

RURAL DEVELOPMENT COMMITTEE

Tuesday 11 June 2002
(*Afternoon*)

Session 1

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RURAL DEVELOPMENT COMMITTEE

15th Meeting 2002, Session 1

CONVENER

*Alex Fergusson (South of Scotland) (Con)

DEPUTY CONVENER

*Fergus Ewing (Inverness East, Nairn and Lochaber) (SNP)

COMMITTEE MEMBERS

*Rhoda Grant (Highlands and Islands) (Lab)
*Richard Lochhead (North-East Scotland) (SNP)
*Mr Jamie McGrigor (Highlands and Islands) (Con)
*Mr Alasdair Morrison (Western Isles) (Lab)
*John Farquhar Munro (Ross, Skye and Inverness West) (LD)
Irene Oldfather (Cunninghame South) (Lab)
*Mr Mike Rumbles (West Aberdeenshire and Kincardine) (LD)
*Elaine Smith (Coatbridge and Chryston) (Lab)
Stewart Stevenson (Banff and Buchan) (SNP)

COMMITTEE SUBSTITUTES

George Lyon (Argyll and Bute) (LD)
Alasdair Morgan (Galloway and Upper Nithsdale) (SNP)
John Scott (Ayr) (Con)

*attended

WITNESSES

Libby Anderson (Scottish Society for the Prevention of Cruelty to Animals)
Andy Baird (Scottish Trades Union Congress)
Sandy Brady (Highlands and Islands Enterprise)
Brendan Burns (Federation of Small Businesses)
Mike Flynn (Scottish Society for the Prevention of Cruelty to Animals)
David Gass (Scottish Enterprise)
Jon Harris (Convention of Scottish Local Authorities)
Andrew Joret (British Egg Industry Council)
Professor John Lennon (VisitScotland)
Julian Madeley (British Egg Industry Council)
Douglas Murray (Association of Scottish Community Councils)
Shane Rankin (Crofters Commission)

CLERK TO THE COMMITTEE

Richard Davies

SENIOR ASSISTANT CLERK

Mark Brough

ASSISTANT CLERK

Jake Thomas

LOCATION

Committee Room 1

Scottish Parliament

Rural Development Committee

Tuesday 11 June 2002

(Afternoon)

[THE CONVENER *opened the meeting at 14:02*]

The Convener (Alex Fergusson): I open this meeting of the Rural Development Committee. I suspect that after the final whistle has blown in a certain football match our numbers will increase somewhat. Is the score still 2-0?

Fergus Ewing (Inverness East, Nairn and Lochaber) (SNP): I do not know.

The Convener: I ask everyone to check that their mobile phones are turned off. No apologies have been received.

Item in Private

The Convener: Does the committee agree to take item 4, which relates to consideration of claims under the witness expenses scheme, in private? We have always done that, and I trust that members will agree to do so again.

Members *indicated agreement.*

Integrated Rural Development

The Convener: We are continuing our inquiry into what makes for successful integrated rural development. We are also trying to identify the barriers to delivering such development. Today's meeting is part of a series of evidence-taking sessions that we are holding as part of the inquiry. For four of our meetings we have travelled around Scotland. We have had a fruitful and interesting time hearing the individual and corporate experiences of people on the ground, which we were determined to do.

This is the second meeting on integrated rural development to be held in Edinburgh. We will take evidence from a number of agencies and representative bodies. A total of eight witnesses are present, and we will hear from them in two separate panels.

I am pleased to welcome as our first panel Douglas Murray of the Association of Scottish Community Councils; Jon Harris of the Convention of Scottish Local Authorities; Andy Baird of the Scottish Trades Union Congress; and Brendan Burns of the Federation of Small Businesses. Thank you for giving up your time to give evidence to the committee today. We have received written submissions from you, for which we are very grateful. Rather than our going over those, I would like us to proceed straight to questions. In as few words as possible, will you indicate what you regard as the single greatest barrier to integrated rural development?

Douglas Murray (Association of Scottish Community Councils): The administrative grant causes many community councils serious problems. In my written submission, I characterised one community council that was undertaking planning consultations with its local interests on various developments in its area.

I have encountered another instance of the problems with the administrative grant within the past few days, in which a community council will effectively be made bankrupt because of a legal bill incurred in carrying out its duty under the community council scheme of promoting elections for community councils. An individual raised an interdict against the community council, which had to employ a Queen's counsel in the Court of Session to defend the action, which was thrown out. The community council now has a bill for about £900 on a grant of £300 per annum.

The amount of grant that community councils receive is relevant to the years 1975 to 1977, when they were set up. It is no longer relevant to their workings today, particularly when they need more and more to be involved in what is happening locally and nationally and to represent

their community interests.

The Convener: I am sure that we will return to that.

Jon Harris (Convention of Scottish Local Authorities): Integrated rural development is about taking an holistic approach that joins up economic, environmental and social aspects of rural development. One of the main barriers has been the fragmentation of the public sector and of its capacity to work together. We consider community planning to be a key factor in challenging and addressing that fragmentation. Fragmentation is sometimes found not only between agencies but within agencies. In such cases, we find a silo approach, in which an issue is considered from a single-service perspective such as planning or economic development. That is probably the most significant barrier.

Andy Baird (Scottish Trades Union Congress): Although I represent the STUC, my union is the Transport and General Workers Union Scotland. We have a keen interest in agriculture. Many of our members live and work in rural communities and our union is acutely aware of the problems that they face. Our firm belief is that jobs and prosperity are vital to the well-being of all communities in Scotland, rural or urban. However, low pay, the seasonality of jobs, a narrow enterprise base, costly housing and poor access to goods, services and transport hinder rural Scotland's development.

As a manufacturing union, the T&G seeks the integration of rural economic development within a manufacturing strategy that has full employment as its goal and that addresses the problem of grants to firms that subsequently leave areas with no regard for the communities that they abandon.

Agriculture remains at the heart of rural Scotland. Agricultural employment is vital to many remote rural areas. We feel that the voice of those who work in the industry must be heard, as they are the ones whom policy will ultimately affect. We are deeply concerned that the Minister for Environment and Rural Development continues to deny our request for involvement in the forward strategy group for agriculture.

As a public service union, we are acutely aware that service provision in rural areas is often haphazard. Services in rural areas should include access to transport, housing and development as required. We have a keen interest in transport. We have witnessed how deregulation has led to the removal of services in many rural communities and are aware of how the absence of decent, affordable public transport adds to social and economic exclusion.

Our firm view is that policies for the regeneration of rural communities should not be treated in

isolation from general policy areas. We look forward to further debate and discussion on how to advance integrated rural development.

Brendan Burns (Federation of Small Businesses): I will keep my comments brief. The main barrier to integrated rural development is a failure to understand the difference in risk between running a business in a rural area and running a business in an urban area. The solutions that are offered are likely to be urban solutions, rather than solutions tailored to rural areas.

There is also a failure to understand entrepreneurship and the fact that it is needed in all of society. Too often we assume that entrepreneurship means only business. We would like the word to apply to councils and other service providers, because if there were more entrepreneurship across the board, we would be able to develop businesses better. Far too much lip service is paid to small business, and there is not enough recognition that small business matters. Too many people regard businesses that employ fewer than five people as lifestyle businesses, which is a huge barrier to development.

We lack relevant statistics for small businesses in rural areas. Many statistics are bandied around, but they are not available for rural and remote areas. There is a failure to recognise that there has been a major cultural change in rural microbusinesses. There are too many adjectives and not enough verbs in every document that we read.

Elaine Smith (Coatbridge and Chryston) (Lab): I declare my interest as a member of T&G Scotland.

I address my first question to Andy Baird. I am very pleased that you are present at today's meeting, because for some time I have argued that we should take evidence from the trade unions. You have already referred to the strategy working group. In your submission you say:

"trade unions should have had an integral part to play in the strategy working group, as those working in the industry should have their voice heard, as it is they who policy will ultimately affect."

I have raised that issue with the minister. How can the committee take it forward?

Andy Baird: The Executive wants the strategy working group to be run on an inclusive basis. There are a number of interested parties. We believe that community councils, local authorities and trade unions should be able to make a direct input to the group. The minister was too restrictive in his approach and excluded the T&G, which represents a large number of people who are dependent on the agricultural economy. This is not about scoring points. We would like our views to

be taken into account, so that any strategy team that is set up is representative. If that is done, the policy that is developed will be more beneficial and will reflect the views of the people who are affected by it.

Elaine Smith: You say that there is

“scope for co-operatives and mutuals to play a bigger role in rural communities”.

Can you say more about how you envisage that happening? What are the problems relating to the use of pesticides, and how can that be reduced?

Andy Baird: When discussing the development of policy, it is important that we consider the people on whom that policy will impact. There are many bodies whose views should be taken into account, including community councils and economic development agencies. In many rural areas, development agencies are dominated by a particular group of people. Trade unions are making the point that groups must be representative.

Let us consider the issue of regional selective assistance. How should we provide funding? How can we shift the focus from purely rural issues to promoting business in a rural setting? It is important that long-term funding to generate employment is available. I would argue that, in a rural setting, even a relatively small employer can make a tremendous contribution to the economy. All aspects of funding have to be considered. Any policy must be representative, taking all areas into account so that the policy can develop.

On pesticides, we have a particular interest in organophosphates. However, there is a clear need to develop organic farming. Food safety issues have been raised. Our view has always been that we should err on the side of caution. It should not be that people have to demonstrate a safety concern before any action is taken. The reverse should be true: when pesticides are used, their effects on the people who use them, and their long-term effects on the food chain and the land, should be recognised.

14:15

Elaine Smith: I would like to ask Brendan Burns a quick question. In Scotland, we have a problem with encouraging women to start up in small businesses. Is that even more noticeable in rural areas?

Brendan Burns: I do not think that attracting women into business is any more difficult. Women in rural areas suffer the same problems as do women in urban areas. Many of our women members are in rural areas. If there is a particular problem, the FSB has not noticed it. There may be a problem before people reach us, but our evidence has yet to show a problem.

The Convener: I ask Mr Harris to comment on the first part of Mr Baird's second last answer. Mr Baird wanted more inclusion in discussions and decisions. How does that comment fit with the process of community planning? I understood that that involved a wide consultative process.

Jon Harris: Perhaps I can link things together and tell you how I see integrated rural development being facilitated by community planning. The idea is that all the agencies—the voluntary sector, the community sector and the private sector—should have a shared vision. Everyone should be moving in the same direction. People worry that national initiatives pull local agencies in different directions. We regard community planning as allowing a balance between the national and the local—a balance between a top-down and a bottom-up approach. We have to give communities space to set their own priorities and not simply to deliver national priorities.

The third element of community planning is the capacity to deliver joint resourcing and joint management of services for the community—for example, services for the elderly, for young people or for business development. Not only would that allow more effective services, but it would deal with the costly problem of separate arrangements often being required in rural areas. If joined-up delivery of services is provided, the problems of higher unit costs can be dealt with. The fourth element is the ability to join mainstream budgets with social inclusion partnership funds or European funds. It is useful for the voluntary sector to link into all those funding streams.

All those elements roll together to engage the community. In other words, people in communities of place, such as villages or small towns, and communities of interest, such as farming, can engage in the delivery of the strategic vision. The trick is to ensure that everything links up. Community planning is still in the early stages. We are beginning to develop the strategic vision throughout Scotland, to have discussions about improvements and setting targets and to consider joint resourcing.

We are still in the earliest stages of engaging with communities. There are, however, some examples, of good practice in this area. For example, when Stirling set up its community planning process, it did so through a Stirling assembly, which involved a range of community organisations—community councils, business and the voluntary sector. In Dumfries and Galloway, decentralising was considered and area committees were engaged. That area still needs to be developed to its full potential if we want to call community planning community planning.

Richard Lochhead (North-East Scotland)

(SNP): Integration is all about bringing things together. Is not one of the problems that there are too many elements to bring together in the first place and that is why the issue is so complex? It is difficult to achieve integrated rural development.

I ask Douglas Murray and Brendan Burns whether there are any initiatives—from the plethora of several thousands of initiatives—organisations and agencies in rural communities that they would scrap or that they would keep? Or do they believe that the status quo is fine and hunky-dory?

Douglas Murray: I came across an area in Aberdeenshire last year where the community was involved with the local authority in the establishment of a social business development in an old school. They trained mentally or physically handicapped young people to do work with fabrics and sign writing. That is an example of a complete integrated package that involved the local authority, education, community education, social work and the health service. Members of the local community came together to establish a good working relationship, which benefited employment prospects in that area. That development worked well.

Jon Harris mentioned community planning. Areas such as Stirling and Dumfries and Galloway have worked well and they have pulled their communities into the planning process. In some areas in Scotland communities are excluded from the community planning process.

Richard Lochhead: Which areas?

Douglas Murray: There seemed to be distinct difficulty in Inverclyde, where the community was not brought into the process in the first instance. There was an extreme reluctance to get involved in a process whose framework had already been decided. We need to involve the community from the outset instead of dragging it in as an afterthought.

Brendan Burns: I agree with the point about the plethora of agencies. It is difficult to know how to answer that question. There must be some good ideas out there and some good business initiatives. Scotland seems to suffer from projectitis and there does not seem to be any follow-up. Even the federation does not seem to be following up on that. It should be saying, "We have had a look at that. It could be worth expanding."

Many schemes that have been tested elsewhere or which were taken up first in urban communities come through to the rural areas. Rural businesses start to pick them up because they have seen the possibilities in the schemes. One example is the scheme by which Scottish Enterprise offers consultancy help to businesses. However, that scheme is coming to an end, as there is virtually

no money left. By the time initiatives reach small businesses in rural areas, they are coming to an end.

It is difficult to get any of our members to speak highly of any of the initiatives. There are a variety of good reasons as to why that occurs. Frankly, none of the initiatives jumps up and hits us between the eyes. Nobody is saying, "That is a really good idea. We want to see it spread across the whole of Scotland."

Jon Harris: One other area that I think about when I think about rural development is health improvement. At the moment, a number of initiatives exist, all of which have different funding streams and partnership arrangements. I am thinking of the drug action teams or the anti-alcohol strategies, which have their own co-ordinating committees, or the joint health improvement plans, which are part of the community planning framework.

It would make more sense to rationalise them and bring them together. The committee may be interested to know that one of the remits of the community planning task force is to examine the rationalisation of initiatives and partnership arrangements. If the committee would like me to do so, I can arrange for the evidence that is given to the task force to be made available to the committee.

The Convener: That would be very useful. Thank you.

Andy Baird: The concept of community planning should mean what it says. We were asked which of the agencies we are not happy with. It would be possible to develop a list of people with whom we were not particularly pleased, but that would not be constructive. If we want the concept of community planning to develop, we should involve as many people as possible. If more people made a greater input, notwithstanding the problems that would arise in processing policy, areas such as transport, social exclusion and housing could be addressed in a more meaningful way.

It is important that there is a forum for such issues. The concept of community planning should be developed in a community setting. If more people who are to be affected in some shape or form are involved, the end result should be an improvement in policy terms from the present situation.

Richard Lochhead: Are you saying, Mr Baird, that there is no link between barriers to integrated rural development and the number of initiatives and agencies that exist at present? Last week, the Rural Development Committee met in Huntly. The witnesses included a representative of Turriff and District Ltd. A number of economic agencies cover

the Turriff area: Turriff and District Ltd, Enterprise North East Trust Ltd, Scottish Enterprise Grampian, the Scottish Executive and European agencies—the list goes on and on. Is there a link between the number of agencies and barriers to integrated rural development in rural communities?

Andy Baird: The multiplicity of agencies can restrict the ability to progress issues. If the concept of community planning is to be embraced, the concept has to mean what it says. I accept the rationale that it would make sense to have one agency, but that would depend on the approach that was to be taken. We prefer to do things positively. We want to give our evidence in a constructive manner. We want to improve things, not to indulge ourselves by showing up and criticising anyone who has offended us over the past few years.

Rhoda Grant (Highlands and Islands) (Lab): I want to pursue the theme of joined-up policy. In his introductory comments, Mr Harris mentioned the problems of silos in organisations and between organisations. That is something that the committee has come across on its travels. In housing provision for example, many problems were mentioned and lack of housing is seen as a major barrier to rural development. If development is to take place, it will not be possible to bring in workers if they cannot be offered somewhere to stay.

Other issues included land availability, planning, the provision of services such as electricity, water and sewerage, the investment that people were allowed to draw on to build houses and the investment that is coming in for social rented houses. Do you have any comments on how we might address those issues? Community planning might address some of them, but national policy—or indeed European policy—sometimes affects decisions that are made and development that is undertaken.

14:30

Jon Harris: Rhoda Grant gives a good description of the problem. In the submission that we and the Society of Local Authority Chief Executives and Senior Managers—SOLACE—submitted regarding the Local Government in Scotland Bill, we considered the various agencies that are required to engage in the community planning process. We have received a number of representations from councils that have major problems relating to infrastructure. They suggested that Scottish Water should be part of the process. If there is a build-up of pressure, we will want to develop the economy and housing, but we might not have the infrastructure to support that. That concern has been voiced by Dumfries

and Galloway Council. It used to be a major issue in Huntly in Aberdeenshire, where the committee held its previous meeting—capacity there was insufficient.

The message that I take from that information is that, from a rural perspective, the infrastructure should be part of the discussion and representatives of Scottish Water or rural transport bosses, for example, need to be part of it. That cannot be forced, but it would seem to be sensible and good practice to bring all the parties together.

Rhoda Grant: How could you influence the national policies of larger agencies and private sector companies? Major problems have been identified with regard to electricity, for example. It is difficult to influence those agencies or companies on a local level, and to ask them to be part of community planning procedure or to come in and make the desired difference, if they are governed by national priorities rather than by local ones.

Jon Harris: In one respect we have promoted a duty on ministers to tackle that when they give their strategy or direction to the agencies and non-departmental bodies that they sponsor, including such bodies as Scottish Water.

The private sector is one area with which the community planning process does not fully engage. That needs to be developed. When I talk about community engagement I am talking about the private sector and communities. That engagement is beginning to happen with regard to the voluntary sector. It is a matter of getting all the funders together and delivering an agreed compact with the voluntary sector so that it is sufficiently resourced to allow it better to engage in the process.

As far as ScottishPower is concerned, we simply have to make the case that the discussion will be more effective if that organisation is part of it, and not just in rural areas but in urban areas. There is an issue about some larger organisations' ability to get down to local level throughout Scotland. We have problems with the unitary national health service boards in some areas, where six or seven community planning partnerships might be working together. There are problems, but we should be seeking to engage regionally or, if possible, locally.

Brendan Burns: I want to go back to something that I said when I was asked what the barriers were. Entrepreneurial thinking offers means of looking for different and new solutions. One of the things that we keep running up against is the fact that urban solutions are being brought into rural areas. That is as much to do with business as it is to do with housing or anything else. The solution might be different in rural areas, which requires

people to think differently. It means finding solutions that might not even be acceptable in urban areas, although they are more than acceptable in rural areas.

I spoke to a council employee and suggested something that the council could do, but he said that it was not worth it because he would not be fired for putting in another oil-fired boiler in a community school. That is the attitude that prevails—this is what we have done and what we will do now and in the future, because this is what we do in urban areas.

The people who make such decisions are based in cities and think in urban terms. They do not think outside the circle. People in authority must think entrepreneurially—local authorities could be the main catalyst for that—and, more important, must not be criticised when they get things wrong. They will get things wrong, but as many times as they do that, they might get something right. The solutions for cities are not the solutions for rural areas. Housing is but one example of that.

Andy Baird: The supply of accommodation to rent is poor in rural areas. Fuel poverty and energy efficiency issues must be addressed. Investment must be made in homes to rent, and access to improvement grants should be made easier in order to deal with insulation and energy conservation. Overall, the clear direction must be to ensure that low-cost housing is available to people who depend on work in an area. If someone who lived in tied housing lost their employment and they had stayed in that community all their life, where would they find accommodation, if none was readily available locally? An umbrella agency to co-ordinate all such activities is needed to reduce delay.

Fergus Ewing: I will stay on the topic of affordable housing. In all its visits to places such as Buckie, Mallaig and St John's Town of Dalry, the committee has heard that the availability of affordable housing is a serious problem. In Mallaig, some people would like to establish a shellfish processing facility, because a large quantity of our prawns are caught there, but accommodation would not be available to house the workers who would be required to work in a shellfish processing factory, so establishing such a factory is not possible.

Last week, we heard from Mr Rasmussen, an architect who had produced excellent plans for housing on a farm steading. Those plans were blocked by planning law. We have also heard from a builder in St John's Town of Dalry who said that he could not fill even a gap site in a traditional Scottish small village high street because of stringent planning restrictions, which are often imposed from Edinburgh. Often, although a local council might grant permission, plans are given

the thumbs down in Edinburgh.

My question is to each witness. Do you agree with the witnesses from whom we have heard throughout rural Scotland that planning law is a serious barrier to the creation of affordable housing and to development opportunities to build such housing in rural Scotland?

Douglas Murray: I touched on housing in my submission, which talks about tied housing. A condition of much new housing in farming areas is that it is available only for agricultural employees, so if someone lost their job because of a downturn in the agricultural industry and the job no longer existed, the house would sit empty, irrespective of whether someone could use it. Planning is a barrier to that use.

Jon Harris: In general, councils must develop their housing strategies to fit the community planning framework, so the issues are not all separate, because planning and the development of a planning regime can support appropriate development. Issues are also raised by the right to buy and, for example, by councils' ability to work with partners to invest in social housing where gaps exist. Such work is prohibited under the Local Authorities (Goods and Services) Act 1970, but the Local Government in Scotland Bill does not propose to lift that prohibition.

A range of issues needs to be addressed if we want to deal with the problem that faces communities in which there is an opportunity for economic development but a lack of housing or other infrastructure to support it. That demonstrates the need for a holistic approach. Planning needs to be included in the discussion, so that different messages are not sent out from different areas of activity.

Andy Baird: If agencies apply regulations that are formulated elsewhere, the result will be poor. If there is a clear desire, through community planning partnerships, to develop formats that are suitable to local situations, we might be able to make progress. Housing, the right to buy and the provision of affordable accommodation are issues that require attention. Everyone is aware that the current situation is inadequate. We need to consider how to make funding available to solve that problem. We might need to restrict the right to buy to ensure that there is affordable accommodation in an area. There might be some variation between communities, but the approach that we take should reflect the requirements of each situation and the number of people who need to live in an area.

Brendan Burns: The need for affordable housing has been discussed repeatedly in rural areas. Too often people propose the urban solution of building an estate or five or six houses.

In rural and remote areas the self-employment rate is high and we are encouraging people to start up businesses. However, when people do that, planning authorities tell them that they cannot locate their businesses in the place that is proposed, but must rent council premises at £9,000 a year and open their businesses 7 miles down the road. If people propose to build a garage for their pipes and other material, they are told that they cannot do that on domestic premises.

We do not view houses in an entrepreneurial way—I will continue to use the word entrepreneurial. Houses are bases from which people can work. If we tell people that they can start up businesses, we should also be able to say to them that, if they have sufficient space, they should build a workshop or garage. Such an approach does not work in an urban situation, where every house is located 7ft away from the boundary line. We need to rethink what we mean by housing and what that housing will do.

To illustrate the problem of affordability, I cite the example of my son, who works in forestry. At the moment, forestry is in a dire situation. If my son, who is in business, cannot afford a house, what is the situation for others? The other day I spoke to a man called John, who works for me and who is thinking about buying a house or getting hold of a plot of ground. He was faced with 101 questions. At the end of the day, we have to deal with someone who lives in a city or town—in our case, Perth—who cannot grasp what we need or what we want to do. In the case that I have just mentioned, it is not John but his wife who wants to start up a business.

Planning decisions have knock-on effects. The more I speak to the council, the more I realise that I am banging my head against a stone wall, because I have a vested interest in the matter. We are in a chicken-and-egg situation. If businesses do not make profits, they will not pay high wages. If they do not pay high wages, what housing will be affordable? If we build affordable housing, we must build not another estate but housing that meets the needs of communities.

Fergus Ewing: During our sojourns—particularly in St John's Town of Dalry and Fort William—concerns have been expressed to the committee about tourism. Businesses such as McTavish's Kitchens in Fort William and businesses from elsewhere in my constituency—from Nairn, Badenoch and Strathspey—believe that the key to marketing is for businesses and interested individuals to work together locally to promote their area directly. Often, if packages are promoted, people will come to sample a variety of attractions in a particular area. Is encouraging businesses to work in consortia the right approach? Should such consortia, in order to

ensure local success, be given more power to control marketing? That would entail more devolution—and more cash—from VisitScotland to local areas, to allow local businesses to work together to promote their areas more effectively.

14:45

The Convener: Were those points aimed at anyone in particular?

Fergus Ewing: I am hoping that everyone will agree with them.

Brendan Burns: In the hotel trade, consortia have been tried several times. I have a long history in the hotel, catering and restaurant trade. In many cases, what makes consortia work is not the marketing—the marketing is actually the end-product. What makes them work is the ability to purchase locally. The profit that comes from more integration then goes into marketing. VisitScotland has a particular view on the promotion of tourism. Its view is no better and no worse than anybody else's. Decisions over consortia and local marketing have to be left to the local community.

I am always reluctant to see money going in. Too much money goes into grants. We say to businesses, "If you market together, we'll give you money." We have to get people to come together, and get the councils and others involved, but I would be far be happier if the businesses had to put their hands in their own pockets. We cannot always have grants: one man's grant is another man's unfair competition. The only way we would support grants would be if they were open to everybody. We cannot say that grants are available in Nairn and Strathspey but not in Inverness. That would put us in a difficult commercial situation. However, if businesses see the advantages of coming together, and can market together, that can work.

Douglas Murray: Last year, I was involved in the promotion of a number of businesses in one market town. I got them to come together to examine the evaluation of their rating bills. I had heard that few businesses had questioned their valuations, but we got 35 businesses together and achieved a reduction of £4,000 or £5,000. Those businesses included two that had been wrongly revalued 10 years previously.

We are now considering taking the same route for utility services to retailers—involving the gas, telephone and electricity companies, and possibly Scottish Water. We want to find out on a co-operative basis what has been done. All our work can be done without grant assistance; all we need is a little more support for the general theme of what we are doing.

Jon Harris: In tourism, an integrated approach

could deliver more business and lead to better product packages, and making connections between different types of business could lead to more added value for the local area.

Andy Baird: I accept that an agency is required to oversee the approach. In tourism, marketing in the UK is not the only important thing: we must impact on other countries to attract business. We have to take the broad-brush approach and involve the wider community, because the local authority and other agencies are required to provide associated services. On that basis, although some of the issues may be diversified so as to involve the local community, there needs to be an overview of those issues, and consideration should be given to marketing and to attracting inward investment through tourism.

Brendan Burns: On local businesses coming together and working on a consortium basis, I refer again to the area tourist boards. I believe that the reason why the area tourist boards did not work was that there was not enough business input and far too much council input. The difficulty lay in the idea that the local council, because it was the main funder, had to have the main say. That was the dead hand of bureaucracy, I am afraid. Now, it is a matter of businesses making up their minds: if they want to come together, they will have to put their hands into their pockets. The council belongs in such activity, but not to lead it.

The Convener: On that note, we will wrap up this evidence-taking session. Thank you very much, gentlemen, for your time. I ask you to step down from the table now, although you are more than welcome to stay in the public gallery for the rest of the afternoon's proceedings.

Before we start taking evidence from the next panel of witnesses, I should say—for the benefit of those who have been kept away from the media since some time before 3 o'clock—that the final score was Republic of Ireland 3, Saudi Arabia 0—and I had an Irish grandmother.

I welcome witnesses in the second panel. I thank you for coming along and giving of your time. I welcome Sandy Brady of Highlands and Islands Enterprise, David Gass of Scottish Enterprise, Shane Rankin from the Crofters Commission and John Lennon from VisitScotland. You will be aware of the format.

We have received written evidence from all parties except VisitScotland, and I propose that we start with questions similar to those that we have asked previously, on the understanding that the question about what you see as the biggest single barrier to a meaningful policy of integrated rural development is not meant to be an invitation for criticism. The idea is that this is a proactive inquiry that will, we hope, lay down some pointers as to

how better to implement policy. This is not meant to be a critical inquiry; we are not here just to gripe and complain, but to put our finger on meaningful ways forward. I ask Sandy Brady to kick off. What is the single greatest barrier to a meaningful policy of integrated development?

Sandy Brady (Highlands and Islands Enterprise): Some of the previous answers to that question have stressed the need to get the processes right, and community planning has been held up as a model to allow that. So far, the signs are good.

Getting the processes right is important, but I stress that it is important not just to get the processes correct, but to think about the content of what we are trying to achieve. That must start with an attempt to create among the partners a common understanding of what a successful rural community looks like, be it a small island, a larger mainland community or whatever. We need to understand what we are trying to achieve in the medium and longer terms. When those clearly defined longer-term objectives exist, the processes of getting the job done through joint projects, partnership arrangements and so on becomes more meaningful.

From a Highlands and Islands point of view, we must agree on the importance of employment growth and population growth in order to sustain the rural communities that have done well over the past generation, and to help those that have not done so well. Jobs and people are the answer to long-term prosperity.

David Gass (Scottish Enterprise): Our thinking is very much along the lines of Sandy Brady's on the need for an assured vision and agenda for the rural economy. Within that vision there must be clarity on people's roles and responsibilities, and clarity on how we engage with communities and offer them access to this process. Some progress has been made through the work of economic forums. I hope and expect that much more progress will be made through the community planning process, which is very welcome.

Many of the well-known practical infrastructure barriers—to do with transport, information and communications technology, and sparsity of population—act as cost barriers and accessibility barriers, which prevent a number of communities from playing a full part in integrated rural development.

Shane Rankin (Crofters Commission): The question has been answered by many people this afternoon, so I may not be able to add a great deal. I stress the need for clarity on what integrated rural development is supposed to be and on why it is important in the communities that we serve. The central issue is the sectoral

approach that agencies and organisations tend to take. There is a certain inevitability about that, because those agencies are charged with a single issue and have a responsibility to deliver on it quickly, effectively and cost-effectively. Perhaps what is missing from the assessments of most organisations is how much they have helped other agencies to deliver their objectives and how much broader than their own sectoral issue their impact has been.

Professor John Lennon (VisitScotland): Tourism cannot exist in isolation from other aspects of the rural economy. Tourism is now integral to many parts of rural Scotland; there has been sea change in the importance of tourism to employment. Traditional primary industries now take less of a role while tourism's role is growing. Tourism has to work alongside farming, fishing and crofting.

Agriculture is key to our plans. The rural economy features time and again in the marketing and advertising of Scotland. The branding of Scotland uses such icons repeatedly. They are at the centre of our product-marketing strategy and cannot be ignored. I concur with my colleagues on the importance of integration and of working with all sectors to build a sustainable rural economy.

Richard Lochhead: I want to address my question to John Lennon of VisitScotland. I am tempted to ask why Ireland are better than Scotland at football, as well as being better at attracting tourists.

Evidence we have taken in places that we have visited during our inquiry has told us that people want more support to develop tourism in their communities because tourism creates jobs. However, although many rural communities have low levels of unemployment, it is often highlighted that people who work in tourism are poorly paid and much of the work is seasonal. How can we address those matters? How can we get better quality jobs in the tourism sector? Many people view seasonal and low-paid work as a barrier to rural development.

When organisations tell the committee that they need more money to develop tourism initiatives, are they right? Is that the best way in which to promote tourism in rural areas, or should we create a better infrastructure so that people find it easier to get to rural areas? That might be a better way in which to boost tourism.

Professor Lennon: I am glad that I do not have to answer the football question, because there were enough other questions there.

What you say is absolutely right. Rural tourism is now acknowledged as a big sector of the rural economy and as an industry with the capacity to generate growth in jobs and in the countryside.

However, tourism is beset by problems of seasonality, low profitability and high rates of business failure. I guess that the problem for people sitting in agencies is whether to throw grants or business development schemes at that. There are structural aspects to the industry. If the committee considers the main employers, in particular the accommodation sector, the concentration of large hotel and accommodation providers is to be found predominantly in cities, away from the more remote, rural coastal and island areas. Those businesses are highly seasonal and the operators find it very difficult to generate employment all year round. How do we counteract that at national level?

15:00

We must look back at what happened in cities such as Edinburgh, where slowly, over a period of about 15 years, a sea change took place in what happened over the winter, Christmas and New Year period. The commentators in the press now think it highly obvious that the straightforward thing to do was to focus on Hogmanay and Christmas and so extend the season.

That lesson is well learned in VisitScotland. Many of our campaigns focus on seasonal extensions: our Spring into Summer and Autumn Gold campaigns are starting to bring in improved visitation during the early and end periods of our traditional summer peak of May through to September/October. It is possible to help to build all-year-round employment by generating all-year-round tourism. It would be possible to do that by focusing on the many activities, niches and specialist interests that the rural economy can provide.

In general terms, urban destinations can buck the seasonality trends—they show much less of a downturn during the winter months than do the rural and island destinations. Much of our marketing and advertising has been aimed at pushing the seasonal extension into those periods by focusing on activities. If we take walking as an example, a significant amount of investment has gone into the marketing, e-marketing, advertising, brochure promotion, dedicated websites and industry-specific data of that activity.

The investment was such that we are now generating huge amounts of wealth from it. Walking, as part of a holiday, now accounts for close to £500 million coming into the economy. The figure is astonishing. By focusing on activities such as walking, which are synonymous with rural, island and coastal areas, we can start to build better jobs in the tourism industry. That is a much more appropriate approach than trying to subsidise jobs directly through grants.

I am aware that I have spoken for some time,

but I want to return to a point that was made about marketing. One of the panel talked about decentralising marketing expenditure away from VisitScotland. If we look at national tourism organisations across the world, of which there are 130, we find that their predominant activity is marketing. Between 70 and 100 per cent of the expenditure of those national tourism administrations is spent on marketing. It would be a brave administration that turned away from that. Marketing is the core business of VisitScotland. That is not to say that, if the business case is there, assistance should not be provided for industry-led initiatives or consortia such as Nairn hoteliers, which focus on building a critical mass of operators to market an area.

I point the committee to marketing networks that are structurally unsound. Those include the malt whisky trail, which was a good idea 15 years ago when it was instituted, but is a problem today. That is because exactly the same operation is being marketed collectively. By contrast, some more innovative initiatives are coming out of rural Scotland such as undilutedscotland, which is a collective that brings together activity providers, accommodation operators, attractions and retailers in the Speyside area. The way to develop marketing consortia is to build a cluster of things for people to do—just as has been done in Speyside. That is the kind of initiative that should receive backing, not something that is giving a message that is *écouté et répété*—the same again, only more so.

Elaine Smith: You talk about generating all-year-round tourism. Are you aware that I have raised with the minister the idea of establishing state-run hotels along the lines of the Parador hotels in Spain? That would allow itineraries that make use of old, historic properties to be drawn up. Transport could be integrated into those itineraries. Such a system might encourage people to visit non-traditional tourism areas such as my home town of Coatbridge. It could also be used in remote and rural areas. Have you given any thought to establishing state-run hotels?

Professor Lennon: I knew that that suggestion had been made. State-run hotels are not common in other parts of the world. Increasingly, the state is moving out of commercial hotel operation. There is little state representation in ownership and operation of the world's leading hotel chains.

However, it would be absolutely right for us to seek innovative ways of developing heritage properties—of which we have many. Organisations such as the National Trust for Scotland are considering ways in which to make money from properties in their portfolio that are making losses. For that reason, they are converting parts of the castles and heritage

buildings that they own, which they are able to sell very easily or for which they are able to charge very high rents. Elaine Smith's idea is sound, but perhaps the private sector, rather than the state, should take the lead in developing it.

Mr Mike Rumbles (West Aberdeenshire and Kincardine) (LD): Last Friday, at our meeting in Huntly in the north-east of Scotland, we took evidence from Peter Argyle, the chairman of Mid Deeside Ltd, which is a successful local community development company. I hope that the witnesses have had a chance to read that evidence. We heard from the grass roots that local community development companies are starved of core funding—funding that will enable them to operate at a low level. People can access marvellous amounts of funds—lottery grants and so on—that make a real impact on their communities. We heard about people in local communities accessing funds to establish village hopper bus services and so on.

On page 10 of its written submission, the Scottish Enterprise network states:

“The lottery and millennium funds demonstrate that communities will want to become involved in developmental activities if there is a potential funding resource available to them.”

I could not agree more. However, a couple of paragraphs later the network states:

“agencies such as LECs struggle to give communities an undertaking on the funds available to assist them, particularly in a situation where there are other (often national) priority outputs against which these agencies are measured. This does not encourage the community to become involved in development.”

That is the nub of the issue. I understand that local enterprise companies have powers to provide local community development companies with a small amount of core funding. At our meeting on Friday, I pressed the chief executive of Scottish Enterprise Grampian on that matter. From the Scottish Enterprise network's written submission, I take it that Scottish Enterprise would like to provide such funding, which is part of its remit. However, because Scottish Enterprise is not measured on whether it provides core funding to local community development companies, it would rather someone else did that. Is not the purpose of our inquiry to point out when Government agencies such as Scottish Enterprise are saying all the right things, but not doing them because those measures are not included in their performance indicators? When Scottish Enterprise says that someone else should provide core funding, the result is that no one does so.

David Gass: Taking the last point first, a lot of work has been and is being carried out by the rural policy group to examine the indicators and what we are measured against. That group involves a

number of bodies, including the Scottish Executive environment and rural affairs department and the Scottish Executive enterprise and lifelong learning department.

It has been recognised—to go back to my response to the opening question—that different means of delivering more effectively and more effective solutions can be provided at a local level if we are allowed, within the flexibility of our remit, to consider providing local solutions. That may well involve a community trust, a community development company or other partnership vehicles.

I recognise core funding as a particular issue, particularly for some of the bodies that you have mentioned. A number of the funding opportunities that are open to the bodies that have been mentioned do not take account of the salary costs, core costs or running costs. That is recognised throughout rural communities. We would like the question of whose remit it is to provide local solutions to be addressed within the community planning framework at a local level—and so I return to the question of remit and responsibility.

In a typical enterprise network intervention, we would provide pump-prime funding and to seek a sustainable method of delivery with which to move forward. We would often build in exit strategies to our work. Fundamentally, that does not help those organisations that are delivering specific, tailor-made projects year on year that have come to year 3 or year 4 and are looking for core funding to maintain their staff costs. We recognise that as an issue, we promote the idea of local flexibility being built into the indicators for the enterprise network, and work on the delivery vehicles is continuing. Responsibility for how the solutions are provided sits not just with the enterprise network, but with the community planning process, because the various organisations and bodies involved often play a valuable continuing role in the community.

Mr Rumbles: As the chief executive of Scottish Enterprise Grampian did, you are hitching a wagon to community planning. As far as I can see, you have a remit to assist but are choosing not to, simply because the extent to which your organisation is successful—and whether you assist or not—is not being measured by the Scottish Executive. You are not encouraged to do so. I get the feeling that, although you are saying that the local solutions that we have discussed are a good thing—and you are right to point out that we are missing the target here—somebody else will have to deliver them. But who?

David Gass: I am not saying that somebody else has to do that; I would like clarity with regard to where the responsibility sits. At present, that is unclear. In my area, the Scottish Borders, some of the capacity-building work being carried out with

community bodies and some of the core costs for those bodies are handled through the rural partnership network, which is run very well and which meets a local solution for a local need.

It may well be different in Grampian. We are not necessarily saying that the responsibility does not sit with us; we are seeking clarity and guidance from our local agency network with regard to where responsibility should sit. The best way to do that is through integrated rural development, which this inquiry is about. In some instances, responsibility may sit with a council; in other instances, it may sit with the enterprise network.

Mr Rumbles: Let me make this clear for the record: whereas the chief executive of Scottish Enterprise Grampian said clearly that it did have a remit, you seem to lack clarity about whether you have the remit to provide the solutions or not. It is a simple question: do you have the remit or not?

David Gass: That is within our powers as far as a delivery mechanism is concerned, but we would like clarity about any role on core funding beyond what the enterprise network would normally get involved with. We would often seek a sustainable delivery mechanism that does not require public sector intervention at the same level year on year.

Rhoda Grant: I will return to the theme that I discussed with the other panel of witnesses. How can different agencies join up on housing, for example? When I talk to the representatives of the enterprise companies, they say that they are able to bring in business, but that they cannot bring in workers, as they are unable to provide housing for them. If the enterprise companies encourage inward investment and expansion, that can lead to problems, as they have to deal with the people whom they need to recruit.

The crofters building grants and loans scheme is a good way of allowing crofters to build houses. However, when I was on Colonsay, I was told that it was expensive to build a house there. I was told that people would like access to the crofters building grants and loans scheme alongside the scheme to support rural housing, which is run by Communities Scotland. How can agencies work more closely together to provide services, such as housing, that are important to rural development?

15:15

Shane Rankin: It is to do with costs, as Mr Rumbles mentioned in his question to Scottish Enterprise. I commented at the outset that it is inevitable that agencies will have a single-issue or sectoral preoccupation—that is what they are measured on. Perhaps agencies need to be measured each year on how they have helped other agencies to achieve their single issue or sectoral responsibility.

As Rhoda Grant suggested, the Crofters Commission has support schemes that impact on housing in the crofting areas. It also has schemes that support agriculture, which impact on the environment and so on. A number of our schemes have an impact that is wider than the single crofter preoccupation. It is important that we understand how those schemes connect with Highlands and Islands Enterprise's efforts to create economic development. It is also important that we understand how Communities Scotland schemes connect to the crofter housing scheme and so on. There is an issue about dialogue and understanding, but it is happening as part of the community planning process in the Highlands and Islands and as part of some of the work that has resulted from "A Forward Strategy for Scottish Agriculture".

That is particularly the case in the Western Isles. The strategy contains a challenge to the agencies to examine the long-term future of crofting in the Western Isles. That study began with a premise about the economic development potential of crofting, but inevitably it is now concerned with social impact and environmental consequences—how everything hangs together in the Western Isles and what impact the strategy might have on that.

The study is creating a forum and a level of understanding across the agencies that will enable them to see the connections between what they do and the opportunity that exists for each agency to assist other agencies to take their agendas forward. In such ways, we can focus initiatives to develop understanding in each of the agencies that probably does not exist at present.

Sandy Brady: In the Highlands and Islands over the past 10 to 20 years, housing availability has revolutionised the way in which a rural community operates. In parts of Skye, including the Sleat peninsula, the availability of housing has grown along with employment and population growth. The mix of housing in the Sleat peninsula is both private and public sector, which is important. In that part of Skye, there has been a great willingness to accommodate new housing in the countryside. I do not think that many people would say that the housing has spoiled the area; indeed, it has added to it. Solutions exist if there is the good will to find them.

It is possible to achieve an availability of sites in many parts of the Highlands without spoiling the landscape. It is possible to create the conditions in which public sector housing, including housing association accommodation or sites for self-build can be made available. As it has been done in so many parts of the Highlands and Islands, it can be done in other parts.

David Gass: Housing is a key component. In all rural areas, Scottish Enterprise is now closer to

planning and housing. That is a critical element in assisting the type of employee we want to keep in rural areas and attracting new people into rural areas. Those two elements have to be much more joined up than was previously the case. Steps have been taken in that direction.

The Convener: Joined-up or flexible—or do the two go together?

David Gass: They go together. In rural areas, there is now much closer planning of operations and budgets before the operating year. For example, housing plans and other initiatives that involve the local authority now take much more account of the work of the other agencies in similar areas. At the end of the day, everyone is working to satisfy the needs of the community.

Rhoda Grant: Shane Rankin gave the example of the Western Isles—pulling everyone in to consider the scope and then widening the consideration to include all the agencies. Will a special study have to be carried out everywhere to find out how to pull people in, or is community planning wide enough to involve the national agencies? Things seem to happen in pockets all over the place, but how we can make things happen as a matter of course?

David Gass: Community planning should give the structure that allows that to happen because, fundamentally, it should be about a common vision and agenda for an area, taking a bottom-up approach. It will give the agencies direction.

Shane Rankin: There is statistical, factual evidence that shows how communities function, how business, agriculture and crofting operate, how many new houses are being built, or whatever. Some things are often assumed, but when evidence is consciously and deliberately collected it can show very different patterns to what was expected.

There was an interesting exchange earlier on the seasonality of tourism. It was implied that seasonality was a bad thing, but that is not necessarily true: to sustain communities in a crofting area, seasonality can be a very positive thing.

As well as considering the evidence, we have to consider how we can allow communities to articulate their own needs. They have to have the scope, the confidence and the capacity to do that. Yet another initiative—initiative at the edge—exists for that purpose and is beginning to bear fruit. Members have recently seen in Colonsay that communities can develop the confidence to make a forceful case for their needs. Such mechanisms, and community planning, can allow communities to articulate their needs, but what they say must be balanced against the evidence of how rural communities function.

Mr Jamie McGrigor (Highlands and Islands)

(Con): My first question is on crofting. How important is crofting to the sustainable social fabric, especially in the Highlands and Islands? Do red tape and rules stifle crofting as a way of life even more than low prices stifle it? What are the key factors that can keep crofting as a main part of future integrated rural development?

Shane Rankin: Phew!

The Convener: In less than quarter of an hour, please.

Mr McGrigor: Some of the questions have been covered already.

Shane Rankin: Yes. The answer depends on how crofting is defined—and people tend not to define it because doing so is too difficult or complicated. I would argue that it is defined differently in every crofting area—in Shetland, in the Western Isles, in Argyll and so on. That is one of its strengths. Not everywhere is it about a small piece of land with a few sheep; in some places it is about substantial areas of land involving substantial businesses such as consultancy or tourism. Those businesses are often very successful enterprises.

There is too much red tape in some respects. However, without regulation, crofting communities would not exist. On balance, there have been more positive aspects to the red tape than negative aspects. New crofting legislation will be proposed later in the year and that will provide an opportunity to examine those issues.

On the argument about whether crofting has sustained communities that might not otherwise have sustained themselves, or about whether crofting has sustained communities in a way that has not been replicated in rural communities where it is not practised, there is strong evidence that many communities would disappear without the crofting system.

The case that I am always referred to is that of a research study that was carried out in the early 1990s by, I think, Gordon Macmillan, comparing the Cabrach in Aberdeenshire with Rogart in Sutherland, in relation to the change in population and the number of households in the early part of the last century. I am not sure whether members know those two areas, but the difference between the two communities is staggering. The Cabrach is a desert; it is abandoned. Rogart is a thriving community with many households and with new houses being built all through the place. The only underlying influence on that seems to be the existence of the crofting system and crofting regulation.

Mr McGrigor: I would like to ask the VisitScotland representative a further question. Do

you agree that hospitality is the key to successful tourism? What can be done to train staff to provide enthusiasm at all levels in order to produce the kind of hospitality that we come across when we visit other countries?

Professor Lennon: Hospitality, recreation and tourism blur together. They are all part of what people do in a leisure context. Sometimes that involves structured business leisure; sometimes it is pure recreation. It is interesting to note what is happening with hospitality.

Ireland was alluded to, but I failed to answer the question—my mind was on a different situation involving Ireland today. Ireland is facing a net labour shortage in hospitality. Young Irish people—or indeed Irish people of any age—cannot be found to work in the hospitality sector. They have been lured into the software and financial services sectors.

The Irish have just started a major structural review of all their training, including higher and further education, in hospitality in tourism. They believe that they have a problem in that area: unless they, or we, have the authentic experience of hospitality—a Scot in Scotland or an Irishman in Ireland—the product will be diluted, and the craic, in the case of the Irish, will not be real.

Hospitality is crucial. That brings us back to the structural question. We have to make the tourism industry attractive to young people, to returners to the work force and to entrepreneurs starting their own businesses. Hospitality is as retail used to be about 20 years ago. Retail turned itself around and invested in training and development and in human resource systems, which developed people and built on service quality. Retail is a different industry, however.

We are seeing the beginnings of a sea change. Better operators, with a passion for hospitality, are starting to come into the industry, albeit far too slowly. If people go to an island such as Arran and discover three quality restaurants there, they are pleasantly surprised. The situation is beginning to change. I can remember 20 years ago, when there was nowhere of quality to eat there.

We have come to the issue late and we have to play catch-up very fast. The Irish example—going back and doing a root-and-branch review—is absolutely the right one to follow. We already have the problem of leakage with our tourism and hospitality graduates. They train in the profession but go and work in retail or some other part of the service sector. We have to inspire a passion.

The Irish have started a fundamental review. We have to examine the industry here and, from an agency point of view, we must—although this is a dreadful phrase to use—pick winners. We have to pick those hospitality entrepreneurs and

companies that invest in and believe in people and that do not import labour and pay the lowest possible rates, ignore trade unions and try to get the fastest buck for the minimum input. We have to work with those businesses—they are often indigenous and unique to Scotland—that are non-chain presences. They will drive change and give our hospitality and tourism industries a distinctive flavour. Thankfully, more of those businesses are coming in. Glasgow and Edinburgh are awash with them in the restaurant sector. They are beginning to come into other parts of Scotland, although the process is slow.

I am heartened by the fact that change is coming from the private sector. The agencies have been working hard on the matter. I am not sure that we can point to the best hotelier in Ayrshire and say, "That was down to the work of Scottish Enterprise Ayrshire"—would that we could—but it is good to see that change is beginning to happen. Hospitality is at the heart of the matter. Marketing and transport links help, too, of course.

15:30

Fergus Ewing: I was pleased to hear Professor Lennon promoting clusters—groups of businesses and individuals providing a rounded package of accommodation, activities and entertainment in local areas. I know that people such as Andy Machin-Young in Nairn and initiatives such as the "Monarch Country" promotion are examples of success. However, I take Brendan Burns's point that a grant to one individual is an unfair subsidy to another individual who is competing in the same business. What support, in pounds, shillings and pence, is provided to promote cluster groups in Scotland? Is there a fund, or is the support restricted to the provision of advice and access to the web, for example?

Professor Lennon: The support of clusters takes the form of a business development role, which probably falls more easily into Scottish Enterprise's court, although I am not trying to duck the question. VisitScotland's marketing focus at a local level is channelled primarily through area tourist boards. I find that the marketing message is in danger of dilution when it goes through 14 area tourist boards.

In terms of individual businesses coming together, undilutedscotland, to which I referred, has received significant assistance from the local enterprise company, Scottish Enterprise Grampian. As far as I am aware, VisitScotland is not a major funder of or contributor to local marketing initiatives—that support predominantly comes out of the LEC and HIE network funding.

Fergus Ewing: Would not it be a step forward if VisitScotland was a major funder, given that you promote the clusters concept and it seems to

work, certainly within my constituency? There are huge untapped energies in the individuals involved. They could receive match funding for specific marketing initiatives to attract people from, in the case of Nairn, for example, various German towns and cities. Match funding would be useful and could address the concerns that were expressed by the ATB representative from St John's Town of Dalry, who felt that ATBs did not have any control of the funding because it was controlled at the centre. Would it be better if VisitScotland moved towards funding clusters throughout Scotland?

Professor Lennon: The question was specifically about the amount of money that is devoted to cluster funding, which I feel is a local enterprise company ball. If you are asking me about match funding, I am absolutely in favour of it, as long as it matches private with public money. All too often, match funding involves two sources of public sector money coming together, with very little private sector money coming into the game. Increasingly, we are looking at good ideas where the private sector is willing to devote resources and provide funding. Some of the examples that you refer to from your area are examples of entrepreneurial individuals getting behind an idea and putting physical and monetary resources into it.

If you are asking me whether VisitScotland has a role in marketing areas, marketing consortia and small marketing networks, I say that it does. Our role would be primarily to ensure quality and product development to underpin the marketing message. A well-meaning consortium of mediocre farmhouse accommodation and bed and breakfasts can do nothing for an area—indeed, it can disappoint and promise more than it delivers.

Our job—with our quality adviser and product development hats on—is to give those businesses direction. That does not mean that they should all aim for five-star status; they should look at the local supply. There might be a significant level of four-star business in the area but nothing at two-star level, in which case our advisers would say, "Here is the market gap. Here is where your consortium should come in. Now let us talk to our local enterprise company or our local HIE representative." That kind of cross-affiliation is strong and works at a local level, with tourism training associates tying in closely with ATBs and buying into ATB strategies. I believe that that is happening.

Fergus Ewing: Is Sandy Brady of the view that HIE should be the paymaster for VisitScotland?

Sandy Brady: We are, to some extent, on some initiatives. One example is Golf Highland. Over the past five years or so, we and other partners have invested a relatively modest amount of money

simply to bring together a huge potential that was not realised in relation to the quality of the golf courses around the Highland area—not just the big championship courses, but all the local village and town courses as well. That has worked well. We have got them to work together as a group and realise that they have the ability to market something that is rather special and, compared with international prices, incredibly good value for money.

Another example of that approach is in evidence in Orkney. Orkney has always had a cluster; accommodation providers, visitor attraction operators and local businesses have been adept in selling Orkney as an integrated package. When someone goes there, they hear about standing stones and jewellery and are told that the jewellery uses the designs that are found on the standing stones. Such messages reinforce each other. If there were cheaper and better transport, an area such as Orkney would do incredibly well. However, businesses there are restricted because Orkney is a remote area and transport is a cost.

Fergus Ewing: Briefly, can you say how much of HIE's budget is devoted to funding marketing initiatives that are designed to promote tourism?

Sandy Brady: The amounts that are devoted to marketing and promotion are modest, as that is technically not our role. We occasionally help local consortia to get started. However, our immediate input into the tourism sector is investment directly in tourism businesses, which can be of the order of £3 million to £5 million a year, depending on demand.

Mr Alasdair Morrison (Western Isles) (Lab): Shane Rankin rightly highlighted the importance of the initiative at the edge and what it has achieved. In many rural communities, 10 or a dozen public agencies were deciding over the demise of the community. I have three or four questions for the witnesses.

I begin with Sandy Brady. In your opening statement, you rightly highlighted the importance of jobs to people and people to jobs in sustaining and unlocking opportunity in communities. First, what importance do you attach to the extension of broadband technology throughout the Highlands and Islands? Secondly, how important is the development of the University of the Highlands and Islands, in that context?

Professor Lennon, in your opening statement you mentioned the importance of tourism businesses' having to work beside other, established businesses in rural areas. Can you tell us where you see the barriers? Are they attitudinal or structural, or are they a combination of both?

My final question is for Shane Rankin of the Crofters Commission. Previous witnesses have

mentioned the importance of access to affordable housing. Rhoda Grant mentioned the crofter building grant and loan scheme. Along with all the other executive agencies, should we be seeking a way of refreshing what is currently being delivered in crofter housing and putting it into the context of integrated rural development in the round?

The Convener: I would like David Gass to comment on broadband technology in the south of Scotland as well.

Sandy Brady: Extending broadband capacity to as many parts of the Highlands and Islands as possible, including the remote rural areas, is absolutely fundamental to the next 10 years. It will mirror what was done in the 1990s, when the Highlands and Islands Development Board—latterly Highlands and Islands Enterprise—invested in pathfinder projects to provide digital telecoms such as ISDN. Today, 3,500 jobs in the Highlands and Islands are directly attributable to the availability of that technology. That bought us a tremendous advantage over other areas. The technology shrunk distance, which is an important benefit for many of our communities.

We need to maintain that advantage. Broadband is fundamental to allowing those kind of high-level and higher-knowledge jobs to be sustained in the remotest areas. Traditional transport infrastructure is also important, but broadband is fundamental to our infrastructure because it is the one thing that can shrink distance and create a level playing field on which we can compete with other parts of the United Kingdom.

The UHI Millennium Institute is probably the biggest single project for the long-term future of the Highlands and Islands. We know of no rural area elsewhere in the world that does not have some form of good-quality higher education institution to help long-term growth and prosperity. The lack of such an institution has been a gap in the Highlands and Islands for 150 to 200 years, but we now stand on the threshold of making it happen. The benefits will come steadily over the years.

Although there is a lot still to be done, UHIMI potentially gives us some of the advantage to enable us to build on the gains that we have made in the past 25 to 30 years. We must aspire to having not just any old university, but a quality university. We will need young and able professors who lead in their particular fields, so that the university appeals beyond the Highlands and Islands to prospective students from other parts of the UK and beyond.

The Convener: Perhaps David Gass can also answer that question. I also want to refer him to a remark that was made at a recent seminar by the chief executive of Dumfries and Galloway Council.

He stated that, unless there was effective roll-out of broadband technology throughout the south of Scotland, the economic development of his council area would be left playing catch-up with the central belt. Does David Gass agree with that remark? What can be done about the situation?

David Gass: Yes, I agree—and that is the last time that I sit back in my chair. Broadband infrastructure is fundamental both to the existing economy and to economic growth of the south of Scotland. Probably more important, broadband also improves accessibility and allows individuals and businesses to compete on an equal basis with the rest of the country. Broadband plays a part in economic development and integrated rural development. Given the cost-benefit analysis that is important for the private sector, we are already playing catch-up to an extent.

We are addressing the situation in the south of Scotland and other rural areas through a combination of two things. First, we are looking at the aggregation of public sector demand for broadband. That demand exists because public sector agencies need to make their services available to all areas of the population. Secondly, our project accessing telecoms links across Scotland—project ATLAS—is looking at the overall costs of broadband access.

However, the only realistic solution over the next five to 10 years in some rural areas will be satellite technology. Again, several rural areas across the south of Scotland are piloting that technology. It is readily accepted that broadband is fundamental to what we are trying to do.

The Convener: I will now let John Lennon respond to Mr Morrison's question.

Professor Lennon: The barriers to businesses working together are fairly fundamental and quite simple. To a large extent, tourism is about making it easy for people to buy things. Across the community, people need to have an attitude that is not inflexible and not intransigent. Rather, we need to learn to say, "It is my problem," and to have a can-do approach.

For example, the intransigence about when we stop serving food must end. Instead of saying that we stop serving food at 8.00 or 8.30 pm, we must be flexible about our opening hours. That is the qualitative difference in those places that are switched on to hospitality. For instance, when walking recently with five Americans and two journalists around Loch Venachar, I arrived at the Brig o' Turk inn, where I thought that we would be able to partake of a few light beverages. However, the inn was closed for the bank holiday. That was almost a parody of what I have come to expect. That place needs to change its mentality.

Changing that kind of mentality is not hard. I

believe that we are starting to see things change, which is heartening. I am starting to see good entrepreneurial focus in the south-west of Scotland, for example, with Scottish Golf South West. VisitScotland has pulled together in partnership with ATBs and LECs and said, "Look, guys, our geopolitical titles mean nothing to a tourist. All they want to do is play golf on a green area, probably near some sea. That is what we must sell. We should sell that with one call centre number and we must get access to private courses, which is a devil of a job to do."

The key is flexibility. It is about pulling together products around what people want to do. People want to play golf. They do not want to play specifically in East Ayrshire, North Ayrshire or Scottish Enterprise Ayrshire. They want to play golf in that vague area; they have the names of a few golf courses in mind, but they do not know where they are located. We must make the purchase process as effortless for them as possible and sell the additional benefits. We should make positive recommendations. If they have a family with them, we should immediately recommend what the kids might want to do in the area when it is wet—I am not a betting man, but that is always a possibility.

That is the key. It is about looking at the product, considering what visitors want to do when they come here and trying to drive the message through communities that we should extend hospitality and beat the Irish at their own game, which is to drive home the message of hospitality. The Irish are very good at that, particularly with English customers—their biggest customer base and ours.

Elaine Smith: You mentioned families. Another issue is how we should encourage family holidays. I will use the example of Inverness. When I phoned round most of the hotels, only one of them could offer a childminding service. When I phoned the childminding service, the number rang out. The situation in this country is not the same as it is abroad; you cannot take your children everywhere with you in the evening. Should we consider offering family-friendly holidays in Scotland?

Professor Lennon: People have picked up on that idea in a number of places, but I know what you are experiencing, as I have children—I feel like a social pariah in many parts of Scotland when I arrive wanting to eat with three young children. Numerous families opt for self-catering breaks and opt out of eating out.

Change will come slowly. It is being led by chains, which recognise the customer base. I am thinking of chains such as Chef & Brewer and the Charlie Chalk operation. The food can be dreadful, but the kids can play there. One can sell a destination on the basis that it has remembered

that there are under-21s, who might want to colour things in and cannot wait for the main course to be served and so should be served with the starters. That is quite simple stuff.

The situation is beginning to change. I am starting to see change in good rural attractions down in Galloway. Entrepreneurs are starting to recognise that children are important. I do not want to name operators, but I am heartened by what I have seen in Dumfries and Galloway, where businesses are coming out of a difficult period. They are opening for longer, focusing on family markets and extending the service.

Your comments about the hotel provision in Inverness are right. That is why families are often driven into self-catering operations and do not eat out much. We must also widen the market in other ways. One of the ways of attracting families is through activities: everything from water-based activities to walking and bicycle hire. There has been an incredible growth in the use of mountain bikes and in the variety of routes available for them, which range from soft to taxing. Good entrepreneurs are coming into the bike hire business. They are offering bikes at a variety of levels and suggest routes in partnership with local marketing agencies such as ATBs and consortia that are appealing to families. In some instances, the hotels are having to play catch-up and self-catering is benefiting.

I am sorry, that was a long answer.

15:45

The Convener: Thank you for recognising that Dumfries and Galloway is coming out of such a hard time. I wish that the board of VisitScotland had been able to do that by renewing the £280,000 foot-and-mouth recovery grant that it agreed last year. I will shortly meet Euan Page on that subject.

I ask Shane Rankin to finish the session by answering Alasdair Morrison's question, if he can remember what it was about.

Shane Rankin: It was about housing and whether the grant scheme should be refreshed. Crofting is not only about agriculture; more than anything else, it is about people. Crofts are bases from which people go out to work, while keeping animals and doing small amounts of agricultural work. The central point about crofts is that they are places where people live. For decades, the crofter housing grant scheme has been fundamental in keeping that system going and in keeping townships and communities together. The grant scheme has kept in place the culture of those communities, which involves a dispersed pattern of self-reliance. Crofters do not rent their houses; they own them and have developed and expanded

them through their initiative and effort, partly from their resources and partly from grants.

In crofting areas, some of the urban solutions—as they were described earlier—can be seen. Public housing has been provided, but in clusters of 10 or 12 houses. That would not look out of place in Stirling or Dundee, but it looks decidedly out of place in a crofting area. Often, a number of those houses lie vacant, because they are not the character of housing that people want. Those houses do not reflect the traditions or culture of the community. The strength of crofting communities has been the opportunity for people to be self-reliant, to fend for themselves and to have a stake in their community through their tenancy and the house that they have built with modest assistance.

In recent years, housing agencies have recognised the cultural issue, which has led to changes. Schemes such as the rural home-ownership grant scheme run in parallel with the crofter housing scheme. There is a need for the two schemes to complement rather than to pull against each other. It is probably time to examine the crofter housing scheme to discover whether it should be refreshed and whether there is significant tension with the rural home-ownership scheme.

The crofter housing scheme is central to keeping the regulated crofting system going, to keeping communities going and to recognising that there is a different culture in those communities, which is what has kept people there for a long time.

The Convener: It would be unfair to use my position to have a pop at VisitScotland if I did not allow Professor Lennon a brief chance to have a pop back at me, if he wishes.

Professor Lennon: There was a certain inevitability about your point, convener. VisitScotland is taking the lead in working with Scottish Enterprise Dumfries and Galloway in a £300,000 ecotourism development project, which comes from a direct initiative from Ross Finnie. The project focuses on one part of the tourism action plan, which is to develop sustainable holiday practice in areas such as Dumfries and Galloway. Far from pulling away from that area, we have seen significant assistance and partnership development. That development will continue through that project, which is ideally suited to the locale.

The Convener: I am sure that it is, although it is not part of the agreed foot-and-mouth recovery plan. We must continue the conversation at another time.

Today has been the sixth of the committee's evidence sessions on the inquiry. In our meetings around Scotland and here in Edinburgh, it has

been abundantly clear that there is a wealth of entrepreneurship in rural Scotland. We hope that we can help to unleash it in a more efficient way.

I thank our witnesses for giving us their time and taking part in the inquiry. Our report will be published in the autumn and I hope that you will enjoy what comes out of it.

15:54

Meeting suspended.

15:58

On resuming—

Subordinate Legislation

Draft Codes of Recommendations for the Welfare of Livestock and Farmed Animals

The Convener: Agenda item 3 is subordinate legislation. Recently, the Executive laid three affirmative statutory instruments in respect of animal welfare that are particularly relevant to the poultry industry in Scotland. Copies of the orders have been circulated to members. Next week, the Minister for Environment and Rural Development will attend the committee's meeting at 2 pm to speak to and move the orders.

The Executive has drawn our attention to an error in the Executive note on the draft Welfare of Farmed Animals (Scotland) Amendment Regulations 2002. I have been advised that the last two bullet points of paragraph 9, which refers to schedule 3C, should be deleted, as they are not relevant to that schedule. That begs the question of why they were included in the first place. The Executive apologises for the error.

Fergus Ewing: Will you repeat the citation, please?

The Convener: I am referring to paragraph 9 of the Executive note on the draft Welfare of Farmed Animals (Scotland) Amendment Regulations 2002, which deals with schedule 3C. Does that help?

Fergus Ewing: The reference is not to the statutory instrument itself.

The Convener: No, it is to the Executive note on the instrument. I am glad that we have cleared that up.

Before we formally consider the instruments, which we will not do today, the committee will hear from Libby Anderson and Mike Flynn from the Scottish Society for the Prevention of Cruelty to Animals and from Julian Madeley and Andrew Joret of the British Egg Industry Council.

Thank you for coming to give evidence. We asked you at such short notice because we were keen to hear from you before we hear from the minister at next week's meeting and the minister is able to attend only at the start of that meeting, at 2 o'clock. We are pleased to have you here.

I invite Libby Anderson and Andrew Joret to give a short presentation of two to three minutes on their specific interest in the matter and on why we should concern ourselves with the statutory instruments in question. We will start with Libby Anderson from the SSPCA.

Libby Anderson (Scottish Society for the Prevention of Cruelty to Animals): Good afternoon. I am Libby Anderson and I am accompanied by Mike Flynn, who will provide expert technical information. I represent the members of the SSPCA and I take a rather more broad-brush, policy view.

The SSPCA is an independent charity, which is entirely funded by public donation, and we work for all animals in Scotland. We have a statutory role in that our inspectors are empowered to report cruelty cases direct to procurators fiscal and we campaign for animal welfare reforms. In doing that, we attempt to inform and reflect the views of our members and of the wider public.

Our policies are set by a board of directors, who have wide experience and who include members from the farming industry. Although we are considering two sets of codes—one on broilers and one on laying hens—we probably want to discuss laying hens, so I will make a few points about them.

The SSPCA has a policy of opposing the battery-cage system for egg production. We campaigned for EC directive 1999/74/EC and we welcomed it as far as it went. In reflection of our members' views, the fundamental moral question of whether it is justifiable to keep an animal or a bird in a barren metal cage for its entire productive life underpins our policy.

Historically, battery production has caused concern to the public on welfare grounds, with hens being afforded a space of no more than 454 sq cm each and being unable to carry out natural behaviours, such as perching, nesting and dust bathing. We acknowledge that there have been improvements in such systems and that it is difficult to meet the need for egg production while providing systems that meet all the humane criteria. In that light, we view the directive and the regulations that we are considering as a positive short-term benefit.

Although we will comment generally on the regulations and the welfare codes, we are obviously not in a position to speak for the Scottish Executive on the detail. Ideally, it would have been helpful if the Executive had presented the statutory instruments before we commented on them. We have studied the draft regulations and have sought clarification on one or two aspects. We would like to know the number of Scottish holdings the proposed space requirements are likely to affect. On beak trimming, we suggest differentiating between the chicks that are destined for alternative systems and those that are destined for cages, where we believe that beak trimming is not necessary.

We have a query on the detail of the figures in

the regulatory impact assessment, which is given in the explanatory notes. The fact that the figure of £409 million that is given for the implementation costs to the industry from 2000 to 2011 is a United Kingdom figure, rather than a Scottish figure could be slightly misleading. We understand from the Executive that Scottish producers account for 6 per cent of the UK industry, so the relevant figure for Scotland would be £26 million. We do not know whether the estimates take account of the development investment that producers would make.

We think that the welfare codes are comprehensive. They build on previous codes and address essential elements such as stockmanship, hygiene, mutilations and inspections. Although we support the recommendation in the laying hens code that units should be inspected twice daily, we would have preferred that to have been made a requirement in the regulations.

I have spoken for my three minutes. I am happy to comment later on the economic impact of the legislation and our support for the industry in its attempts to address the problems that higher welfare standards might bring.

The Convener: I will ensure that we return to those topics.

Andrew Joret (British Egg Industry Council): I thank the committee for giving us the opportunity to speak today.

The British Egg Industry Council is an umbrella trade organisation that represents all aspects of egg production in the UK including hatcheries, rearing farms, laying farms, packing centres and egg-distribution and egg-products plants. I am pleased to say that our membership includes the National Farmers Union of Scotland and the Scottish Egg Producer Retail Association. We estimate that the BEIC covers 75 per cent of UK egg production. In fact, the figure for Scotland is substantially more than that; we probably represent more than 80 per cent of egg production in this country.

The BEIC's role as a trade organisation is twofold. First, as a lobbying body, we examine the effects of legislation on our industry. Secondly, in a separate activity, we promote the consumption of eggs through the lion scheme that some members might well have heard of. We are very proud of that self-help scheme. Up to now, the industry has not received any external finance; indeed, poultry does not receive any subsidies under the common agricultural policy, and we stand or fall on our own two feet. Ten years ago, salmonella caused a crisis in the egg industry, and we believe that we have resurrected ourselves with the lion scheme and the control of salmonella.

We have several concerns about the implementation of the welfare of laying hens directive. The directive will increase the cost of egg production for all systems of production. Although most people are focusing on cages, we should remember that the directive will also increase the cost of free-range and barn production. As producers, we are facing a potential increase in all costs.

The key question is what will happen to our long-term competitiveness. At the moment, the UK is about 93 or 94 per cent self-sufficient in eggs, which means that, by and large, all the eggs eaten in this country are produced in this country. However, our concern is whether that will be the case in future.

We want the legislation to enable us to remain competitive on a European and worldwide level. We should be allowed to continue to use conventional cages, which our competitors will be using in that sector of the market until such cages become illegal in Europe in 2012. We still want to be able to use enriched cages thereafter.

We estimate that, on a UK basis, the directive will cost the industry £431 million, which means that we are in very close agreement with Government figures. If we put that in perspective, we are talking about more than £400 million over the next 10 years, or £40 million annually. Like any other agricultural sector, the profitability of the egg industry has its ups and downs. However, in its best year ever, the whole UK egg industry might make £10 million. As a result, the required investment will be four times our best-ever profit. Moreover, there are many years when we do not make money; that is the nature of farming. Clearly, the egg industry faces an enormous and unprecedented cost, and we have major concerns about where the money will come from to meet the requirements of the legislation.

We are also concerned about the threat to our industry. As I have said, we are currently about 94 per cent self-sufficient. The biggest area of concern for us is not the number of eggs that are sold on the supermarket shelves, which will still be domestically produced, but the eggs that we eat in product or processed form in quiches, pasta, cakes and so on.

That is the area of potential loss to the UK production base. At the moment, 20 per cent of the eggs that we eat are eaten in product form. That is an area of the market that is growing quite quickly; because of changes in lifestyle and so on, we are eating more processed foods, as one might imagine. It is that area in which, if we make our own egg production too expensive, either the eggs will come in from third countries to be processed here into products or, even worse, the products will come in. We would lose not only the

production of the eggs and the industry that that entails but the egg-processing industry.

That is not an empty threat. I should have said that, as well as having my industry role, I am operations director for Deans Foods, one of the major egg-producing companies in the UK. We have a substantial involvement here in Scotland, where we produce eggs from well over a million birds in cage, free-range and barn systems in Fife. We also have an egg-products plant here in Edinburgh, where we process eggs. We employ around 500 people in Scotland. In our egg-products business, we are already seeing that some of our customers—who tend to be European-wide food manufacturers—are going over to buying powders instead of fresh pasteurised liquid eggs. They have already seen the writing on the wall and are looking at trading powder on a worldwide basis. That is where we will see part of our industry being exported.

The Convener: All the letters that I have had from producers have expressed great concern that the Minister for Environment and Rural Development is going to gold plate the directive in Scotland. Having corresponded with the minister, I have received a categorical assurance that he has no intention of gold plating the directive. Am I right in thinking that gold plating the directive would mean implementing it before the rest of Europe does? I think that you said that it would not come into force in Europe until 2012. Have I got that wrong? What is the explanation?

Andrew Joret: No, I do not think that that is correct. We regard gold plating as the implementation of requirements that were not in the original directive. As far as the implementation of the directive in Scottish legislation is concerned, there are a couple of minor areas that we would see as gold plating. One is beak trimming. The directive allows beak trimming to be continued for ever and a day, but in the Scottish legislation, which mirrors what is happening in England, beak trimming will not be allowed after 2010. We have grave concern about that, as we believe that that date may be premature.

There is a need to beak trim to prevent feather pecking and cannibalism. It is a big issue and it is multifactorial. The genetics of the bird play a big part, as does the management of the birds. We are very concerned that 2010 is premature. At the very least, we would like some sort of review of that requirement, perhaps 12 months ahead of its implementation, just to be sure that it is still sensible. There are examples of non-beak-trimmed flocks that then have to be beak trimmed as adults. That is a much greater welfare insult than beak trimming birds at less than 10 days of age, which is what the directive will allow. We have significant scientific research to back that up.

It shows that if beak trimming is done before 10 days of age, no long-term pain will result to the hen.

The Convener: You said that there were one or two things that gave you concern. Could you give another example?

Andrew Joret: We have another minor concern. The directive covers the issue of when lights go off in the poultry houses. It says that it would be good practice to have a twilight period between the bright lights and the darkness. That is normal practice in the UK for birds that are kept in non-cage systems. It is a practical requirement, because it allows the birds to get into the position where they are going to sleep for the night before the lights finally go dark, so it is sensible. Twilight lighting is not usually used in cage operations; because the birds are contained in a cage, there is no real risk of them damaging themselves when the lights go out. Regulations about twilight lighting could increase costs significantly.

The Convener: Do the SSPCA witnesses want to comment on that?

Libby Anderson: On timetabling, the directive provides for staging, with the phasing out of conventional cages by 2012. I am sure that colleagues will correct me if I am wrong. I spoke to colleagues in Europe yesterday. As far as I understand it, other member states in the European Union have fulfilled their obligation to transpose the directive into law or their discussions are taking longer because they are considering whether to extend the ban to cover not only conventional cages, but modified cages, which we may discuss in more detail later. My information from Europe is not that we are ahead of the game, but that we are possibly running to catch up.

16:15

Richard Lochhead: Is there any evidence that people buying eggs or similar products prefer to buy products that have better welfare standards, or do they buy on cost? Does anyone have any comments on shoppers' priorities when they are buying food? Could any other measures be brought in to help the industry to offset the costs if the draft codes are passed?

Andrew Joret: We do not have one consumer; the market is segmented into a great deal of groups. Consider current purchasing habits: roughly speaking, 70 per cent of eggs consumed are cage eggs, about 5 per cent or 6 per cent are barn eggs and nearly 25 per cent are free-range eggs. That situation has arisen without legislation driving it. It is just a response to market demand.

The free-range or non-cage sector has grown

over the past 20 years from virtually nothing. Where the market would finally settle down if there were no legislation is an open question. As producers, we believe that there would ultimately be a plateau. There are consumers who, because they are not concerned or cannot afford to be concerned, will only ever buy on price. That is a significant sector of the market. Perhaps 50 per cent would be in that category. Price is very important.

Will you repeat the other question, please?

Richard Lochhead: Would you call for any measures that would help to offset the costs if the draft codes are passed?

Andrew Joret: We want the agriculture ministers of the EU to honour the commitment that they made when the directive was passed. That commitment was to ensure that animal welfare is included in World Trade Organisation agreements, which it currently is not. We will get imports from third countries that operate to a lesser standard than ours. Those countries operate to a standard that is lower than the one to which we currently operate, not the standard to which the directive will move us. A commitment to ensure that any imports from third countries must meet the production standards that we use in this country is a tall order. Animal welfare may be included in various ways. To keep up the pressure on that would be very helpful.

Julian Madeley (British Egg Industry Council): Even if we end up with a favourable WTO agreement, we still have the issue of a £400 million plus capital cost for implementation of the directive for an industry that is, at best, making £10 million a year. How do we deal with the capital cost?

Richard Lochhead: What are the Scottish figures?

Mike Flynn (Scottish Society for the Prevention of Cruelty to Animals): They are £26 million over the next 10 years.

The SSPCA has been replying to consultations on laying hens from the Farm Animal Welfare Council and others for the past seven years. We have always said that something must be done to put the British industry on an even footing with European and non-European countries. America has some vast systems and a lot of the dried products are now coming from there. The conditions in certain states are appalling, considering that they are in America.

The SSPCA is a charity and it believes in improving animal welfare. However, as with animal scientific procedures, we have always been careful not to make regulation so hard for the egg industry—which is well policed and well

managed—that it would just be exported to other countries. That has happened in the pig sector in the past, in which producers have upped and moved to former Soviet countries. That concerns us. We are part of the World Society for the Protection of Animals and the Eurogroup for Animal Welfare. We are concerned not only with chickens on a farm in Fife, but with overall welfare.

Mr Rumbles: I am confused about something in the draft code recommendations that deal with the welfare of laying hens. Paragraph (a)(iii)—I do not know why it is so numbered as there are no subparagraphs (i) or (ii)—of the boxed section under paragraph 37 that deals with alternative systems of housing says that all systems must be equipped in such a way that all laying hens have

“at least one nest for every seven hens.”

It goes on to say that

“If group nests are used, there must be at least 1m² of nest space for a maximum of 120 hens”.

As a layperson, I have not been involved in such a situation, but I know that 1m² is about the surface of the desk in front of me. Am I misreading the paragraph? Are 120 hens supposed to be housed in 1m² of nest space?

Andrew Joret: That is correct.

Mr Rumbles: And that is an improvement on the current situation?

Andrew Joret: Yes, but you must bear in mind that, in non-caged systems, the nest is there only for the bird to go into to lay its egg before coming out again. As the paragraph says, where individual nests are used, there must be at least one nest for seven hens. A typical individual nest would be around 12in by 18in and, again, would be used only for the bird to lay its egg before coming out again. The normal system uses a long run of communal nests with 120 birds per square metre, which is perfectly adequate. If you saw the arrangement in operation, you would be quite happy with it. The acid test would be the number of eggs that the birds did not lay in the nest, which is absolutely none. That proves that the birds are able to use that system. They do not appear to be cramped.

Mr Rumbles: I will take your word for it, as I have not seen the system in operation. The statistic simply struck me as being incredible when I read it.

Andrew Joret: You have to remember that, naturally, not all hens in a flock lay their eggs at the same time, which means that the same space in the nest box is reused over the course of the day.

Julian Madeley: The maximum demand is during the peak laying period, which lasts for

about five hours in the morning.

The Convener: I point out to members that, if members want to see a modern and updated system in operation before we meet the minister next week, we have an open invitation to visit Glenrath Farms, which is about 20 minutes out of Edinburgh.

Mike Flynn: It would be good for the committee to see that because there are big differences between the welfare aspects of various systems. I have been to Glenrath Farms, which is run by John Campbell. Around 70 per cent of the capacity is in conventional battery cages, 20 per cent is in barns and 10 per cent is free range.

Andrew Joret was talking about beak trimming. In the conventional cage, beak trimming is not required. There is a theory that the more space and light the birds are given, the more likely they are to be aggressive. Aggression can be countered by enriching their environment or dimming the light and so on but the point is that different criteria apply to each system because they are all different.

In all the systems, welfare comes down to the competency of the stockman. That can lead to the industry being seen to shoot itself in the foot because, with what is considered to be the best welfare system—total free range—the stockman has to have much more astute knowledge of the chickens than he would if he worked with a battery system, which contains the bird, does everything for the bird and monitors everything that is happening to the bird. It would be good if members of the committee visited Glenrath as it is hard to explain certain elements to people who have not seen the systems in operation.

Fergus Ewing: I hope that we have a chance to see the systems, as the issue is complicated and we should ensure that we fully understand the various options.

The British Egg Industry Council's opening statement mentioned the practice that the council hopes the supermarkets will pursue following implementation of the regulations. Am I right in saying that the council would expect supermarkets to stock only eggs that comply with the higher welfare standards? If so, is that because the supermarkets have given an undertaking that they will not sell eggs that are produced in third-world countries that fail to comply with such standards?

Andrew Joret: To my knowledge, no supermarkets have stated that they will not sell eggs that are not produced to the new standards. Given that we have a strong lion scheme within the industry, which covers UK-produced shell eggs, we do not think that they would make such statements.

I have mentioned our biggest concern, which is about eggs in product form—hidden ingredients. Consumers might not be aware that a product contains eggs. There is very little traceability for such eggs. There is not the same traceability that there is for eggs that we see in the packet on the supermarket shelf—we can tell the consumer which flock produced them. That is the area of competition for the future and we are concerned about it.

Some customers who take pasteurised liquid egg products have moved over to dried egg. They do that only because they see that dried egg that is traded around the globe can come from any country. The United States can import egg into this country, and Mexico, China and India all have large egg industries and drying operations and are looking to sell their product in Europe.

Fergus Ewing: I am grateful for that clarification. Is it feasible to contemplate an import ban on products that fail to comply with the regulations? Have you invited the Government to pursue that, as it would protect your members, who have to comply with the welfare standards?

Andrew Joret: The industry would certainly like that to happen. We are not anti-imports per se, but we would like all imported products to be produced on the proverbial level playing field—to the same standard as we produce them here. The problem with that is that, under WTO rules, we cannot make an exception for animal welfare, hence the need to incorporate animal welfare into the rules.

Fergus Ewing: The notes that we have refer to the current status of negotiations in the WTO. What is your understanding of the stage that has been reached? Is there any possibility that the WTO and all its members will agree to be bound by the higher welfare standards?

Andrew Joret: Our view so far is that we are unlikely to get what we want on animal welfare from the WTO. We might get some small crumbs of comfort, which would be allowed under the so-called green box criteria. The WTO would allow Governments to make capital or revenue grants to industry, which would perhaps help to offset the capital costs of complying with the directive. At the moment, the WTO does not allow that. There might be greater emphasis on labelling, because there is no requirement to label third-world-country eggs. It is unlikely that imports of eggs from third-world countries, which have not been produced to EU standards, will not be allowed, which is what we want.

Libby Anderson: The WTO has traditionally been one of the greatest obstacles to animal welfare. Regulations that are brought in throughout the EU frequently run the risk of falling foul of the WTO, at least on paper. I read in the

Executive's briefing—and I am sure that we can get confirmation of this—that in November, at the Doha meeting, ministers agreed that they would acknowledge non-trade concerns, including animal welfare, in agriculture. That is helpful for the time being, but we would like to see that extended to other fields. We support the industry on animal welfare, as do the other larger animal welfare groups.

I have a report here from Eurogroup for Animal Welfare, a copy of which I will leave with the committee. The report addresses economic problems and suggests many ways of getting round them, such as subsidies and labelling. It also suggests that compensation payments would not fall foul of WTO rules. We would certainly support any approach that helps to resolve problems.

Julian Madeley: The industry and welfare groups are very close together on these issues. From work that I have done in Geneva, I know that many countries are sceptical about why Europe wants a multilateral agreement on animal welfare, so I do not know whether we will achieve that in the final Doha development agenda agreement.

Decisions will be made on the tariff cuts for each product. As an industry, we need an exemption from any tariff cuts. We see that as one way of maintaining competitiveness in the European Union.

16:30

Richard Lochhead: It would be ludicrous if the UK Government imposed welfare standards on Scottish industries but did not look for such standards to be included in the WTO's agenda. Is the UK Government fighting tooth and nail to get the WTO to address those issues, or does it not have a policy?

Libby Anderson: I do not know about tooth and nail, although I am sure that Andrew Joret can answer your question better than I can. The UK Government's advisers, the Farm Animal Welfare Council, stated categorically in a report a few years ago that those things have to go hand in hand. We want to improve animal welfare around the world; we do not want to export cruelty.

Andrew Joret: We believe that we have the support of UK Government ministers. We have had meetings with them and they are pushing the issue as strongly as they can.

Our weakness as far as the WTO is concerned is that the body negotiating on our behalf is an EU body. EU negotiators are working on behalf of the block. We have major concerns that horse trading may go on behind closed doors and animal welfare may quietly slip off the agenda. All we can

do is keep up the pressure on our ministers and politicians to ensure that that does not happen.

Fergus Ewing: You mentioned gold plating in relation to debeaking. Will other EU states voluntarily accept 31 December 2010 as the date for banning the practice? If you do not have that information, do you feel that such acceptance should be sought as soon as possible? The ban on debeaking is one of a large number of measures to promote animal welfare. We all regard feather pecking and cannibalism with abhorrence. What impact would gold plating in debeaking have on the industry in Scotland and the rest of the UK if other EU states do not have the same high standard? One imagines that the measure would be applied in the same way throughout the UK.

Andrew Joret: Beak trimming is not to do with competitiveness because its cost is not that great. The industry would dearly love not to use the practice but we worry that, even by 2010, we will not be ready. As far as I am aware, the other member states that have implemented the directive have implemented it as it stands. An exception is Germany, which will allow beak trimming to continue indefinitely. Only the UK is setting a limit of 2010.

The industry would like the need to beak trim to go away—through improvements in the breed of bird or in management—but before that happens we would like there to be the possibility of a review.

Mike Flynn: The Farm Animal Welfare Council classes beak trimming as a major welfare insult and its views may have led to the call for gold plating.

Fergus Ewing: I have examined paragraph 8 of the annexe to directive 1999/74/EC, which the codes would implement. Unless I misread it, it appears to set out the provision that requires action to be taken on beak trimming. I am curious about how beak trimming can be allowed at all, but I do not have the whole picture, and I raise this point in the hope that Mike Flynn or other witnesses can clarify it. Paragraph 8 states:

“Without prejudice to the provisions of point 19 of the Annex to Directive 98/58/EC, all mutilation shall be prohibited.”

I have not seen the other directive that is referred to, but the rule that

“all mutilation shall be prohibited”

seems to be clear. If that is the law, how can beak trimming be permitted? Am I missing something?

Mike Flynn: Beak trimming is prohibited except where not doing it would cause a greater welfare issue. For example, if there were an outbreak of feather pecking or cannibalism on a site, someone

could decide on beak trimming. Again, that is why I urge the committee to visit the Glenrath Farms site. The requirements for beak trimming are different in the different systems, whether cages or free range.

My concern about beak trimming is that, in the interim period, it must be done by a person over 18, because of the Veterinary Surgery (Exemptions) Order 1962. The situation is ridiculous. Someone of 16 can be employed on a chicken farm and can be responsible for humanely killing a chicken, but they cannot take off the tip of a chicken's beak until they are over 18. I find that a bit of a sticking point.

Julian Madeley: I want to add to that. I do not have the relevant paragraph in front of me, but another part of the EC directive states that beak trimming may be permitted. Let me clarify the position for the committee. There is a substantial difference between the three practices of debeaking, beak trimming and beak tipping. In my experience, some of our competitor countries, particularly the US and Brazil, carry out debeaking. That is when the beak is taken back to the nostrils—which we would regard as an abhorrent practice. We do not practise debeaking in the UK. Beak trimming is a more gentle operation, but we advocate beak tipping, which just takes off the end of the bird's hooked upper mandible. That is done only when we believe it to be the lesser of two evils.

Mike Flynn: Beak trimming involves taking off the first third of the upper mandible, which then must be cauterised within 15 days, but preferably within 10. One problem is that a lot of that is done at source, and it is not known whether the chickens will end up in a battery cage or a free-range system. Therefore, if a chicken on a farm has not been beak trimmed properly, it might be beak tipped if the beak grows back and causes a problem. The main problem is that all chickens are currently beak trimmed without knowing which farm system the chickens will end up in. It could be one that has no requirement for beak trimming.

Fergus Ewing: I have a final point. It was stated in the council's opening remarks that there was more than one instance of gold plating in the codes because the rules, regulations and codes go further than the council feels the directive requires. Would any of the other instances of gold plating have implications for the competitiveness of the industry in Scotland and the UK vis-à-vis EU competitors?

Andrew Joret: Paragraphs 41 and 42 of the draft Scottish welfare code, rather than the statutory instrument, relate to alternative systems and perching, which are a design technicality. The English regulations are slightly different because, in most of the non-cage systems, there is a

chicken house that has a litter area at the side and a raised, slatted area of nest boxes in the middle. If members take up the invitation to visit Glenrath Farms, I am sure that they will see that.

That is the typical layout of those poultry houses. Perches must be provided. In the English regulations, it is made clear that the raised slatted area counts as perching, but that is not made clear in the Scottish regulations. The old Scottish Office took the view that perhaps that should not be the case. If one takes that to the letter and perching is added over the slats, there will be an impossible situation. Birds will crash into perches and people will not be able to move around. That is a clear concern of the industry here. Scotland would be put at a disadvantage with England, never mind the rest of the European Union.

Fergus Ewing: How serious would that be?

Andrew Joret: Quite serious. It is a question of practicalities. The best way forward would be for you to visit a farm and see things for yourself.

Fergus Ewing: Does the SSPCA have a view on that?

Mike Flynn: Not really. What Mr Joret says makes sense. Birds should have something on which to perch and get off the floor. As Mr Joret said, it would be better if members saw things for themselves. If there is a slatted area and perches, one of the biggest dangers in barn-type systems or some alternative systems is the furniture. Birds are adept at smashing themselves up and can do severe damage to themselves, which is a big problem. Elsewhere in the directive, it is recognised that a perch must be a certain distance from a wall because, if anything startles the birds, they will fly in the first direction that they think of and they break easily.

Fergus Ewing: Is the Scottish approach better than the English approach, or vice versa?

Andrew Joret: The current approach in the industry in England and Scotland follows the English welfare code.

Libby Anderson: We have not considered the matter until today.

Mike Flynn: I have been to one of those systems and did not see any problem with it. It seemed perfectly acceptable to me.

Fergus Ewing: I wonder whether the Executive might be asked to explain why there appears to be gold plating in this instance. I hope to understand the matter better after a visit.

The Convener: The minister will appear before the committee to discuss the subject next week.

Mike Flynn: I keep hearing the term gold plating. All farm species—sheep, cattle and pigs,

for example—have a code of welfare and those always go a step beyond the legislation. They are guides for best practice. If one does not follow a code, one does not commit any offence, unless unnecessary suffering is caused. If there is gold plating, I am pleased that there is.

The directive says that laying hens must be checked once every day, but we say that that is not enough. The code says that they should be checked at least twice a day, which is sensible. I know that the farm that will be visited keeps to strict checks at least twice a day. That should have been in the main legislation rather than the code. I do not think that there would have been any opposition to that.

The Convener: Libby Anderson said that she might want to return to the issue of enriched cages and one or two other topics. Is there anything that the witnesses think we have not covered? If so, could it be covered in about two minutes?

Libby Anderson: When we discussed economic impact, rather than perches or beak trimming, I had in mind the modifications that the industry will have to make to cages and the lower stocking rates. I think that those will have a greater impact, although I am open to advice on that matter. We have already discussed the level playing field and the fact that, as far as we understand it, all member states are implementing the directive now and taking it further in some cases. Those are the main comments that I want to make.

To show that the welfare groups are supporting the industry, there is a European seminar tomorrow, which will bring together the industry, retailers, consumers and Governments to consider the various options, including subsidies, compensation and labelling. We know that, by 2004, it will be obligatory to label all table eggs. That does not address the problem of processed eggs, but table eggs—eggs that consumers see in the supermarkets—from the EU will be labelled and people will know how they were produced.

16:45

Andrew Joret: I would like to add something about the document, "Hardboiled reality: animal welfare-friendly egg production in a global market". We co-operated on that and had considerable input into it, as members can imagine. However, we take issue with one small area: cost. The document suggests that, in 2012, barn egg production will be cheaper than production from enriched cages. We strongly disagree with that. We have challenged Peter Davies, who is the director-general of the RSPCA, on that point. There is a certain amount of wishful thinking. It would be nice if that were the case, but our figures

show that, come 2012, enriched cages will be the cheapest form of egg production and the cost of barn production will be some 25 per cent higher. That is a key issue, because if barn production was cheaper, enriched cages would not be needed. That is not the case.

The Convener: On that note, I call the session to an end. I thank the witnesses for attending and for giving us their time. I appreciate that they would have preferred to have a meeting after we had met the minister, but our preference was to have a meeting before we met the minister. I am sorry about that. We have been given a foundation on which we can constructively approach the Executive.

Fergus Ewing: Will we have the benefit of the *Official Report* in advance of next week's meeting? That would be helpful in questioning the minister.

The Convener: The *Official Report* of the meeting will be published on Monday.

That ends the public part of the meeting. The committee has a couple of items to discuss briefly in private.

16:46

Meeting continued in private until 16:50.

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