employment patterns. SCDI considers local communities, whether rural or urban, to be the losers. The winners are our worldwide competitors and company shareholders. Who cares about remote localities?

Objective 3 is to assess the impact of changes on rural communities, particularly on incomes and housing. SCDI sees the loss of job security as an increasing problem. In both urban and rural areas, there is a trend towards flexible labour markets and short-term contract work, which leads to a general loss of job security. Like lifelong learning, a job for life is not a bad thing.

When discussing falling incomes and rising costs, we highlight the particularly high fuel costs in rural areas. Let us take as an example the price differential between urban and rural areas in diesel and petrol costs. We feel that that differential could be readily avoided and that it is a simple problem that has been made difficult, although someone might want to ask me about that in a moment or two.

15:00

The revised common agricultural policy decouples funding assistance from production. Support for farming is essential, and direct payments relating to the country stewardship role and environmental protection should be progressed as quickly as possible, to save the farming industry.

A similar situation occurs in relation to the review of the common fisheries policy in 2002. There will be big changes in the CFP, which could result in equal access to fishing in Europe. The SCDI observation on that point is that equal access must never happen in the fishing industry.

Adequate rural housing is considered to be vital, but the development of rural housing is constrained through lack of suitable land—that is quite a significant problem. However, with land reform now happening and with the abolition of the feudal system in particular, we expect that situation to improve.

The committee's inquiry and consultation is an ideal opportunity to ensure that the Scottish Executive's broader policy framework is geared towards the promotion of access to affordable energy-efficient housing for all rural Scotland. The healthy homes initiative, the new housing partnerships and investment in modernisation should all be promoted.

On rural investment, opportunities should be taken to expand Locate in Scotland's initiatives in identifying local needs and developing competitive relocation arrangements through the recently established rural inward investment team. Assistance to forestry should include the formulation of policy to create processing operations and, therefore, jobs in forest areas.

Developing information and communications technology in remote rural areas should be a specific policy. The early installation of asymmetric digital subscriber lines and ISDN, which was referred to earlier, is required so that the more remote areas are able to benefit from expansion into e-commerce.

Objective 5 is the identification of best practice and areas for improvement in policies. While consultation with industry, local interest groups and individuals and liaison with Scottish Enterprise and Highlands and Islands Enterprise through local enterprise companies is a welcome procedure, SCDI believes that the consultation process requires streamlining. It is recorded that the research includes the study of issues such as rural social inclusion, service provision, rural retailing, the role of rural shops, enterprise, employment issues and transport. However, each of those economic components is under threat in rural Scotland through the closure of local shops, post offices, banks and filling stations, the differentials in petrol and diesel prices, deteriorating roads, high air travel prices, poor housing standards and fragile employment patterns.

I will touch on high air travel prices. Earlier this year, we welcomed the Chancellor of the Exchequer's comments that all flights from the

Highlands and Islands would be exempt from air passenger duty. However, we do not think that that is so fine now, as we realise that air travel into the Highlands and Islands will be quite possibly subject to air passenger duty, which would maintain the status quo. That is quite a disappointment, and the SCDI will pursue that matter.

The mechanisms that are in place to respond to major redundancies should be reviewed, to improve the Scottish Executive's response. For example, let us consider Barnac. Redundancies are forthcoming but, in the meantime, significant parts of the surrounding area have been removed from the assisted areas map. That is another issue that requires attention.

Finally, so that the weakening position in rural employment can be reversed and a strengthening jobs infrastructure achieved, it is vital that the responses in the inquiry be analysed fully, and that corrective measures be driven forward by the Scottish Executive.

The Convener: We will now move to questions. Would someone like to open?

Dr Murray: You said that a job for life was no bad thing. I am sure that many of us would agree with that. You mentioned the problems of flexible labour markets and short-term contract working, and you suggest that perhaps there should be a policy of encouraging security of employment. What do you envisage being in that policy, given that globally there is a movement towards regular job changes? It is expected that most people may have seven or eight different jobs in their working lives. The concentration is on trying to help people to update their skills so that they can take opportunities when new jobs come along. What sort of policy would encourage security of employment, particularly in rural areas?

Ewen Gabriel: That is a particularly difficult question. It is one that I anticipated, but I am not sure that I can answer it well. The main problem is that the development of multinational companies is causing this situation. Sectors such as the financial sector make profits of millions of pounds a day. The situation in which rural communities with weak economies find themselves could be eased if larger companies were more understanding. Inward investment might be made easier, and there might be better opportunities in rural areas.

Dr Murray: That is laudable. How can you enforce that in a global marketplace, where companies can make more money elsewhere? It is not that I disagree with what you are saying, but the problem for Government is that the companies can make larger profits in other countries, so off they go.

Ewen Gabriel: The position is that production costs for multinational companies are less in developing countries. The big issue is how we can get a better balance.

Mr John Munro (Ross, Skye and Inverness West) (LD): It was interesting to hear you address the topical issue of assisted area status for the Highlands and Islands. I know that most of the public agencies in the Highlands and Islands are anxious to retain the unity of the current arrangements. It seems strange that we should be cutting a huge, fragile rural area from the Highlands to redraw the boundaries of the assisted area. What does your organisation think about that?

Ewen Gabriel: We feel that the Highlands and Islands should be considered a single economic entity. We also feel that the removal of some areas from the assisted areas map is contrary to the previous position with objective 1 and the current position with transitional funding. The removal of areas is a contradiction—the areas that are removed need to be in the assisted areas, as that is where inward investment will come for job creation. We are looking at supporting the inclusion of Inverness, for example, in the Highlands and Islands assisted area.

Mr Munro: For all the suggestions about Inverness being the fastest-growing town in Europe and about the wealth that emanates from it, it is generally accepted that what is needed is for Inverness's core element to be dispersed into the periphery—that would be a healthy economy in anybody's language.

Last week, I attended a meeting in the Highlands to discuss the run-down of work in the oil fabrication industry. It is well known in this committee that the major fabrication yards in the Highlands and Islands will shortly be open only for care and maintenance, with a resultant loss of jobs. Is there any thought in Locate in Scotland or in your organisation about trying to persuade the oil industry that now is the time to bring its redundant rigs ashore and create a new form of employment in the dismantling of the structures?

Ewen Gabriel: That is a good question. In fact, SCDI was pressing for the development of decommissioning some years ago, when Barmac was in the ideal position of being in the construction phase—not the destruction phase—of the industry. Of course, things change, and we are still pressing for decommissioning in the Cromarty firth and the inner Moray firth.

Mr Munro: I think that you hinted that you may have a solution to the problem of high fuel prices.

Ewen Gabriel: I might have hinted that, yes. We feel that the big issue has always been the price differential rather than the price per se. Nobody is

ripping anybody off. There are tight margins through the production levels, through transport and through the retail side. The differential is a direct result of the smaller traders having to increase their prices with a lower turnover. They cannot compete with the higher-turnover filling stations.

The whole problem is exacerbated by the fact that we top up in rural filling stations but fill up in urban filling stations. We all do it; I am sure that everyone in this room does it and I know that I do. I am not suggesting one price category—that would not happen—but greater equalisation would solve the problem. That could be achieved with the demise of the fuel price escalator. It would create the environment in the production and sales sides in which a small increase of, say, less than 2p per litre in urban areas would support or more than fund the requirements in rural areas. That is a different point of view: in SCDI, we call it an upward equalisation.

Alasdair Morgan: What size of differentials are you talking about?

Ewen Gabriel: The differential today is an average—we must talk about averages; I do not know about the absolute figure—of 12p per litre, for both diesel and petrol. That means that it costs someone in rural areas £6.50 more on average to fill up an average car's tank. It costs £65 more to fill up a small heavy goods vehicle with diesel. We feel that those two observations—£6.50 for cars and £65 for HGVs—are all the information people need. The situation is very detrimental to rural areas.

Alasdair Morgan: You must be talking about specific rural areas. Apart from in the depths of rural Galloway, the differential now is probably only tuppence or thruppence a litre between rural areas and, say, central Edinburgh.

Ewen Gabriel: Yes, but the differential still exists. In any case, it to's and fro's quite a lot and, with real increases in prices in recent months, the differential has dropped a bit, although it is beginning to rise again.

Alasdair Morgan: How can you still say that the problem is the differential, when that may be only 2p or 3p. Is not the problem the fact that the base price is about 81p or 82p?

Ewen Gabriel: Yes.

Alasdair Morgan: Quite frankly, fuel will be very expensive regardless of whether it costs 82p or 84p.

Ewen Gabriel: I was talking about how the price affects rural filling stations, the closure of which is tantamount to economic decline. That is happening not through the differential, but through the price. The trading levels are so low that rural

filling stations do not stand a chance of surviving. A large filling station can operate on a margin of 2p per litre, but a smaller station cannot think of surviving on those levels.

15:15

Lewis Macdonald (Aberdeen Central) (Lab): Petrol prices are often brought to the committee's attention. Are you suggesting a premium on urban petrol prices that would be imposed by Government on the oil companies?

Ewen Gabriel: Somewhere in the formulation of the structure that would be the way forward. As the price increase through tax in effect reduces the cost of fuel, it would be desirable to add on that 2p, because nobody would notice it. That would fund the differential in rural areas.

Lewis Macdonald: Would that come out of the profits of the oil companies?

Ewen Gabriel: Somebody has to pay for it. You will notice that I am avoiding the word "subsidy", as I do not think that that is the way forward. The matter revolves around income, middle line and profit.

Lewis Macdonald: You touched on the role of the enterprise networks, but did not go into great depth. In terms of providing a lead on economic development in rural Scotland, do you see the networks as key, or do you think that other agencies are important?

Ewen Gabriel: The local enterprise network is in an ideal position to identify local needs. It is also in an ideal position to identify and establish best practice. I see that structure as the way forward. However, enterprise companies must be responsible for the development of their own budgets. I am not sure whether that happens within the local enterprise network. I know that it is policy, but enterprise companies should be given more opportunities to drive forward their own business plans and future development.

Lewis Macdonald: Does the social development requirement on Highlands and Islands Enterprise, as distinct from the requirements on Scottish Enterprise, make a difference in terms of jobs?

Ewen Gabriel: Yes, it does. The difference between Scottish Enterprise and Highlands and Islands Enterprise is that the area that Highlands and Islands Enterprise covers is largely rural, with the exception of Inverness. As such, Highlands and Islands Enterprise gets closer to communities, where there is greater need for the continued assistance of the agency.

Irene McGugan (North-East Scotland) (SNP): Paragraph 23 of your paper identifies what you

call the key areas requiring attention. It is a comprehensive list of everything from low wages and transport infrastructure to child care, job security and housing. There seem to be particular difficulties with training opportunities in rural areas. Can you say a little more about that? What is the role for employers in addressing some of those issues? How can employers in rural areas be encouraged to offer more and better jobs?

Ewen Gabriel: You will notice that my submission marries training with business development and expansion. I feel certain that training is a waste of time if it is done purely for training's sake. Training must provide the expertise that allows the participant to get involved in business development and expansion. It must be related to employment. There is a need for employers to get more involved in training. They could have closer links with the agencies, whether the parent body or the local enterprise companies. We need to identify the benefits of training to employers. Employers take the view that time is money and that, if they put their personnel out to lengthy training workshops, their profitability will be hit. We need to find ways around that—perhaps there should be some recompense for industry.

Irene McGugan: It seems that, whenever money is tight and profits are low, one of the first things to go is training and development.

Ewen Gabriel: That is right. Anyone doing a vertical analysis of sales and overheads would look to cut the training element. Perhaps there should be more incentive for business to get involved in training and more work on identifying its true worth. Let us face it—as business is always saying, the biggest asset of any business is its personnel. We may now have a chance to show businesses that they should be supporting their personnel rather more. However, they may need some sort of incentive.

Irene McGugan: What might that incentive be?

Ewen Gabriel: Employers need to be made more aware of what it would mean for them if their staff had additional skills. They need to be shown that a certain sum spent on training increases turnover by a certain percentage. That would be a good incentive. Perhaps we should be training the leaders of industry.

Mr Rumbles: My focus is on reviewing current policy to support employment in rural Scotland. This month, Aberdeenshire Council announced that it was losing 150 rural jobs. Next Tuesday there will be a crunch meeting of Mid Deeside Ltd, part of the Royal Deeside partnership. Rural partnership funding is no longer available to Mid Deeside Ltd and, if it closes, jobs will be lost throughout Deeside. It strikes me that we are losing jobs hand over fist in some rural areas while

organisations such as Locate in Scotland and SCDI are working with local organisations to create jobs. I do not know about you, but that makes me feel frustrated. Do you feel frustrated that at the same time as you are doing your work, worth while as it is, other elements of government, including Executive policy, are causing problems?

Ewen Gabriel: I am very concerned, that is for sure, although I am not sure that I would use the word "frustrated". There are reasons for the loss of employment in rural areas, the most important of which is transport costs. We have to start taking seriously the higher transport costs in rural areas. We are not doing that at the moment. I am sorry to go back to a subject that we have already aired, but the price differential in fuel costs needs to be ironed out. That would immediately make a big impact.

Mr Rumbles: The Scottish Parliament does not have any say in determining transport costs. Can we focus on areas where we have some direct influence, such as enterprise companies?

Ewen Gabriel: I am sure that we can.

Mr Rumbles: I am sorry that I threw you off your stride.

Ewen Gabriel: No, you have made a very significant observation. I have thought long and hard on the subject and I keep coming back to the need for communication, transport, information technology and so on, much of which needs to be developed. An impetus is needed to begin that development, but the impetus is currently going the other way, out of rural areas; we want to get the impetus back into rural areas. We need to improve the communication network in all four aspects of transport: road, rail, sea and air. Perhaps that will be achieved through the transport partnership authorities that we are talking about. I know that I have come back to transport again, but I have thought about this long and hard—we must do something about transport.

Mr Rumbles: I am focusing on the local level. Mid Deeside Ltd and the Royal Deeside partnership, for example, have a specific problem, but they cannot be alone in that; it must apply across rural Scotland. I am talking not about the level of the local enterprise company, with which you are dealing, but at the level below that, where there seems to be a gap. Unless that problem is addressed, no matter how much good work is done, things will not happen on the ground.

Ewen Gabriel: It could be that the rural areas are not so good at marketing their advantages and encouraging business to move there. We should develop that and say, "What are the advantages of living in Deeside?" Well, I know what they are because, when I lived in Aberdeen, I used to take my family to Deeside every weekend—the area

has huge advantages. Perhaps we should get better at saying that, although that may not be what the local community wants.

Mr Rumbles: I think that the local community does want it.

Ewen Gabriel: There has been a hue and cry about the parking and travel problems in Ballater, for example. We must get the balance right.

Lewis Macdonald: I do not agree with Mike Rumbles that rural transport is not a matter for the Scottish Parliament. I think that it is. One thing that has already been done is the granting of direct support to rural filling stations. I was interested in what Ewen Gabriel proposed, because increased support for areas in difficulty seems to be more helpful than increased tax for people living in cities. Will you expand on that theme?

Ewen Gabriel: The support for rural filling stations, whether it be a grant to meet European regulations or whatever, is excellent. However, if rural filling stations were trading on the terms that they could be trading on—getting rid of the differentials—they would not need that aid because they would be trading under their own steam with their own profitability. People going to rural areas—travelling to Ballater for the weekend, for example—would be filling up their tanks with petrol, not topping them up. Aid is welcome, but it is not the answer; the answer must lie in trading.

Richard Lochhead: I will pick up on Ewen Gabriel's point about attracting businesses to rural communities. Earlier, Locate in Scotland said that it did not venture into rural Scotland often. Do you have any experience of Locate in Scotland venturing into your neck of the woods?

Ewen Gabriel: Locate in Scotland—pardon me for saying this at a public meeting—is very active in getting investment into rural areas, including the rural Highlands. In my paper, I mentioned that the encouragement and development of such activity would be welcome in the Highland area. Incidentally, my paper is not supposed to be a Highland paper; it is meant to be a national rural paper.

Mr Rumbles: I would like to set the record straight. A great deal of time was spent talking about differentiation on fuel taxation. We need not dwell on that, as it is not an issue for the Scottish Parliament.

Lewis Macdonald: We were talking about the differential in fuel price rather than taxation.

Ewen Gabriel: It is interesting that, when discussing price differentials, we are told that we can do nothing about VAT because it is a European matter. However, VAT accounts for 18 per cent of the differential.

15:30

The Convener: I thank Ewen Gabriel for his contribution and move briskly on to Raymond Young of the new deal rural task force.

Raymond Young (New Deal Rural Task Force): I want to give some background about the operation of the new deal in Scotland and tell you about some of the lessons that we have learned about barriers to employment and ways to overcome those barriers.

I dread to follow on from the comments about matters that are not reserved, because the first thing I must say is that the new deal is a reserved matter. Having said that, I must make it clear that the new deal operates in close liaison with the Scottish Executive and the decision was made three years ago to set up a separate advisory task force for Scotland to help with the design and monitoring of the programme in Scotland. I am a member of that task force.

The new deal is delivered, on the whole, by the Employment Service—I say “on the whole” because, although the Employment Service is the focus for delivery, it must work in partnership with a range of partners.

Many programmes have the words “new deal” attached to them; for instance, separate schemes deal with the 18 to 24 age group, the 25-plus age group, the 50-plus age group, lone parents, people with disabilities, and so on. I will concentrate today on the 18 to 24 age group, which contains those who have been unemployed for longer than six months; the advisory task force concentrated on that group, and it is the longer-term interest group for the committee.

The new deal is delivered using the 23 local enterprise company areas, the intention being that although the programme is national, it should be developed at a local level. Local partnerships were set up to develop an understanding of the local market; they include the LEC, the local authority, local training centres and local employers.

Each of the LEC areas has a local strategy and the process for the 18 to 24 age group starts with a gateway period that lasts for up to four months, or longer in some cases. If the young person has been unable to find a job during the gateway period, there are a few options: subsidised employment, full-time education and training, voluntary sector work or the environment task force. There is also the option of self-employment, which I will talk about later. If, at the end of that process, the young person has been unable to get a job, there is a follow-through period to help them do so.

When the advisory task force was set up, we recognised that there were different issues in rural

and urban Scotland. Unlike our colleagues south of the border, we set up a rural issues sub-group to recognise and understand those differences and to support the partnerships that work in rural areas. The sub-group, which is chaired by the Scottish Executive, liaises with national and local partnerships. It brings together an interesting group of employers—the National Farmers Union, the tourism industry, and the Federation of Small Businesses—and Scottish Enterprise and Highlands and Islands Enterprise. It has carried out a number of visits around the country, held workshops with various partnerships, and is in the process of cascading good practice.

How do we measure our performance? In effect, the aim of the new deal is to address barriers to employment and to help young people who are not yet job-ready to develop their employability. It is important to remind ourselves that the new deal is not about job creation; it is about the supply side rather than the demand side. The success criteria relate to people moving into sustainable long-term jobs. Our statistics and submission may talk about jobs, but we also mean young people who leave school early and decide, through the new deal, to take up full-time training and education and then go on to higher education. Some of us would like to measure performance in terms of getting people out of welfare and into employment.

In rural Scotland, the units of delivery are based on the 23 LEC areas, so it is difficult for us to separate precisely rural and urban elements. For example, we cannot extract Aberdeen from Grampian or Dundee from Tayside. The indications are that rural Scotland is performing as well, if not better than, the rest of Scotland. Indeed, rural Scotland—in particular the Highland LEC areas, which are the most rural and the easiest to measure, but also the Borders and Dumfries and Galloway—consistently outperforms the rest of the UK. We have a long way to go, but we are confident that we are on the right track. The new deal has helped about 14,000 young people in rural areas into employment.

What are the barriers to employment? What issues that need to be addressed keep arising in discussions with young people and the local partnerships? The first issue is the difficulty of accessing jobs by public transport. The second tends to be the other side of that coin—private transport—and the inability of young people to access jobs because they cannot drive; I will return to that point.

The third issue is child care in rural areas. The difficulty of getting child care in small communities has been raised time and time again.

The fourth issue is the shortage of larger employers. It is relatively easy for a big company that has some space to sign up employers to take

on young people who may need support and development as well as a job. However, it is difficult for a small or medium enterprise—most rural employers are very small enterprises—to do that, although there have been some successes.

There is also the lack of localised training facilities and the difficulty of accessing training facilities; I will return to that. There are also the perennial problems of employment in rural areas—low wages, low quality of jobs, seasonal work patterns, and the shortage of housing that is affordable and of satisfactory quality.

Many of those problems do not relate only to rural employment or to the new deal. With the new deal, I suspect that we see a harder edge than most people see, because we deal with people who have more difficulty in getting access to jobs.

Barriers to employment are one issue. Another is people not being job-ready. Time and again, we find that young people are leaving school, if they have been at school, without the requisite skills to enter the job market. There is some evidence from work that is being done as part of the new deal evaluation—the first part of which goes back to 1998 and is about to be published—that there may be additional health problems among young people in rural areas. We suspect that that may be partly to do with difficulties due to drug and alcohol dependency.

Young people in rural areas have the same domestic and financial difficulties as young people in urban areas. There is also evidence of a cultural issue among a number of young people in rural areas, as in urban areas, that concerns the jobs that they are brought up to think they are likely to have. People are brought up to think that they will be fishermen or farmers—or, in the city, that they will work in the shipyards. Now, instead of that work being available, changing patterns mean that people have to consider alternatives, such as call centres. Some kids, particularly young males—a large proportion of people on the new deal are young males—have a cultural difficulty with thinking about where they are going to go and what kind of job they will have. We need to take on board the change from brawn to brain in those kids' future careers.

How are we responding to the issues? There is a myth that the new deal is a very rigid programme. It is not; it is a very flexible programme, and it is becoming more flexible as it develops. There are boundaries within which people have to operate, but we feel that the flexibility is still not being tested completely.

Transport, for example, is a big problem. Many bus companies have been willing to offer subsidised public transport for people on the new deal, and that has been a tremendous help.

Employers have also considered minibuses and that kind of thing. The pattern for travel to work in rural areas is car sharing, but it is difficult to get young people into such a pattern. We have been considering how we can encourage that. Some of our English and Welsh colleagues encouraged us to consider the provision of motorbikes, or even mountain bikes—although they are perhaps more suitable for Suffolk than for parts of the Highlands and Islands. We have not solved the problem, but there are alternative ways of considering the transport issue and we continue to consider them.

We also thought that real work needed to be done on child care. A number of projects have taken place, particularly in the south-west, and there have been some interesting developments. Not just child care places, but training as child care assistants have been provided as part of the new deal.

Flexibility allows people to join the new deal early to tackle seasonality. One of the requirements of the new deal is that you need to be out of work for six months before you join; that is the theory, and the norm, but the flexibility exists to bring people in early. In Forth Valley, that is one of the packages that is being considered for young people.

Instead of people training for one day a week, there have been suggestions that, in a seasonal industry such as tourism, we should use the closed season for training. We are seeking some flexibility on that. Furthermore, we are developing the whole idea of self-employment as a way of helping young people.

15:45

I wanted to mention additional support, which includes the social problems that people experience. For example, the new futures fund is a rather remarkable Scottish development, and there are some very interesting links between that initiative and the new deal. People with a long-term history of social exclusion because of poor education performance, for example, are beginning to use the new futures fund as a step into the new deal and then into employment. Moreover, links with other rural initiatives such as social inclusion partnerships dealing with youth in the Highlands have become important.

The Employment Service's discretionary fund can be used to provide lodging allowances for people to go away from home for training. In the Highlands and Islands, in particular, young people have to leave home to go to school and exactly the same might have to happen if they need longer-term training. A new system of intensive gateways has been designed to help people who have particular social problems, and additional

guidance networks are being developed on the back of that.

I will make a few final comments about how the Employment Service has been delivering services. For example, it has been trying a variety of local outreach techniques. First—and most important—Employment Service people have been getting into cars and driving to customers. Secondly, there have been experiments with using buses, in a similar way to mobile banks. Finally, I am sometimes amazed at the lengths to which personal advisers will go to help young people get a job, including picking them up and driving them to the interview. The advisers' commitment is quite superb—and I should point out that I have no connection with the service other than meeting representatives from time to time to find out how things are getting on. The Employment Service has developed a telephone service called ES direct, which means that no matter where people are, they can get access to whatever jobs are available in this country. Furthermore, ES internet will be established by the end of the year to provide an online facility to access jobs.

The Employment Service has introduced some interesting initiatives to ensure that employers understand some of the difficulties that young people face in trying to find jobs. For example, the Employment Service persuaded a company in Aberfeldy to change its hours of work to fit in with the bus timetable. The employers, of course, drove to work, but the bus timetable had been a stumbling block for the young people, and that small change helped them to find work. Perhaps the most exciting initiative was a cars-for-work programme in Fife, whereby young people were given money for driving lessons and to buy a car so that they could get to work. Those are some of the ways in which the new deal is making a difference in rural areas by recognising differences, building upon local partnerships and emphasising flexibility.

The Convener: Thank you very much. Your presentation was comprehensive, but we will now have a period for questions.

Dr Murray: I was quite surprised to read in your submission that, given all the barriers that you mentioned, rural areas in Scotland are performing better than average when compared with the rest of the UK. To what do you attribute the success of the rural LECs in making the new deal work well?

Approximately 50 per cent of new dealers are going on to jobs—how sustainable are those jobs? Are people still in those jobs after a year or two? Do those who do not get jobs go on to further and higher education? You said that a significant percentage of new dealers are young males. Why is that? Do young women find it easier to get into work and are they less likely to be long-term

unemployed?

Raymond Young: First, the new deal is successful because of partnerships—there is a commitment by a large group of people at a local level to make the new deal work. The lesson about local partnerships has been a painful one for some people to learn.

Dr Murray: That tallies with what Locate in Scotland said.

Raymond Young: Secondly, the jobs that people are going into are as sustainable—whatever that is—as any jobs in rural Scotland. Details on how long people are staying in jobs should come out of the new deal evaluation, which is a longer-term programme. I cannot say that, for example, 20 people went into certain jobs in an area and stayed in the jobs for two years. We know that people are not referring themselves back—they are going forward, which is crucial.

The question about the balance between males and females has bothered us. Perhaps there are more jobs for women, especially in the service industries. There might also be a cultural issue, in that boys might be holding out for what they consider to be male jobs; that might be as important in urban areas as it is in rural areas. There is also some evidence among school leavers that boys are under-performing at school and are, therefore, being left behind. We must find a way of giving them some extra help. The matter is being dealt with as part of the evaluation programme.

Cathy Peattie: You have answered one or two of my questions, but I am surprised that you did not mention the kinds of partnerships that have been involved in the new deal in Scotland. The committee has found that things work well in local partnerships, especially in relation to the involvement of the voluntary sector.

I wanted to talk about literacy. My involvement—in terms of the voluntary sector and the new deal—has highlighted to me the need for a number of young people to get help with basic literacy skills before they go off to find a job or a placement. Placement providers are always good at helping with that, but there is an issue about youngsters' confidence being related to their literacy skills. I am not sure that the extent of that problem was envisaged at the start of the new deal. How have you coped with giving young people the tools to do jobs?

Raymond Young: The question about literacy is interesting. I am sorry if I did not emphasise enough the role of the voluntary sector or the environment task force, in which I am involved. Literacy is one of the biggest problems, because it is difficult to get people to admit that they have literacy problems. I hope that there will be

openness about literacy in the next few years. It is one of those problems that only comes into the open when a rock star or some other famous person says that they suffer from it. It then becomes acceptable.

We try to pick up illiteracy during the gateway period. Often, the problem is picked up when, for example, somebody gets a job and is sent off to do the filing, but cannot read. It is at that point that we need to some back-up literacy support. That is a major issue that we are still not fully aware of in this country.

Mr Munro: Good afternoon. I was interested to hear your presentation. Like other members, I must accept that, when everything is working fine the scheme is marvellous. However, I know that not everyone is enthusiastic about what is happening with the new deal.

You mentioned that some excellent work has been undertaken by the LECs in the Highlands and Islands. I agree, but the problem is that that work does not cross the LEC boundaries. Several young apprentices have approached me, one of whom was unfortunate enough to work at a garage on Skye that closed down. To his credit, he went off seeking work elsewhere in the Highlands and eventually found work in Aberdeen. However, because he was outwith the Highland area, he received no financial support and struggled to survive. That sort of problem should be addressed.

The same thing has now happened to the poor chap again. Anderson Cars has gone bust and he still has a year of his trade to work. He has found another job in Inverness, where, I hope, the situation will be resolved. Why do the LEC schemes not cross boundaries? Why would the Highland LEC not support a student or apprentice from its own area who has had the initiative to seek work in a neighbouring area?

Raymond Young: My Employment Service adviser says that there is no reason why the LEC should not do that. The system should ensure that the money follows the client. One of the advantages of a national system is that, if your constituent said that the best place for him to go was down south—I was going to say Longbridge, but that is perhaps the wrong place to suggest at present—he should be able to go there. There are young people on the new deal who have been working in Europe, because that was the right place for them to go and the new deal supported them.

We are grateful to you for raising that concern, and we shall consider that problem. We must ensure that people realise that they can move around. Many young people are not keen to be mobile, but if they are prepared to move, the

system should support them.

Mr Munro: The big problem is that the employers are generally not aware of that. I tried to solicit funding from the LEC to support the individual in my constituency, but that support was declined.

Raymond Young: That support might not have come through the new deal. It might have been received from another programme.

The Convener: Are there any further questions?

Alex Fergusson: I do not have a question so much as a statement, on which you might want to comment. As you rightly say, in rural areas the employers are pretty small, and the smaller the employer, the less time the boss can afford to be away from the company. One of the criticisms of the new deal that I have heard, through talking to employers, concerns the length of time that is spent on glossy presentations, buffet lunches and free stationery for the employers, whose aim is to take on people under the new deal, not to receive lengthy presentations. Is that a valid criticism?

Raymond Young: It depends whom you talk to. Some people would say that that is the way to conduct business at a certain level. We are working with the Federation of Small Businesses to determine the best way of approaching small businesses. There is a place for big presentations, as well as for other ways of introducing the new deal.

The Convener: As there are no further questions, I take the opportunity to thank you for your contribution, which has been most useful. I thank you for giving us the benefit of your experience and understanding today.

We will now take a moment to allow our witnesses to leave the table, after which I will invite Tony Fitzpatrick and David Haworth to come forward.

Borders Rail

16:00

The Convener: I have explained to one or two members what is happening, but I will explain it again. We must take 10 minutes at this point in the meeting to agree a motion for the debate on Borders rail on Thursday, so that the motion can be lodged at the chamber desk before the 4.30 deadline. Given that our meeting is running slightly over time, it is sensible that we get this item of business out of the way.

A number of proposals and suggestions for the text of the motion have been circulated, although it may not be clear which is which.

Christine Grahame (South of Scotland) (SNP): Perhaps I should clarify that the typed motion is mine; my name is not actually on it.

The Convener: Thank you. I think we have two suggested motions, so I will give the proposers two minutes each to speak to their suggestions before we have our discussion. Who wants to speak first?

Alasdair Morgan: I have the text of only one suggestion in front of me. Can the others be read out?

The Convener: Okay. The first one reads:

"That the Parliament recognises and endorses the case for"—

Ian Jenkins (Tweeddale, Ettrick and Lauderdale) (LD): That is my suggestion; I will read it out.

"That the Parliament recognises and endorses the case for the establishment of a railway linking the Scottish Borders to the national network, and urges the Scottish Executive to facilitate its establishment by whatever means are most effective and appropriate."

May I speak to my suggested motion now?

The Convener: Yes.

Ian Jenkins: I want two things out of the debate. First, I would like the Parliament to say that the link is a good idea; secondly, I would like the Scottish Executive to have a duty to make progress on the matter. I would love the Executive to say that it will pay for it tomorrow, but that is not realistic. We need to say that it is a good thing. The Parliament says yes; the man from Monsanto says yes.

We have to move forward from here and I think that we would be silly to tie the motion down by referring to an immediate payment by the Government. However, if the Executive is put under pressure to facilitate the establishment of

the railway by whatever means are most effective and appropriate, we can argue about the finance afterwards. That is what I want Thursday's debate to focus on.

Alex Fergusson: Could Mr Jenkins read his suggested motion again?

Ian Jenkins: The first part reads:

"That the Parliament recognises and endorses the case for the establishment of a railway linking the Scottish Borders to the national network".

The reason for putting it that way is that we would like the line to go all the way to Carlisle, but I do not want anyone to say that we cannot do it because we cannot afford to go all the way to Carlisle. By saying that we want to link the Borders to the national network, we are not being specific about either end of the line. We want the Parliament to endorse the idea of linking the Scottish Borders to the national network.

The motion continues:

"and urges the Scottish Executive to facilitate its establishment by whatever means are most effective and appropriate."

That would allow us to argue about the money, whether it should be public or private and so on. Those are the two elements that I want to be discussed in the debate.

The Convener: What do you have to say about that Euan?

Euan Robson (Roxburgh and Berwickshire) (LD): That is perfectly acceptable to me. The motion that I drafted rather hastily last week and gave to Elaine Murray as a simple suggestion is somewhat similar. Convener, you have the only copy of that motion. We need an inclusive motion. The debate should not drive anyone away from the matter by tying it down too specifically at this stage. We are some way away from finding the money. There is a lot of work to be done before we reach that point. There may be a variety of funding sources that we might attract to the project.

I am happy with Ian Jenkins's motion. The one that I produced was just something for the committee to consider. I am not trying to tell the committee to do anything. I hope that members do not feel that I was being impertinent in suggesting my motion—I was just trying to be helpful.

Christine Grahame: Needless to say, my amendment is rather more feisty. According to the Scott Wilson report, it would cost £100 million to reinstate the line all the way to Carlisle. Already, £1,200 million has been spent on the Jubilee line in London. The shadow strategic rail authority has billions to spend. For 30 years, Borders people have been talking about reinstating the railway

line; they want testosterone from the Parliament rather than more good wishes. I am sure that, on Thursday, everyone will put their hands up and say that re-establishment of the railway line is a good idea. They could also say that it should be done by whatever means are most effective and appropriate. However, where does that take the debate? We need a commitment to finance.

Last week, the Parliament had a debate on a new approach to rural affairs. I want action, not more glossy brochures and fine words. I want the Parliament to ask the SRA for £100 million to fund the line and to regenerate an entire area of Scotland, where there are 108,000 people in very poor economic circumstances. It is time the Parliament laid down the line on something that matters. Forget section 28 and foxhunting, let us talk about the economy and jobs. That is what the railway line would deliver. I have a lot of time for cross-party consensus, but the time has come to ask for money. The strategic rail authority has money that is separate from the consolidated fund and available.

Lewis Macdonald: I have listened to the two propositions. It seems to me that the inclusive approach taken by Ian Jenkins and Euan Robson is the one that would allow Parliament to have a positive and constructive debate on this issue. As a member of the Rural Affairs Committee, I do not want to insist that the strategic rail authority put this project above the many other projects that the Rural Affairs Committee and all of us as constituency MSPs would like to happen.

In Thursday's debate, we should highlight the significance of the project; but we should not take up a feisty position, as Christine Grahame calls it. The debate is an opportunity for local MSPs and others with an interest to make their case. I concur with Ian Jenkins's proposition.

Alasdair Morgan: Would the motion be a committee motion, and not in the name of any individual member?

The Convener: That is correct.

Mr Rumbles: I, too, would like to support Ian Jenkins's view. Especially because this is a committee motion, it is appropriate that it should be all-inclusive. I do not think that we should be feisty, to use Christine Grahame's word again; that would give entirely the wrong impression. I urge fellow members of the committee to take up the more inclusive motion that we heard first.

Ian Jenkins: I do not disagree with much of what Christine Grahame said; it is just the tactics that I do not agree with. I want the money and I want it as quickly as possible, but I do not think that Christine's tactics are the ones that we should use on Thursday.

Dr Murray: I would like the strategic rail authority to provide the cash for the Borders railway, but I suspect that if the motion is too definitive we may not get the support of the Parliament and the motion may be lost. I know from our discussions in the Enterprise and Lifelong Learning Committee that some people began to retreat from support of this project when they realised that it would mean earmarking particular finances. A more inclusive approach might be more likely to attract cross-party support and to result in the motion being carried. However, I would hold out for the reinstatement of the line from Edinburgh to Carlisle. There is not much point in reinstating half a railway that ends up half way into the Borders but then does not go anywhere. It is important to consider the entire railway.

Richard Lochhead: What is the deadline for the motion?

The Convener: Half past four.

Alasdair Morgan: May I hear the motion again?

Ian Jenkins: Yes.

"That the Parliament recognises and endorses the case for the establishment of a railway linking the Scottish Borders to the national network, and urges the Scottish Executive to facilitate its establishment by whatever means are most effective and appropriate."

Alasdair Morgan: Two points arise. First, are we talking about two branch lines—or one branch line, depending on how you look at it—or about a through line? Secondly, should we mention how it should be funded?

We obviously have split ideas on whether we should talk about a through route; I wondered whether we could at least mention a through route. I am not clear about the funding and whether it would be the strategic rail authority that would put in all the money.

Ian Jenkins: The feasibility study suggests that a rail link down as far as Gala and Tweedbank would be a going concern, but it expresses real doubts about the through line. I think that the through line is what we are looking for, but I do not know how pushy we should be about it. We must be careful not to throw out the baby with the bath water.

Mr Rumbles: If the deadline is 15 minutes away, we need to go for an all-inclusive motion such as Ian Jenkins suggests. It does not exclude anything at the moment, and this is the very start of the process. All the points can be made during the debate. We need to get a move on.

16:15

Christine Grahame: We have heard responses

from Ian Jenkins. Perhaps being feisty upsets some people, but the Rural Affairs Committee has a duty to rural communities. This is an opportunity to do something different. Ian's suggested wording is so open to interpretation that it does not bring our goal any closer. Who can define "by whatever means are most effective and appropriate"? Who decides that and when does it happen? That wording will not help us to get anywhere, because there is no call on anybody to provide funding.

There is no obligation on the Scottish Parliament not to call on the strategic rail authority for funding. I can see that there might be room for a compromise, but I would like some form of words that takes us beyond our four walls and looks to the strategic rail authority to consider the issue. I am just making a suggestion, but I hope that the motion that you eventually lodge will not simply be a motherhood-and-apple-pie job. A lot of people have worked very hard for 30 years for this.

Euan Robson: The strategic rail authority is certainly an option and it probably should provide investment, but Christine Grahame's suggested wording identifies it as the sole source of funding. There are opportunities for other funders, so I do not want a motion that restricts the options for raising money to just one source. That is a problem if we isolate the strategic rail authority. There is little doubt that the strategic rail authority would have the resources to do it, but we are not yet clear that that is the optimum route. There may be other sources of funding.

Richard Lochhead: Presenting two motions to the committee 20 minutes before the deadline is an unfortunate way of doing things. Why does the motion have to be lodged by today when the debate is on Thursday?

The Convener: Are we mistaken about that?

Christine Grahame: According to standing orders, the motion has to be lodged two days before the debate.

Alasdair Morgan: Would it be possible to amend the wording of Ian Jenkins's motion to mention "a railway linking the Scottish Borders to the national network at Edinburgh and Carlisle"? That does not state that it should be a through line, but it implies it. Would that provide an acceptable compromise on one of the issues?

Ian Jenkins: I would vote for that. If the committee is happy with that, I will be happy to sign the motion.

Euan Robson: I suggest that we also amend the end of the motion to add to "whatever means are most effective and appropriate" the phrase "including the strategic rail authority". I am concerned about isolating the strategic rail authority; that would give the impression that we

would not look anywhere else for funding. There might be an optimum funding route elsewhere than the strategic rail authority.

Alasdair Morgan: Could we add at the end, "including making approaches to the SRA for funding"?

Euan Robson: That would be fine.

Alex Fergusson: We could urge the Scottish Executive "to consult the SRA and others to facilitate its establishment".

I agree with Alasdair Morgan about differentiating between the two ends. The committee meetings about the issue have shown that there are different reasons for re-establishing the railway at the southern end and at the northern end. One is largely for freight and forestry, the other is for commuters and traffic, but both are relevant and I would like both to be mentioned. That is a welcome addition to the motion.

Mr Rumbles: Can you read out the amended wording?

The Convener: It now reads:

"That the Parliament recognises and endorses the case for the establishment of a railway linking the Scottish Borders to the national network at Edinburgh and Carlisle and urges the Scottish Executive to consult with the strategic rail authority and others to facilitate its establishment by whatever—"

Alex Fergusson: Stop at "facilitate its establishment." We do not need any more than that. Sorry—that is my suggestion.

Euan Robson: That was the wisdom of Solomon.

The Convener: Do we have a compromise?

Members indicated agreement.

The Convener: That was agreed unanimously.

Alex Fergusson: We always agree unanimously.

Rural Employment

The Convener: I apologise for having to do that bit of housekeeping, but the pressure to achieve deadlines can at times be quite considerable.

On behalf of the committee, I have pleasure in welcoming Tony Fitzpatrick, who is from the secretariat of the European Rural Exchange, which is a local authority structural funds partnership, and David Haworth, who is the chair of the Scottish LEADER network. Tony Fitzpatrick will go first, followed by David Haworth, and we will ask questions after each presentation.

Tony Fitzpatrick (European Rural Exchange): Thank you, convener.

I am conscious of the fact that my subject matter is European funding, so I will try to be as non-turbid as possible. I am also conscious of the time, so I will be fairly brief.

I intend to speak to my presentation. I hope all members have received a copy of it—I have some spares if not. I apologise for not providing a paper in advance, convener, but I have been away from my office since I received the invitation to speak to the committee.

I will spend a moment or two describing who is involved in the European rural exchange and how we operate. Then I will spend a couple of minutes describing our experiences of the UK 5b programmes, which terminated during the previous structural fund period. Perhaps I should apologise for using the term UK so often while in Edinburgh, but we have changed our name to exclude the offending letters. I will also give some early observations that we extracted, in a policy sense, about the relationship between the various policy instruments that affect rural areas, which may be of more interest.

I will begin with a few words about our former 5b partnership, which is still operational—we are going through a transitional period. Down the left-hand side of the leaflet, members will see highlighted in bold the titles of the 11 UK 5b programmes that operated between 1994 and 1999. Under each of the bold headings are the names of the local authority areas that fell within the catchment areas of each of the 11 programmes. The network is going through a process of transition because objective 5b no longer exists.

The committee may be interested to know that, across the UK, we are looking to expand our network to involve the transitional objective 1 areas such as the special area in the Highlands and Islands and the new objective 1 areas. In the autumn, we are also looking to involve as

members of the partnership local authorities from former objective 2 areas, which were predominantly rural, such as South Ayrshire, East Ayrshire and Argyll and Bute.

Although we are a local authority network—members will see that our key members are local authorities—we try to be inclusive. We have strong links with other sectors, such as the voluntary sector, and with academics in universities that have rural interests. We also have a fairly well established loop into political mechanisms at a UK level. We network with 72 MPs across the UK, who have constituency interests across the former 11 programme areas. There are about 28 MEPs in a similar network.

We have been expanding over the past couple of years to take in transnational interests. There are 85 former objective 5b programmes across 10 member states, and we have slowly been building up our links, acting as secretariat to a European network—hence the change of name.

That is enough about who we are. The next page of our presentation, figure 8, shows a bit more detail on the 11 5b programmes and how the expenditure has been split over various headings. Usefully, the four Scottish programmes appear as the first four entries in the left-hand column of the table. For the moment, I ask members to ignore the “Primary Sector Diversification” column. The next four columns show a breakdown of how 5b moneys have been spent by theme—aggregated themes across the 11 programmes.

At the bottom of the “Economic development” column, members will see that about 50 per cent of the total expenditure in the UK has been on what is roughly described as economic development. Eyes down to the bottom column again: you will see that about 19.9 per cent of expenditure went on tourism; 10.6 per cent went on environmental conservation-type actions; and about 11.3 per cent went on human resources—predominantly on European social fund actions.

Members can see the total value of those programmes in the figure at the bottom right: €807 million of European intervention. That figure can be approximately doubled for the match-funding element, and the level of expenditure can be seen across the six-year programme.

I know that the committee’s focus is on rural employment. It is still early days for assessing the overall impact of the former 5b programmes, but I have a couple of examples from my local patch—I am from Dumfries and Galloway. The latest extraction of figures on employment show that, so far, the programme is registering the creation of about 1,700 jobs. Scottish Borders has a similar figure—the programme there was smaller. Returns to the Scottish Executive show the creation of

approximately 950 new jobs there. The total from those two programmes in South of Scotland is about 2,600. The Scottish Executive will be digesting the results of those programmes once they have formally closed down in about six to nine months from now.

What brought us together, as rural local authorities, was a common interest in the structural funds. We realised that structural funds were only a small part of the overall European jigsaw of support to any one rural area. Curiously, we started to turn our attention to that other major source of support to rural UK, the common agricultural policy. What an interesting journey that turned out to be. First, we found out information as mere experts on structural funds. There was quite a maze to pick through to find out the basic facts and figures about agricultural policy and CAP support.

I can give members a fairly startling example from my area. In the 5b programme, the table of which I have just talked members through, the figure for Dumfries and Galloway worked out at about €6 million support from Brussels per year, on average. The last figures for Dumfries and Galloway CAP mainstream support were around €63 million for one year. Members should bear in mind that both those sums are sourced from Brussels. Both are major policy instruments affecting our area and both are going through radical change at member state and Brussels levels.

In the next table, I have tried to summarise the key policy instruments and where we feel they may be going. The figure for CAP transfers to Scotland is approximate for 1999—we are talking about £480 million CAP transfers across rural Scotland in that period. Again there is a health warning, as the figures have not been broken down and include the main commodity support regimes, the accompanying measures and rural diversification programmes. Those are the key elements, by far the largest being the direct subsidy or commodity support to farmers.

16:30

The table on the right hand side concerns regional policy, drawn down through structural funding for the period 2000 to 2006. The objective 2 programmes that have just been submitted to Brussels through the minister total about £423 million; a special transitional programme for the Highlands and Islands is £205 million; and the objective 3 programme, which is nearing approval, is £320 million. The total for the seven-year period is about £948 million. If we divide that by seven and compare it with the agriculture policy total, we will get some idea about the relative importance of the instruments.

Both instruments are undergoing considerable pressure at the moment. In the middle—deliberately, I suppose, in a dotted box—is rural policy development as perceived and supported by Brussels. I am sure the committee is aware of the emerging negotiations on the rural development regulation for rural Scotland. The total proposed value is about £261 million over seven years, plus any moneys that may be directed into this type of action from modulation—modulation being the movement of funds from commodity support into wider rural development.

There are many issues surrounding the balance between the three boxes and there are major policy debates raging at member state level, at Brussels level and beyond. The World Trade Organisation talks are just around the corner. Major interests are gathering around the allocation of resources between the three sets of figures.

This is part of a paper I produced for the Scottish co-ordinating team overseeing the structural funds. Figure 1 on the next page is a graph showing the funding level for objective 2 moneys across Scotland, which begins to decline quite sharply after 2006. It is largely understood that this will be the final period of major structural fund support for rural Scotland and for most of the UK. The issue is just how sharply that objective 2 structural fund line will fall off the graph post-2006.

The rise in rural development regulation moneys is shown as a gentle curve—gentle because the level of support for rural development is slowly gathering momentum across Europe. The Minister of Agriculture, Fisheries and Food has made an announcement about modulation. The Scottish minister has that under consideration and has yet to make his final announcement. Among member states, the UK has generally shown a fairly forward-looking approach to the switch from commodity support into some form of rural development. That might be construed as a contentious comment.

This is an extremely complex issue and our network has tried not to take sides in the debate on whether modulating moneys away from direct commodity support is a good thing. There are enough interest groups looking after those debates. As local authorities, we are concerned that it looks as if the amount of CAP support going directly into commodity support will decrease over the next 15 years. As rural local authorities, we feel that it is important that we have our feet under the table when it comes to discussing what happens to that money. Put simply, if large amounts of funding are going from direct commodity support to farming, it is important that we engage in a constructive and creative debate about what that money is spent on.

As a network, we are therefore broadly supportive of the breadth of the rural development regulation. On the other hand, we are extremely disappointed about the level of resourcing that has been directed into it at a UK level, which is for all sorts of historic reasons. The rural development regulation provides a framework for what I would say is the biggest issue facing rural Scotland over the next 10 to 20 years, which I would soundbite as the transition from subsidy. You can see that we are talking about massive transfers of public funds into rural areas. Our network considers that the debate about what happens to that money and how much of it is retained in rural areas is critical to jobs, infrastructure development and economic development in rural areas.

Much is said about the declining significance of agriculture. In Dumfries and Galloway, we recently commissioned a farming study—a number of other reports have sprung up across rural Scotland over the past couple of years—which showed that the gross domestic product contribution of agriculture and its related industries is about 23 per cent. The industry's significance with regard to employment is falling, but its structural significance in terms of economic support is still evident.

Those are some of the issues in this extremely broad subject. The significance of structural funds is declining. This is likely to be the last major period of support. Current levels of funding are already dwarfed by CAP transfers. What happens to the CAP during the transition period over the next five or 10 years is absolutely critical. It is important that this committee, local authorities and local players are involved in creative discussions during the transition period.

Alasdair Morgan: Does the figure for agriculture as a percentage of GDP for Dumfries and Galloway include the CAP payments?

Tony Fitzpatrick: Yes. It includes the public transfers.

Dr Murray: I am afraid that I have only just seen this document, so I might have misunderstood it. I was a wee bit surprised to note in figure 8 that primary sector diversification received no financing in any of the Scottish rural areas from the objective 5b funds, and that tourism development featured in only one of those areas. Where are those decisions made, and who decides which programmes are supported in different areas? Will the new funding regimes under objective 2 put any money into primary sector diversification or tourism, or will diversification in particular be catered for purely from CAP funds?

Tony Fitzpatrick: I am glad that that point was picked up. I should have explained it at the outset. Funding does not show against the four Scottish areas because those programmes were integrated

fully into the 5b programmes, so it was European agricultural guidance and guarantee fund funding, and it was factored in under the other elements.

In a sense, the Scottish programmes were slightly more advanced than the English ones. They were factored into the objective 5b programmes. However, under objective 2, the European agricultural guidance and guarantee fund money will stand alone under the rural development regulations. We will have to police the issue of integration in the next programme period.

Alasdair Morgan: The same applies to tourism development.

Tony Fitzpatrick: Yes. Tourism was factored in as well.

Alex Fergusson: As you know, I have seen these boxes before. Do you agree that there exists within the European rural development regulation modulation proposals the possibility to transfer significant amounts of money from one part of the country to another? You mentioned that it is important to discuss what we spend that money on. That is right, but it is also right that the committee should discuss where we spend it.

As you pointed out, the report into Dumfries and Galloway shows that 23 per cent of the economy depends on agriculture; I believe that the figure is 21 per cent in the Borders. As Alasdair Morgan pointed out, a large part of that is made up of European funding already. It is vital to those areas that a large amount of European funding be retained there and that anything that might dilute that should be avoided. Is that a reasonable argument?

Tony Fitzpatrick: Yes. Tactically, any area will argue for the retention of its cut of the cake. However, at some point in our examination of the issue of modulation, there has to be a considered view about the criteria for modulating money. We have to identify the types of farm business that can survive better with less subsidy than others.

There is a Scottish dimension to the issue. It is accepted that Scottish agriculture is dependent on the CAP, particularly with regard to the extent of less-favoured area coverage, hill livestock compensatory allowance payments and so on. The existing systems give us a clue about the quality of dependence. Major pieces of academic work could be commissioned and would be helpful.

Lewis Macdonald: With regard to the EU-driven policy instruments in Scotland, you give us a CAP figure for 1999 and another two figures, which are for the seven-year period. What does that mean in terms of the annual EU policy support in the relevant areas?

Tony Fitzpatrick: That is a good point, and I apologise that, in using those figures, I was not comparing like with like. Dividing the figure of £948.7 million from the structural funds by seven will give the level of support for each year in that area. There is a 1:5 ratio between CAP support and structural fund support.

The main point that I was trying to make was about the relative importance of agriculture policy and regional policy. The way forward might be the backing up of rural policy and development by a high level of support for Scottish farming, but we need to get the balance right.

The Convener: I thank Tony Fitzpatrick. We will move on to David Haworth, the chair of the Scottish LEADER network.

David Haworth (LEADER Network): I work with Argyll and the Islands Enterprise on community development and European programmes, although I am here today representing the Scottish LEADER network, to try and give members an insight into the workings of that European Community initiative.

Over the past eight or nine years, I have worked at the sharp end of delivering this type of programme. LEADER is an acronym—*liaison entre actions pour le développement de l'économie rurale*, if you will pardon my French. The initiative started in 1992 as LEADER I. LEADER II followed in 1995 and ran until the end of last year.

The programme encourages small-scale activities within the rural economy and is designed to find innovative solutions to local problems, using local organisational capacity and expertise. The three key phrases are small-scale activities, innovative solutions and local organisational capacity. The programme is delivered in Scotland through the Scottish Executive, which appointed the two development agencies, Scottish Enterprise and Highlands and Islands Enterprise, as the implementing authorities for the LEADER programme in their respective objective 5b and objective 1 areas.

Delivery on the ground was somewhat unusual in that it was devolved to local action groups—commonly known as LAGs—of which there are 14 in Scotland, covering widely different areas from Shetland to the Borders. Nine are in the Highlands and Islands Enterprise area and five are in the Scottish Enterprise area. The local action groups are serviced by the local enterprise companies because the LEADER area tends to be the same geographical area covered by the local enterprise company. The local enterprise companies co-ordinate and administer the programme.

16:45

Membership of the local action groups varies from area to area—that is the sort of programme it is. Generally, there is a partnership between public agencies, representatives of the local community and, in particular, the voluntary sector, which we feel plays an important part in the delivery of the LEADER programme. The role of the local action group varies from area to area, but generally it is to agree strategy and local priorities and to make recommendations on funding decisions for the individual projects put forward for approval.

It is important to give members an idea of the scale of the programme. The European funding for the Scottish LEADER II programme was about £17 million—the amount fluctuates according to the ecu. That was £10 million for the Highlands and Islands Enterprise area and £7 million for the Scottish Enterprise programme, which is not megabucks for a five-year programme, but I would argue that small can be beautiful.

As I am more familiar with the operation of the Highlands and Islands programme, I will give some key statistics on delivery of the programme in the Highlands and Islands up to almost the end of 1999. Total project costs amounted to £32 million, which included £6.5 million levered from the private sector and £15.5 million from the UK public sector. The local enterprise companies underwrote almost the whole programme and provided a fair chunk of the funding, but the programme is supported by a combination of local enterprise companies, local authorities, Scottish Natural Heritage, Forest Enterprise and, of course, the Scottish Executive, with the rural challenge fund and so on. The £10 million of LEADER money facilitated some £30 million-worth of projects in rural areas.

More than 1,700 individual projects have been approved by the local action groups in the Highlands. LEADER II has contributed to the creation of more than 840 jobs, the consolidation of 369 jobs, the creation of 75 new businesses and 150 new local organisations and the training of almost 50,000 people.

The LEADER philosophy is to operate at grass-roots level, focusing on innovation and experimentation by local people, communities and businesses within the rural economy. The European Commission was keen for the programme to try things out. It was not especially worried about failure. People are given the chance to look at things from different angles. They are allowed to discuss problems and possible solutions at a local level and on a multi-agency basis.

A flexible programme still has to be transparent and accountable—that is vital to the credibility of

the programme. The input of Scottish Enterprise, Highlands and Islands Enterprise and the local enterprise company network has ensured that first-class systems that satisfy all the compliance issues are in place.

The flexibility of the programme has provided added value to the public agencies, and policies have been developed that might not have been practicable under ordinary mainstream funding. One of the major spin-offs has been the effective development of a good working relationship among the public agencies all sitting round the same table.

In my submission, I have included a wide selection of the kind of projects that are typically funded by the LEADER programme. As you can imagine, the programme covers lots of projects and—being a small programme—lots of small projects. One example is an interactive information resource to develop cultural tourism on Unst. Another is the delivery of IT training to farmers and crofters in the remote areas of Argyll and the islands. We did not ask them to come to Oban; in conjunction with the Scottish Agricultural College, we took trainers out to the islands and ran the courses there. That is an on-going programme.

An example of good partnership is a joint programme with Western Isles Enterprise, Scottish Natural Heritage and the tourist board to promote wildlife. A small but beautiful project is the walled garden project in Applecross. Recently, there was a successful seafood festival on Skye. Another joint project in Argyll and Lochaber is to run a winter ferry service between Mull and Ardnamurchan on the mainland.

The island of Coll was about to lose its petrol station, but by using LEADER funding to set up a community company, and by using some more LEADER funding to match the Scottish Executive rural petrol station scheme funding, we now have a new facility on Coll that is run by the community. Price is not a real issue; the people are just jolly glad that they have some petrol and diesel on the island.

We also ran a small grant scheme in Argyll that allowed representatives of communities to make the funding recommendations for local projects. That was an example of devolving the programme to a much more local level. We had 13 working groups representing community groups in Argyll; they were all given a budget and they are all making recommendations to fund local projects. We told people that the projects had to be innovative—but describing what is meant by innovative is one of the major problems in the LEADER programme. Therefore, we said to local groups that the funding was not for new teacups for the village hall, but for new activities for young people in the village hall.

There are several benefits of the LEADER programme. It develops a good culture of partnership and local delivery. It gets into the more fragile areas of the country. It leads to innovation, as I said. It enhances the confidence and capacity of community-based organisations. On Mull, people realised that they needed a locally based organisation to consider the various social and business issues on the island. They may have felt that the local enterprise company was not giving them enough attention and that it was regarded as just one of 26 islands in Argyll.

The community set up the Mull and Iona Community Trust, which is a company limited by guarantee and which has charitable status. Initially, it was funded by the LEADER programme and Scottish Executive rural challenge funding. One of the big advantages of that type of organisation—and it is a model worthy of consideration—is that it can look for additional funding outside the public sector. For example, it can apply for lottery funding. The trust got £140,000 earlier this year to develop its work and to cover its administration costs for the next three years. That is the sort of opportunity that is available, and it was kick-started by the LEADER programme.

As is evident from the number of jobs involved, the programme has had economic outputs. The European Commission is keen to develop transnational project development, networking and the exchange of good practice. That is easier than it sounds, although those are among the more difficult areas. Most LEADER groups in Scotland have found that they have had to concentrate on local delivery before they are able to spend a lot of time getting involved in transnational projects. Having said that, there have been good examples of communication.

The Scottish LEADER network, which I represent, has shown the extent of the co-operation and partnerships that are apparent in the programme. The network played its role of co-ordinating and exchanging information and good practice well. We have had regular seminars and conferences, which have been attended by members and staff of the local action groups and people from other organisations. Not only do we discuss specific LEADER issues, we consider other future rural policies, including what one might call the possibility of mainstreaming LEADER-type programmes.

What happens next? Last month, the Commission adopted the final guides for a new community initiative. I advise members that the Commission reduced the number of community initiatives from 13 to four, of which LEADER + is one. Member states have six months in which to submit their programmes to the Commission,

which then has five months in which to approve them—we are looking at least a year down the line before there will be a glimmer of a new LEADER + programme. Members will be delighted to know that, in the UK, the Ministry of Agriculture, Fisheries and Food—that popular UK department—is proposing a national programme after due consultation. The Scottish Executive has started that consultation process with the relevant public agencies.

Although relatively small in terms of finance, the LEADER programme in Scotland can be said to be highly successful. The programme has a high-profile at a local level. When one goes out to the areas and talks about European programmes, one finds that people talk more about LEADER. That certainly happens in the island areas, such as the western isles, Shetland and Orkney. The Commission commented favourably on the quality of delivery of the programme as a whole.

There is a further community initiative called Pesca, which was designed to assist communities that suffer because of a decline in the fishing industry. Again, that is a small programme, which had initial problems with administration. It was slow to get off the ground, but it ended up being successful before it finished at the end of 1999. The programme was designed to help the fishing fleet to improve its efficiency, rather than its capacity, and also to examine alternatives, such as diversification from fishing into tourism, for example. Such programmes, which could be quite controversial, involve fishermen, members of conservation bodies, local authorities and local enterprise companies sitting around the same table; they are useful vehicles for getting things done. I would argue that the decentralisation of programmes such as Pesca provided a lot of valuable work.

Thank you for your attention. I will try to answer any questions that you may have.

Mr Rumbles: Thank you for your presentation, and your paper, which I found useful. The realisation suddenly dawned on me that I had asked the wrong question of the wrong person—I noticed that you were sitting in the public gallery earlier.

If I may backtrack, I have a particular problem in mid-Deeside. The local community development company and the Royal Deeside partnership are in a crunch situation. They have a meeting next week and it looks as if the whole thing could fold. They have been good at getting community development off the ground across Deeside and they cannot understand why the LEADER 1 and LEADER 2 programmes suddenly ended in December. I am chasing that up with the Minister for Finance, who has announced that no more funding is available. The fact that there is no

LEADER + programme on the horizon is probably the reason for that. People do not understand the situation, although I will explain it to them. That fact dawned on me as a result of your paper and presentation. Am I right about it?

David Haworth: I think that you are right. It will certainly be a year before LEADER + gets off the ground. In the Highlands, we are examining mainstreaming, as we are considering community elements of the transitional programme, into which some of the things that we have done through LEADER can be plugged. LEADER is an experimental programme, which is not designed to be sustainable.

Mr Rumbles: As you said, the programme allows other money to come in, but that will not happen if the programme money is not there. That is the problem that is faced by the Royal Deeside partnership and by partnerships elsewhere in Scotland.

David Haworth: There is a big problem with revenue funding, as most people get only start-up capital funding.

Mr Rumbles: That is the fundamental problem.

17:00

David Haworth: As an enterprise company, we are not supposed to give revenue funding per se—that is not within the ring fences in our budgets. However, programmes such as LEADER could be used to supplement mainstream programmes.

Irene McGugan: You have painted a very positive picture of LEADER, which I am sure is accurate. As someone who has had some involvement with it, I agree with what you have said. However, do you think that we could level a tiny criticism at the programme in that the money was controlled and the local initiatives were managed by the enterprise companies, which have a very focused view of what constitutes economic development? Your paper says that the programme is about innovative local solutions. Child care has been mentioned in all the presentations today as a significant barrier to employment and general community development in rural areas, yet it can be difficult to obtain funding for child care through LEADER because it is hard to make the economic case for it. Would you comment on that and suggest ways in which the enterprise companies could be encouraged in future to look more favourably on child care?

David Haworth: Highlands and Islands Enterprise has a social remit, which Scottish Enterprise does not have. Therefore, things such as child care may receive rather more attention in the Highlands and Islands. Such things were also recognised by the LEADER programme—among

the main priorities of the LEADER + programme are young people and getting women back to work.

Moreover, there was no standard LEADER action group—groups are all operated differently. An application for funding for child care might get a more sympathetic hearing in Argyll than it would elsewhere. The LEC input is vital because there has to be accountability and LECs handle the funding, which in turn is controlled by Scottish Enterprise and Highlands and Islands Enterprise.

Cathy Peattie: We can take some important messages from your presentation this afternoon. The importance of working in partnership has been highlighted again by the kind of agencies that have been involved in the LEADER programme. Moreover, flexibility in approach is important. Each area is different and has different priorities. What lessons could some of the other agencies operating in rural areas gain from such an approach?

David Haworth: Some of them could take part rather more than they do. The people who take part in each local action group vary. In some areas, better working relationships have developed between the individuals around the table. One difficulty is that, although some local action groups had elected members, others consisted only of officials. The Commission has said that it wants the system of local action groups to continue as the delivery mechanism for the next programme, but only 50 per cent of the membership of those groups may consist of public officials. Those are the people who decide which projects get funded.

LEADER's philosophy is not just Scottish; it is nationwide and Europe-wide. It is recognised that, in comparison with other schemes, it has delivered a good programme.

Cathy Peattie: Irene McGugan made a good point. Do you think that, next time round, local organisations might have an opportunity to have a stronger hand in the financial management of projects? I know that LECs have done that elsewhere.

David Haworth: We had a local project fund through which we allocated moneys to 13 different groups in Argyll—in Coll, Dunoon, Oban, Campbeltown and elsewhere. We allocated £10,000 to the Kintyre group, which then advertised locally. We set a rule that there should be no grants of more than £1,000, and any small communities that wanted to avail themselves of LEADER grants could contact us. The Kintyre group recommended which local groups should get funding. It is all very well for me to sit in my ivory tower, but the Kintyre group knows what is happening locally in Campbeltown and which

organisations needed the money.

The bottom line is that, when the money goes over the counter, the local enterprise company is responsible to Highlands and Islands Enterprise and to Audit Scotland for that money, so there must be rigid rules for distributing it.

Cathy Peattie: A number of agencies handle a fair amount of money. Bodies other than LECs might be able to do that.

Mike Rumbles mentioned sustainability, which is something that the committee might want to consider. When good ideas and good projects have been developed, and after all the community development work, training and enthusiasm among local people, it is a pity to abandon a project. There must be some way of helping people to move forward sustainably. It is not enough to do something very well for a year; it can take a while to get people together. That is a question not just for the LEADER network but for the committee.

David Haworth: That is a relevant point. A model project may be doing good work, but what happens after three years? We must consider that.

Alasdair Morgan: You have given us figures for the number of jobs created and the number of firms and organisations involved. How many of those jobs are sustainable without continuing funding from LEADER or similar programmes?

David Haworth: I think that the majority of those jobs are sustainable. LEADER funding kick-starts those projects and, generally speaking, money would not have been awarded without evidence of the long-term sustainability of a project. That is one of the things that we consider. Having said that, you should ask me the same question again two years from now.

Alasdair Morgan: Is there a mechanism for monitoring that? If the LEADER programmes end or change, how will we know whether what was done three years ago produced any sustainable results?

David Haworth: A number of evaluations of the LEADER programme will be carried out, some of them at the end of the programme. We evaluate a percentage of the LEADER projects in our area, but it is a difficult area and guesstimates are involved.

The Convener: I thank David Haworth and Tony Fitzpatrick for coming along today to help us with our inquiry.

Before we leave this item, I ask Professor Shucksmith how the committee should continue with the inquiry. It has been suggested that on 20 June—the next date on which we will address the matter—we should invite ministers along to wind

the inquiry up.

Professor Mark Shucksmith (Adviser): I suggest that the committee invites the Minister for Rural Affairs and the Minister for Enterprise and Lifelong Learning. One of the issues that might be raised is the relationship between their responsibilities and how those responsibilities overlap.

Mr Rumbles: I can see why that might help, but have we had a response from Ross Finnie about when he will attend the committee to talk about genetically modified crops?

The Convener: We will deal with that when we consider our future business.

Mr Rumbles: I wondered whether the two things could be dealt with at the same meeting. Will Ross Finnie have to attend the committee twice?

The Convener: I am afraid that we do not yet have a date.

Professor Shucksmith: I was going to suggest two other items for 20 June. First, I could produce an outline of the draft report, which the committee could use as the basis for its deliberations. It would, perhaps, be premature to produce the full draft report before we have heard from the ministers. However, we should at least try to identify the main themes and discuss them, which would help me greatly before I draft a more full report. The second suggestion relates to the report from the consultation. Do members want that as a background paper to assist in the discussion on 20 June or is there a need for a presentation on the report?

Cathy Peattie: I agree that we should hear from the two ministers that Professor Shucksmith suggested. Given some of the issues that we have addressed in relation to social inclusion and poverty, perhaps it would also be appropriate to invite the Deputy Minister for Communities—Jackie Baillie—whose brief covers the voluntary sector.

Alex Fergusson: I missed a meeting at which the committee took evidence, so please correct me if I am wrong, but I believe that we have not taken evidence from, for example, the Federation of Small Businesses.

The Convener: No, we have not.

Alex Fergusson: At the two meetings in rural Scotland that I attended, I was disappointed by the absence of local businesses. I was concerned about the way in which the meetings had been advertised. It is important that we hear from employers so that we can see both sides of the equation. I do not wish to be accused of trying to prolong the inquiry, but it will not be a proper inquiry unless we are thorough. It would be worth

while to hear from the FSB.

The Convener: Would it be appropriate to ask the FSB for a written submission? I am slightly concerned that, in taking submissions from one organisation of that sort, the committee might appear to be excluding others.

Mr Rumbles: Alex Fergusson mentioned his concerns about the lack of advertising, or the way in which the meetings were advertised. They were not advertised at all. There was media involvement and we went out of our way to try to encourage people to attend, but no business organisation was deliberately left out.

Cathy Peattie: Local business people were among those who gave evidence.

Mr Rumbles: I think that we should probably look for a written consultation.

Alasdair Morgan: Was the FSB among those who were consulted?

Richard Davies (Clerk Team Leader): I do not have a copy of the consultation list, but about 400 organisations were included on the list.

Lewis Macdonald: We are reaching agreement. There are one or two interests that we have not heard from, such as the Scottish Trades Union Congress. That organisation represents a broad group of people in rural areas. Given our timetable, we do not need more oral submissions. Written submissions from such organisations would be fine.

The Convener: We should, in the first instance, check whether the FSB was included on the initial list. If not, we should contact that organisation.

Lewis Macdonald: The same should apply to the STUC.

The Convener: What we are proposing is that we would like to hear from three ministers—Henry McLeish, Jackie Baillie and Ross Finnie—on rural employment. The committee will be pleased to receive from Professor Shucksmith an outline of the draft report for consideration on 20 June. Do members wish to see a report on the consultation exercise on that day?

Members indicated agreement.

The Convener: We will now move on to the next item.

17:15

Meeting continued in private until 17:45.

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