

RURAL DEVELOPMENT COMMITTEE

Tuesday 25 June 2002
(*Afternoon*)

Session 1

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CONTENTS

Tuesday 25 June 2002

Col.

INTEGRATED RURAL DEVELOPMENT	3303
RURAL DEVELOPMENT PROGRAMME.....	3337
INTEGRATED RURAL DEVELOPMENT	3346
SUBORDINATE LEGISLATION.....	3347
TSE (Scotland) Regulations 2002 (SSI 2002/255)	3347
Loch Caolisport Scallops Several Fishery (Scotland) Order 2002 (SSI 2002/272)	3348
Plant Protection Products Amendment (No 2) (Scotland) Regulations 2002 (SSI 2002/279)	3348

RURAL DEVELOPMENT COMMITTEE

17th 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

Ross Finnie (Minister for Environment and Rural Development)
Jim Hume (Borders Foundation for Rural Sustainability)
Denise Walton (Borders Foundation for Rural Sustainability)

ACTING CLERK TO THE COMMITTEE

Tracey Hawe

SENIOR ASSISTANT CLERK

Mark Brough

ASSISTANT CLERK

Jake Thomas

LOCATION

Committee Room 3

Scottish Parliament

Rural Development Committee

Tuesday 25 June 2002

(Afternoon)

[THE CONVENER *opened the meeting at 13:35*]

Integrated Rural Development

The Convener (Alex Fergusson): We will make a start because we are already five minutes late and we must stop dealing with agenda item 1 at 2 o'clock. I thank the witnesses for their patience.

Item 1 is our continuing inquiry into integrated rural development. We are, as I am sure our witnesses are aware, trying to find out not only what makes for successful rural development, but what barriers exist to the successful delivery of that policy. We are drawing to the end of our evidence-taking sessions, but we are delighted, particularly as we were unable to visit the Borders as part of our travelling around Scotland, to welcome Denise Walton and Jim Hume from the Borders Foundation for Rural Sustainability. Thank you for coming. Because time is at a bit of a premium, perhaps you could give a short introduction, for a couple of minutes, then we will open up to members' questions.

Jim Hume (Borders Foundation for Rural Sustainability): I am Jim Hume, chairman of the Borders Foundation for Rural Sustainability, and beside me is Denise Walton, our co-ordinator.

We are a grass-roots organisation of land managers and rural stakeholders who are hands on at the coalface. Of course, every policy decision that is made by the Rural Development Committee and the environment and rural affairs department will impact, in some way, on our livelihoods and those of the communities of which we are a part. Every day we witness what is happening in the countryside in the Scottish Borders, which is why we set up BFRS about five years ago. Once we had raised the funds, we commissioned an audit into the countryside resources of the Scottish Borders. We needed to know what else made the countryside tick in addition to farming and forestry. We also felt that you, as policy makers, needed to know that as well.

Our audit has identified a substantial and previously hidden industry that compares significantly with farming and forestry in our region. The industry involves alternative land uses

to farming and forestry while being fully complementary to them. That existing framework should provide the starting point for integrating rural development.

Based on our research results on farm diversification and collaboration, we are moving on, with the support of Scottish Enterprise Borders and the Executive, to the setting-up of farm venture groups. Those involve neighbouring farmers and local communities in identifying what skills and resources they have between them as the basis for alternative land-based commercial ventures. That is a micro-level integrated approach to rural development that is still in its infancy, but we are encouraged by the results so far.

To develop and encourage broader integration we strongly advise an inclusive approach for all land managers and associated livelihood groups. The grass roots must be part of integrated development from the start. The people whom the policy will affect must have ownership. We recommend that integrated development be undertaken on a local basis through rural development forums in each region, with a national co-ordinating body. In our written evidence, we have given an example of one such possible grouping in the Scottish Borders. We also advise that each rural development forum should undertake an audit of resources in their area as an essential part of developing a robust and sustainable integrated rural development plan for their region.

The Convener: Does Denise Walton want to say anything, or is she happy to field members' questions as they come?

Denise Walton (Borders Foundation for Rural Sustainability): I am happy to field questions.

The Convener: I will start the questions. Are you talking of the creation of a new agency?

Jim Hume: No. The development must be grass roots. We do not want an agency of agencies because—

The Convener: I am pleased to hear you say that.

Jim Hume: Development must be bottom up, if you will forgive the term.

The Convener: Are you talking about a community-led initiative?

Jim Hume: It has to be community led. So often projects are led from ivory towers. We must get down to the grass roots and involve people from the start. The first stage is to find out what we have already, as we did in the Scottish Borders.

The Convener: Do you suggest that the community planning—where most local authorities

believe your concerns lie—is unlikely to do the job effectively because it takes a top-down approach rather than a bottom-up approach?

Jim Hume: I do not want to talk about what other people do, but we must get people involved from the beginning.

Mr Mike Rumbles (West Aberdeenshire and Kincardine) (LD): The evidence we heard from elsewhere in Scotland focused on the problems of community development companies. They are grass-roots organisations that use commercial initiatives for the benefit of the local community. They organise themselves from the bottom up. They say they suffer from a lack of core funding. They can apply for project grants and that sort of thing. Is that what you are talking about? I would like to know more about the Borders Foundation for Rural Sustainability. How are you funded and organised?

Jim Hume: Our original project was to investigate the resources and enterprises that already existed—the so-called countryside management industry—and it was funded by many individuals and local authorities. There was a plethora of funding. That project has concluded. Our new project concerns the farm venture groups, and is funded solely by the Scottish Executive and Scottish Enterprise Borders.

Mr Rumbles: So you exist by accessing project funds, rather than through any core funding arrangement. Will that be a problem in the future?

Jim Hume: We do things because we want them to be done and not to gain funds. The funds pass through us to somebody else. We do not make any money.

Mr Rumbles: But you have staff and that costs money. Do you use part of the project funding to cover your running costs?

Jim Hume: Running costs are sliced off. They are administration costs only.

Mr Rumbles: But you take them out of the accessing project funding?

Jim Hume: Yes.

Mr Rumbles: Do you see a problem with that in the future?

Denise Walton: Farming is our primary livelihood and we are supported by project funding. We have identified gaps in the knowledge base about our region, put projects together and then presented them to potential funders. That is how we access funding to implement projects. We are a non-profit-making organisation and we are all farmers or landowners.

Mr Rumbles: I understand that. Community development companies in my area in the north-

east operate in the same way. As an example, we heard evidence from Mid Deeside Ltd. However, the witnesses we heard said that it was great that they could access projects, but that there would come a point when there were projects that they could not yet access. The good work that they are doing is threatened because they do not have even a small source of direct continuing funding.

Jim Hume: It is a problem.

Mr Rumbles: I am trying to tease out how big a problem.

Jim Hume: It takes up a lot of time.

Denise Walton: It is a big problem, but perhaps we can suggest another approach. To address Alex Fergusson's question, there are lots of organisations, such as the Scottish Borders rural partnership of which we are members, which recognise the need for integrated rural development. The same organisations seek the same goals. There is a wastage of resources. The idea of setting up rural development forums might overcome some of those problems. The forums must be bottom up and must represent the range of stakeholders who are responsible for land management and the promotion and support of rural livelihoods.

13:45

If the forums answer to a national development forum, it could not so much dictate the scene as provide guidance based on consultation between the regions. Then there would be an overview of what we need to do to achieve integrated rural development. At the moment there are many organisations pursuing their own agendas, which leads to crossover duplication. As a result, the sources of funding are confused by the plethora of organisations seeking funds. They are not sure what projects should be pursued in order to achieve integrated rural development. We need a big shake-up. In the long run, that might solve the problem for projects seeking funding and the confusion about where the funding comes from.

In 2006 there will be a big change in the funding structure from Europe. Grass-roots organisations and non-governmental organisations need to get their act together to achieve our objectives.

Fergus Ewing (Inverness East, Nairn and Lochaber) (SNP): The Borders has undergone a fairly cataclysmic period in recent times. We appreciate that you are taking the initiative and trying to achieve something positive.

I have read your paper and I am interested in the distinction that you make between the agricultural and forestry sector and the countryside management industry. Have you created the phrase "countryside management industry" to

cover a wide variety of activities, jobs and pursuits that are rural, but are not primarily agricultural or forestry related?

Denise Walton: Basically. The farming industry has its own universe, as does the forestry industry. They are identifiable. What other activities take place in the countryside that contribute to the rural economy and rural employment? That was our starting point for identifying what else keeps things going in the countryside. Our consultants—the Scottish Agricultural College and Scott Wilson consultants—identified a substantial industry in terms of economic and employment output. The consultants' advice was that because it has outputs and is recognisable it can be described as an industry. The activities are all land based.

Fergus Ewing: So there is a common link.

Jim Hume: We have identified them separately because we already have the economic facts and figures on agriculture and forestry. However, CMI is heavily interlinked. One cannot consider CMI, forestry and agriculture separately. Much countryside management is done by those involved in forestry and agriculture.

Fergus Ewing: On page 6 of your submission you make four recommendations. The last recommendation is that there should be a

"feasibility study into development of possible CMI structures, facilities, incentives and diversification programmes."

What would you like to emerge from that study?

Denise Walton: We hope that there will be an understanding of how all the stakeholding groups—we have identified 50 organisations in the Borders that have a stake in countryside and rural development—can work together to meet a robust and sustainable objective.

Fergus Ewing: You talked about a forum earlier. Is that what you envisage?

Denise Walton: That is right.

Fergus Ewing: Would the forum be made up of a number of disparate bodies, all broadly connected with land use, coming together on an annual, biannual or quarterly basis to discuss problems?

Denise Walton: Yes. All regions have had local biodiversity action groups. We were a member of the one in the Borders. It involved 50 or so organisations that had come together to work for biodiversity. We are also a member of the Scottish Borders rural partnership, which involves various disparate organisations concerned with a range of rural issues such as crime, health and the environment. A grouping of organisations already exists but we need to be more inclusive and include all stakeholders who are involved in land

management. That way, we can achieve robust integrated development.

Fergus Ewing: Are you and others going to do that anyway, or would you welcome help in doing so from the Scottish Executive or some other public body?

Denise Walton: It is absolutely essential that we have policy support. The need for getting the grass-roots people together must be recognised at a policy level. There must be a much freer movement of ideas and information from the grass roots across all policy strata. Integrated rural development, rural economies and the rural stakeholding profile are all complex matters.

Fergus Ewing: I accept that. Our inquiry has involved a huge and useful movement of information from the grass roots to the elected members. However, is there something specific that you would like the Executive or an agency to do? Do you want a paid adviser to be supplied to your forum? Do you want a guaranteed right to advice?

Denise Walton: We need assistance in setting up forums. Regional rural development forums must be developed because there must be a local approach to the identification of resources. The instruments that are already in place could be considered again to find out if they could be used to set up or assist in the setting up of regional rural development forums. We are loth to promote the setting up of yet another organisational layer, especially when a layer that already exists can probably do the job. Having said that, we need money to find out what instruments that are in place could best be used to set up the forums.

Jim Hume: The first thing that the forums would have to do is conduct an audit to determine exactly what is making the complex rural economy tick, as we have done in the Borders.

The Convener: You have said that approximately 50 organisations could make up the basis of the forum. Have you run your ideas past any of them? What sort of feedback have you been getting from them?

Denise Walton: In March, we held a seminar to which we invited the council, the local enterprise agency and Tweed Forum, which manages the heritage lottery fund in the Borders. The feedback from that meeting was encouraging.

We intend to consult people formally about our ideas, but we have had informal discussions with organisations such as Tweed Forum, which is open to our ideas as it is desperate to avoid the duplication that exists between organisations. The environmental and rural development organisations are open to any ideas that can rationalise the situation.

The Convener: Were representatives from other regions present at that meeting in March?

Denise Walton: No.

The Convener: Have you had contact with or feedback from other regions about your ideas?

Denise Walton: In Scotland, representatives from Ayrshire, Fife and Dumfries and Galloway have contacted us.

Jim Hume: They are interested in doing what we have done.

Denise Walton: I recently received a letter from the East of England Development Agency, which is interested in what we have done, and I have also had contact with representatives from Devon and Somerset, who have heard about our ideas through the media.

The Convener: Other regions are considering your ideas as a possible model.

Denise Walton: Yes.

The Convener: One question that has emerged from our inquiry is how the Executive can assist in improving co-ordination and information networking in the rural voluntary sector, which is what you are aiming for. You have introduced a new and interesting angle to our inquiry. I am glad that you came along to tell us about it.

Rhoda Grant (Highlands and Islands) (Lab): You have mentioned organisations and clubs, but how do you involve the grass-roots people who are not in clubs or associations? Many people who live in rural areas and who have small businesses do not join such organisations.

Denise Walton: That is an important point.

Jim Hume: There are democratic organisations, such as the National Farmers Union of Scotland, which, at the local branch level, elect people to speak up for them. Those people are answerable democratically. The NFU still manages to get mugs such as me to represent it. That is an example of an organisation that works at the grass roots.

Rhoda Grant: Is there a place for people who are not members of the NFU or other organisations? Can such people feed into the process?

Jim Hume: Yes. There are organisations such as the Central Borders Federation of Village Halls, which involves using rural halls as community centres. There is a system whereby chair people from local halls go to the organised association committee.

The Convener: Rhoda Grant has made an important point. On our visits round Scotland we have tried to hear from individuals about their

experiences. One point that has come out—strongly in some cases—is that the agencies that should be included in a rural forum can also be significant barriers to rural development. That puts a new angle on some preconceived ideas.

Jim Hume: I am sorry to keep using the term, but at the grass roots there is a great deal of concern about organisations that make decisions that affect a lot of people. More openness and the ability of forums to feed into such organisations and to make them more accountable would not be bad.

Rhoda Grant: How can we move the rural forums on from talking shops to bodies that can begin to make things happen? It has been pointed out on our travels that it is difficult to get people who are competitors to work together and to share information. In many places, there is oversupply of one thing and undersupply of another. How do we make the forums work?

Jim Hume: We can make them work by getting people round the table. For example, Denise Walton and I are on the Scottish Enterprise Borders land-based advisory group. To be honest, it is getting a little too big to be useful, so some sub-committees have been formed. However, it is a fantastic example. I do not know whether similar bodies exist in other regions, but the group has been useful in getting organisations together. It gives agencies a broader picture.

Denise Walton: It is essential that individuals who do not want to be affiliated to an organisation feel that they can be a member of the rural forum. Many individuals who are rural stakeholders because of their businesses would contribute very well to a rural forum.

I want to pick up on Jim Hume's example of the land-based advisory group in the Scottish Borders. We consider ourselves very lucky that the local enterprise company has an open attitude towards the industry. The group is getting a bit big, which suggests that we need a forum. The reason the group works is that we have a good cross-section of organisations, together with the LEC. We can therefore short-circuit the decision-making process. The funders, the decision makers and the stakeholders are all around the same table. In one room, at one meeting, a good idea can be presented and argued over, and then someone can say, "Good idea. Let's go for it."

Jim Hume: Scottish Enterprise Borders has been very open to the need for the generation of ideas. The table that Denise mentioned is of a similar size to the one in this room. Meetings round it have been very productive so far and have led to the implementation of quite a few projects.

14:00

Elaine Smith (Coatbridge and Chryston) (Lab): I am sure that the list that you have given us is not exhaustive. To pick up on what Rhoda Grant was saying, perhaps the Scottish Trades Union Congress and some of the trade unions could be included, because they are well represented in your area.

Denise Walton: Yes, absolutely.

Elaine Smith: Could the agriculture strategy implementation group take forward some of your ideas?

Jim Hume: You will know its remit better than we do.

Elaine Smith: It has quite a wide remit, covering a spectrum from farming to retail and from the financial sector to environmental groups. Economic, social and environmental issues are three linked components in its remit.

Jim Hume: It may be that the various fora should have at least a member on that group, but the remit sounds a bit broad—although I do not know the exact details.

Denise Walton: The group could provide the ideal umbrella for a national forum. We have the idea of regional rural development forums that can regularly—say, every three or four months—get together, perhaps under the auspices of that strategy group. That would allow ideas to be fed into a national view of the way in which integration is developing.

Elaine Smith: I wondered, convener, whether that group could be a vehicle for taking up the fora's ideas. The minister could even be involved.

The Convener: Yes, we may come back to that idea.

Denise Walton: Going back to Rhoda Grant's initial question, I would say that many organisations are agency top-heavy. That is not a criticism; it is just a comment. However, that is why we need grass-roots organisations. The agencies that contribute will have their wage packet at the end of the month, no matter what, but because policies affect our livelihood, we have the motivation and energy to ensure that things work. We want a forum with a great and inclusive cross-section of stakeholders—from the agencies right down to the individual who does not want to be a member of any organisation but who has something to contribute.

The Convener: What you have said ties in with much of the evidence that we have heard during our inquiry and it is a suitable note on which to draw this part of the meeting to a halt. Thank you for coming. You have brought a new tone to the inquiry, for which I am very grateful. You are

welcome to stay at the meeting for as long as your time permits or your interest lasts.

We move swiftly on to item 2, which is also on integrated rural development. I welcome the Minister for Environment and Rural Development, Ross Finnie. Thank you for coming to give evidence, minister. I also welcome your officials: Douglas Greig, Jane Hamilton and Roberta Wilson.

Minister, I have read over the letter that you sent us in March 2002, when we had just set out on our inquiry. You mentioned that the committee had set itself

“a very ambitious and wide-ranging remit for its inquiry, and I would think it likely, as the inquiry progresses, that some particular themes and issues will begin to emerge, and may shape the Committee's final report.”

You were spot on, minister, if I may say so.

The Minister for Environment and Rural Development (Ross Finnie): I know—that was very perspicacious of me.

The Convener: The inquiry has been wide-ranging and extremely interesting. It has taken the committee to many parts of Scotland and we have heard a wealth of evidence, all of which is beginning to come together.

As we reach the end of our inquiry, I am grateful to you, minister, for having a session with us and for running through some of the issues. We received your written evidence at the beginning of the inquiry, but I invite you to make an opening statement before we proceed to questions.

Ross Finnie: Thank you, convener. I am pleased to give evidence to the committee on this important subject. You, other members of the committee and I all recognised the extent and nature of the inquiry. You have alluded to the letter that I sent in March, but I would like to give one or two other reflections that might be helpful.

Over the past three years, we have changed the tack of the Scottish Executive's approach to rural development. We have tried to set out on a different path and to take a more integrated and holistic approach to the issues and needs of our rural areas. That work was given impetus by the creation of a Cabinet minister with specific responsibility for rural development and a Cabinet sub-committee on rural development, which, in turn, led to the creation of a parliamentary committee that mirrors the ministerial responsibilities. There has been a change in focus and I believe that we are all trying to move in the same direction.

It is important that I mention the remit of the Cabinet sub-committee, which is to try to ensure that policy developments take account of rural circumstances and, where necessary, to initiate

specific pieces of work to further the task of integrated rural development. I must confess that, in the initial stages of the Cabinet sub-committee's work, it tended to focus on raising awareness of rural issues rather than on determining wider integration. Nonetheless, its initial job was important.

We have tried to prioritise certain rural needs over the past three years. However, through our greater focus on rural issues, we found that the poor evidence base that we inherited hindered our work. While data have been gathered traditionally at a Scotland-wide level—often for urban areas—similar data-gathering exercises have not taken place for rural areas. As our research base needed to be developed, we put in place a number of important strands of work to improve the data and evidence that were available to us, in order to inform policy development.

That has included disaggregating, on a rural-urban basis, what can be best described as the issues that are found in the social justice milestones. This year, that should result in almost two thirds of the 29 social justice milestones being disaggregated. We are working to improve the data by which we measure the milestones to ensure that we measure the rural dimension adequately.

We have also given a commitment to measure the outcome indicators that are set for the enterprise networks on a rural and urban basis. For the longer term, the neighbourhood statistics strategy will fully embrace the data needs of rural areas and provide better access to data for both the Executive and external users. Thus, even before we begin to think of integration, there is an issue about the evidence base on which we proceed. I hope that our work over the past three years will be helpful in allowing people to come to a more informed view.

All those steps represent progress, but I acknowledge that, given the low base from which we started, it has taken more time than I might have believed to inform policy development in an effective way. Nevertheless, I recognise that there is much that we can do to progress rural development in an integrated way. My written submission lists a number of examples, in particular for the primary sectors. Those examples include the development of follow-up action in the agriculture strategy, in the rural development plan and in the Scottish forestry strategy. On the economic side, we stated quite clearly in "A Smart, Successful Scotland" that rural development is a priority for both the enterprise networks.

Let me highlight the change of emphasis in the primary sector, which includes agriculture, fishing and aquaculture. The Executive's drive is to say that those industries should be seen not on their

own but as primary cogs in a food chain. That is a genuine attempt on our part to integrate a whole level of activity that the sector itself previously saw in silos. The convener is familiar with the sector, so he will understand what I am saying.

As a consequence of pressure from the Executive and comments from some committee members, for the first time Scottish Enterprise now has a senior executive who is tasked with responsibility for rural areas. More recently, the transport delivery report renewed the Executive's commitment to rural transport. The Executive has also announced that we will support two integrated transport pilots in rural locations.

Those are clear signs of the impact that we are trying to have in attempting to ensure a more integrated approach. I do not for one minute suggest that we have achieved that, but I have outlined some of the fundamental issues that we are trying to tackle. I have also indicated that our approach is to do what the committee is seeking by finding the means and methods to produce a more integrated and holistic approach to rural development.

The Convener: I thank the minister for that and reassure him that the committee's intention in undertaking the inquiry is to support him in his quest to do what he has described.

Fergus Ewing: One of the inquiry's aims is to identify barriers to sustainable rural development and to determine whether those barriers could be lifted, possibly—although not always—by the expenditure of additional resources.

A key theme that emerged from the four meetings that we held throughout Scotland was a sense that decisions are taken elsewhere and that power rests at the centre or in quangos. Varying degrees of dissatisfaction were expressed about that. The feeling that decisions are taken elsewhere was particularly marked in the evidence that we heard about planning law. Perhaps I can refer the minister to the evidence of Michael Rasmussen, an architect who gave evidence during our visit to the north-east. He said:

"Rural housing concerns us considerably. In effect, planning policy rules out rural housing in all but medium-sized settlements. That is of concern to many local farmers and it concerns us greatly ... Scarcity of land is partly driven by planning policy".—[*Official Report, Rural Development Committee*, 7 June 2002; c 3208-10.]

During the visits that members made throughout Scotland, witnesses expressed similar concerns about the rigidity of planning laws, the fact that controversial decisions are often taken in Edinburgh and that councils are overruled on occasions. Does the minister feel that that area is ripe for review, so that we can seek to lift the barrier where it exists?

14:15

Ross Finnie: Fergus Ewing raises a number of issues. First, we recognised the problem of housing in rural areas with the study "Factors Affecting Land Supply for Affordable Housing in Rural Areas", which was carried out for the Scottish Executive by Heriot-Watt University and was published in late 2001. I have no doubt that Fergus Ewing has had access to that report, which confirmed his general point that there are distinctive problems in making land available for housing in rural areas.

To address the issue, local planning authorities may need to provide more flexibility or take a more imaginative approach. As Fergus Ewing may also be aware, national planning policy guideline 15—NPPG 15 complements NPPG 3, which deals with planning for housing—makes it expressly clear that the Executive expects planning authorities and others to adopt a positive and proactive approach to providing development opportunities in rural Scotland. Without being heavy handed, we have made our position clear.

The difficulty is, first, the complex interaction between the amount of land that is available—particularly if we are talking about developing an area that was used for agricultural purposes—and how to grant permission in a way that does not give rise to ribbon development, about which professional planners express concern. Secondly, what are the infrastructure implications, in terms of gas, water and electricity, for example? The issue is not simple.

The Executive's research came up with a number of interesting suggestions on how to employ use-classes orders sensibly and we produced general overarching guidance with the revision of NPPG 15, in which we made clear what we expect of local planning authorities.

Planning decisions that are taken by ministers are a separate issue. Such decisions are taken only when a matter is appealed or is called in. Appeals go to ministers under the Town and Country Planning (Scotland) Act 1997. Matters tend to get called in when there is a conflict of interests—where the local authority has a particular interest, either in the land or in part of the development, for example. I do not think that the majority of cases are determined in Edinburgh—only those cases that are referred to Scottish ministers under the Town and Country Planning (Scotland) Act 1997 are. The vast majority of decisions properly are decided by local planning authorities.

Fergus Ewing: I agree with the minister. The committee's evidence comes from throughout Scotland and by its nature is anecdotal, so no one can argue that it represents a systematic and

comprehensive view. However, the gentleman whom I quoted also stated:

"Aberdeenshire Council wanted a more relaxed approach"

to the development of farm steadings

"but the Scottish Executive tightened things up again."—
[*Official Report, Rural Development Committee*, 7 June 2002; c 3210.]

That example does not prove the minister's point, nor do the examples that we heard at St John's Town of Dalry or Fort William. However, I appreciate that the minister is considering a number of suggestions.

The related issue is affordable housing, which was a concern at all four meetings, not least in Lochaber. A number of suggestions were made. Is the minister considering the promotion of any new initiatives to provide more affordable housing in rural Scotland? Will he give his views on whether the existing policy and provision are adequate?

Ross Finnie: I refer you again to the 2001 report "Factors Affecting Land Supply for Affordable Housing in Rural Areas", which has informed and continues to inform the work of the Executive's housing divisions. We are not saying that we have cracked the problem, but we are highly conscious of the issue—that is why we called for that study. My understanding is that my colleague the Minister for Social Justice will identify how the key findings and recommendations of the report can be implemented and how they can be incorporated in the Communities Scotland rural development programme. We have increased the money that is available in rural areas. The increase in money to the Communities Scotland rural development programme is proportionately greater than the increase to other areas. Funding for the programme has increased from £40 million in 2001-02 to £48 million in 2002-03. We are giving financial and strategic assistance through Communities Scotland.

Fergus Ewing: I appreciate the minister's general response. We were inundated with specific proposals and suggestions in our travels, which were most welcome. A suggestion was made about the council tax, which currently affords those who have second homes a 50 per cent discount. Highland Council's long-standing policy is that it would like the discretion to remove that discount and would seek an alteration to the local government finance rules, so that the additional money that was yielded, which could be as much as £3 million, could be used for purposes such as providing affordable housing. Would the minister support such a measure?

Ross Finnie: Unless I am wrong—I hope that I am not—the Minister for Finance and Public

Services indicated in his response to the report on local government finance that he would consider the level of tax on second homes. That was one of the Local Government Committee's recommendations on local government finance. My recollection is that the minister's response was that he was considering that idea and that he did not reject it.

Fergus Ewing: I know that he is considering the matter, which is an advance on the position in 1999, when his predecessor ruled out the proposal in a letter to me. I wonder whether your view is that the money raised by imposing the full council tax on second homes could be used to provide affordable housing for young people in particular.

Ross Finnie: Out of a sense of collective responsibility, I share the view of my colleague the Minister for Finance and Public Services.

Mr Rumbles: In your letter of March 2002, you said that the Executive has an integrated approach to rural development and that you are supported in your role by the Cabinet sub-committee on rural development, of which the Minister for Enterprise, Transport and Lifelong Learning is a member. You said that rural development is a priority for the enterprise networks.

In the north-east, we took evidence from a number of witnesses, including Peter Argyle, the chairman of Mid Deeside Ltd. He told us about the difficulties that local community economic development companies have in obtaining core funding. That theme has run through our inquiry. Mid Deeside Ltd experiences difficulty not in accessing project grants, but in accessing even minuscule amounts of funding to continue its operations. Scottish Enterprise Grampian indicated in its evidence that it has the authority to give such assistance to local development companies—that came as a surprise to me—but chooses not to do so.

How many times has the Cabinet sub-committee on rural development met over the past year, how many times has the Minister for Enterprise, Transport and Lifelong Learning made an input to it and has the subject of core funding to local community development companies ever arisen? Is core funding for such companies an important issue and should it be pursued?

Ross Finnie: There are three aspects to my response. On my priority in driving forward the agenda, I think that the committee and I, and others, can jointly and severally share some of the success in persuading the enterprise companies that, at the highest level, they need someone who is responsible for rural development. I do not know whether we have yet reaped the benefit of that relatively newly created post.

As for core funding—I recall that Mike Rumbles had a constituency case that focused on that—I point out that the Minister for Enterprise, Transport and Lifelong Learning has spoken to the sub-committee. In discussions, we have explored core funding and other matters. Core funding for projects raises tricky issues, which do not relate only to rural areas. If people seek to establish a project that will have not only a short, but a medium and long-term sustainable future, the notion is that the project should have a range of financial support that gives it sustainability and that it should not depend wholly on Government funding, although I accept that that notion is tricky. The issue is not exclusive to rural development.

Mike Rumbles alluded to the wider discussion. In the past, the enterprise companies did not discuss sufficiently what they and other potential funders could provide. They did not engender the broader discussion that would result in their talking to other potential funders. That is one failure of the advice that was given in rural areas, which seems to have been a bit siloed. That criticism was levelled at the enterprise companies and I understand that they are addressing that matter. The Minister for Enterprise, Transport and Lifelong Learning has expressed concern about the issue.

Mr Rumbles: I will pursue that, because the evidence that we were given, particularly in the north-east, was that local councils, enterprise companies and a range of Executive-sponsored bodies had a remit to give assistance, yet did not give core funding regularly. The local organisations do not request a huge amount of finance. They ask for a small amount to assist them.

I refer again to Peter Argyle's evidence. At whatever level—the council, Scottish Enterprise, Scottish Enterprise Grampian or trusts—everybody has a core funding system, until we get to the level of grass-roots local community development organisations. Those organisations are managed and operated by local people and are effective at delivering local services for local people. I notice that the minister did not answer my question about how often the Cabinet sub-committee on rural development had met or how many times the Minister for Enterprise, Transport and Lifelong Learning—

Ross Finnie: You do not expect me to come to a committee with knowledge of exact dates and times, please.

Mr Rumbles: That is exactly why you should give evidence to the committee and tell us what is going on. That is the job of the Rural Development Committee. With respect, I ask how many times and at what level the colleagues who assist you in the project have raised the issue. Do you not wish to tell us?

Ross Finnie: I do, but, with respect, I do not carry in my head the dates of every meeting that I have attended.

Mr Rumbles: I do not ask you to do that.

Ross Finnie: I do not carry the dates of every time that ministers who are responsible for enterprise and lifelong learning have spoken. I do not have a verbatim account of every time that they have mentioned the issue.

Mr Rumbles: Have they ever raised the issue?

Ross Finnie: Of course they have. I just said that they have done that. The important issue is that, as far as I am concerned, it is clear at a strategic level that the regulations that you refer to concern the Minister for Enterprise, Transport and Lifelong Learning and the sub-committee and relate to how core funding, Scottish Executive funding and Scottish Enterprise funding finance core management, administrative and related operating costs.

The question that you raise—whether the Executive is satisfied with the delivery of the rural development regulation—is crucial and tricky. The Cabinet sub-committee and the Executive believe that we are delivering on our strategic policy. However, the Rural Development Committee is producing evidence that that is not the case on the ground. Therefore, either people are wilfully ignoring strategic instructions or particular groups do not meet the criteria. I do not know the answer, but I can assure you that the issues of development in rural areas through core funding and general funding of strategic projects and the voluntary sector have been raised and discussed by the Minister for Enterprise, Transport and Lifelong Learning and by the Cabinet sub-committee.

14:30

Mr Rumbles: Thank you for that response. I pressed the point again because I felt that you had not answered my first question. I am pleased to give way to other members of the committee.

Rhoda Grant: I have a couple of questions about integration. An issue that people have raised repeatedly is that public agencies appear to have different priorities, depending on their remit, and that agencies perhaps do not guide people to other agencies that might be more helpful. We wanted to find a way of helping people on the ground and steering them through the bureaucracy. It was suggested to us that, to create a more joined-up approach, public agencies might have a remit not only to carry out what they are set up to do but to report on how they have helped other public agencies to carry out their remit.

Ross Finnie: That is what has to happen. That

is a matter of commitment. We must start that process with Government-sponsored bodies. In rural communities, but also in urban areas, we should create more of a one-stop shop. There is no doubt that people find that they have to get through a maze.

On specific economic development, Scottish Enterprise continues to run several projects to bring together all local enterprise activities, including local authorities, chambers of commerce and others. However, we must go further than that by acknowledging that there are other agencies. One of the longer or medium-term aims of the modernising government agenda is to do that. There might be issues about how that should be given impetus. Bringing on board other agencies effectively will require a higher level of investment in information technology. We must also ensure that the various government agencies are all using the same platforms and that accessibility is continued. However, the principles that you have articulated are important and are part of the agenda.

The problem is getting everything together and getting all the players lined up. What we do not want is a proliferation of offices. We must concentrate so that whichever agency has the best office, whether that is the tourist agency, the local enterprise company or the local authority, then that office should be used. We are discussing with agencies how to roll that out. To do that properly will not be without a cost, but the matter is part of the modernising government agenda.

Rhoda Grant: Another example of how policy can create barriers to rural development was given to me in Colonsay, where there is an obvious housing shortage. People to whom I spoke in Colonsay said, for example, that grants were available as part of the diversification schemes for the conversion of farmhouses into tourist accommodation, which made that a more attractive option than allowing those houses to be available for affordable rent or purchase by the local community. How can we deal with national policies so that what happens on the ground in particular areas does not have an effect that is the reverse of rural development?

Ross Finnie: That issue ought to be dealt with in the rural housing plans and developed through Communities Scotland. Communities Scotland is charged with considering the—black spot is not the right word—hot spots where there is a serious housing deficiency and the housing plans ought to take account of that. In doing that, it ought to be reporting on instances where the giving of grants is resulting in more property becoming available for casual lets and that is militating against local communities. If that is happening, Communities Scotland should consider it specifically rather than

it requiring a policy initiative from the committee. Have you written to Communities Scotland?

Rhoda Grant: Yes I have.

Ross Finnie: I would like to be kept in touch on that issue.

Rhoda Grant: On the same theme, some of the agricultural witnesses put it to us that some of the farming subsidy schemes appeared to conflict. For instance, agri-environment conflicts with headage production schemes, which conflict with land-based schemes. Those witnesses were keen for land management contracts to be used as a way of ensuring that each farm or croft knew where it was going and did not have to go in several different directions in order to maximise their income. How are land management contracts progressing? Would it be possible to put all agricultural subsidies under land management contracts.

Ross Finnie: Gosh. As the principal proponent of land management contracts, I wish that we could implement them tomorrow.

The department has taken a lot of internal evidence. We took the trouble to speak to the Commission and visited an area in France where a similar type of land management contract has been operating. As part of the agricultural strategy implementation group, we have now set up a working group to involve wider rural and agricultural interests and to put flesh on the bones as to how land management contracts could be implemented in Scotland.

Where do land management contracts fit in with agricultural regulation? If I had a blank sheet of paper, given the diversity of farming interests in Scotland, I would want the maximum amount of available grants and other payments to be redistributed through land management contracts. However, I must be realistic. We do not yet know how the mid-term review is to be effected but we almost certainly know that there will be a substantial shift from pillar 1 to pillar 2, which is agri-environment support.

That will not be good enough for Scotland. To take account of its diversity of farming interests, Scotland will require a fundamental review of rural development regulation, so that the prescriptions available to Scotland will be much broader than they are at the moment. If we achieve a reasonable breadth in that reform, everything that comes under that umbrella could be channelled substantially through land management contracts.

There might still be residual difficulties about subsidies; it depends on how they decouple. If there are subsidies that are linked directly or indirectly to production, it will be difficult to weave those into land management contracts. I would like

to get to a position where we could construct a substantial base for land management contracts in such a way that it could be expanded constantly. As other instruments are phased out from their current direct production-related role, we in Scotland would have a base on which we could embrace land management contracts. That is still a long way off, but that is what we are currently embarked on.

The Convener: I would like to explore that with you a little further. Like you, I had a meeting with Herr Fischler this morning, during which I gauged that he was quite sympathetic to whole-farm support, land management contracts or whatever we choose to call the concept, although he also envisaged a Europe-wide policy of modulation to finance the quality assurance schemes, quality targets and marketing measures that he would like to undertake. Sadly, I did not have time to explore with him all my thinking on the subject.

If we have a meaningful whole-farm support regime or land management contracts, farmers or businesses will be paid a certain sum of money in exchange for a contract or management plan of some sort. Do we need a modulation scheme on top of that to take care of quality and other issues? Could those factors not be built into the contract on which the original support is being paid? Do we really need both the whole-farm support regime and a modulation scheme?

Ross Finnie: You raise a separate issue, which I am not sure the committee's report will get into.

The Convener: As you rightly pointed out, ours is a wide-ranging inquiry.

Ross Finnie: Indeed. The fundamental issue is how we move funds from pillar 1 to pillar 2. If we do not start at the beginning and go back to the 2000 settlement, asking questions about how much is allocated to the rural development side as opposed to the direct support side, and if we leave the proportions as they are so as to avoid upsetting the overall budget arrangements, we encounter a real difficulty.

I do not support the generality of the policy of modulation, but I am a realist. The Commission's thinking appears to be emerging: the only way in which it envisages being able to transfer money from production-related support to pillar 2 is by modulation. That is, in a sense, a separate exercise.

If modulation becomes the will of the majority of member states, we in Scotland have to determine what we can do with the funds once they are modulated. I have a particular concern in wanting to ensure that the prescriptions of the rural development regulation, which seem to be far too narrowly drawn, are suitably widened so as to allow us to use the funds as productively as

possible and to embrace them into land management contracts.

Fergus Ewing: We heard quite a lot of evidence about modulation and the long-term future of farming—involving food production or not. On 13 May, during our meeting in Lochgilphead, a Mr Billy Ronald, talking specifically about the agri-environment scheme and the rural stewardship scheme—which he broadly supported, and felt that the public broadly supported—said:

“The only problem with such schemes is that they are available not to everybody, but to a chosen few who are wheedled out through a points system.”—[*Official Report, Rural Development Committee*, 13 May 2002; c 3164.]

The minister will be familiar with the NFU's criticism that there are just a couple of hundred beneficiaries of the agri-environment scheme out of the 70,000 food producers in Scotland. Is one of the real problems of the existing schemes the fact that they are available to the few, not the many? If that analysis is correct, does that not represent a barrier to those farmers who would like to become involved in such schemes were they more widely available?

Ross Finnie: There are two issues there, one of which I have just dealt with. I am clear that the prescriptions available in the current rural development regulation are far too narrowly drawn. I think I made it clear that one of the aims that I shall be prosecuting vigorously in the mid-term review is a widening of the range of those prescriptions, which would have the effect of extending not just the range of farmers who would be eligible, but possibly their number.

If you are seeking to effect a change in the outcomes from the support, you should look at the changes over three or four years, rather than over one year. After all, in simple terms, if I take £10 off you for modulation and give you £10 back, not much of a change will be effected. I wholly accept that far too few farmers are eligible, but I think that that is more to do with the range of numbers. However, when looking at evidence relating to total numbers, I urge you to consider how many people over a longer period are getting sufficient money to effect some change.

There are two issues involved. However, on your principal point about extending the rural development regulation to permit a wider prescription to allow more people to participate, I assure you that that is part of my tactics in relation to the mid-term review.

14:45

Fergus Ewing: I welcome that. However, the problem is simple: there are around 69,000 farmers from whom £10 has been taken but who have received nothing in return. I hope that the

regulation can be widened out; otherwise modulation will be as popular as its synonym, taxation.

Mr Jamie McGrigor (Highlands and Islands) (Con): While we were in Fort William, it was made abundantly clear to us how important fish farming and aquaculture are to the communities in the area. However, we were also made aware of the difficulties that exist between the interests of wild fishing and those of aquaculture.

The obvious difficulty that is faced by aquaculture relates to the over-regulation of the industry, which means that it is impossible to get hold of the medicines that are required to treat the fish and get rid of the problem of sea lice. Integrated employment, in that area, is about using the wild fish sector and the farmed fish sector. How can the amount of regulation in the aquaculture industry be lessened? How can it be made easier for the aquaculture industry to get the tools that it needs to improve its farms and the environment?

Ross Finnie: There might have been too many of the wrong sort of regulations, but I do not accept that the aquaculture industry has suffered from over-regulation. If we consider the industry objectively, we can see that, as it developed, it exhibited the worst forms of intensive farming. There were problems with disease and, because there was a lack of hydrological surveying, farms were located in places where there was no natural eddying and scouring of the sea bed by the sea so nutrients and preventive medicines ended up on the sea bed and created serious environmental problems. Those issues have been identified by the Rural Development Committee's inquiries.

We are trying to put in place not a heavy-handed system of regulation but one that gives the industry a chance of having a sustainable future and ensures that it is able to have due regard to its impact on the environment. The aquaculture strategy that is emerging and in which committees have played a full part is directed towards achieving that. My department does not want to prevent the aquaculture industry from developing, but the environmental and other evidence made it absolutely clear that we had to have some forms of regulation to deal with the problems caused by the industry.

It is instructive that, following the work of the Scottish Parliament and the Scottish Executive, the incidence of infectious salmon anaemia has dropped dramatically. Ending the practices of dealing with some fish on the quayside and recycling blood in the outfalls has made a huge contribution to improving the quality of the environment and the fish.

We are beginning to strike the right balance. As

in any primary sector, we need a regulatory framework that does not impose excessively heavy burdens, which deals with environmental concerns, that allows sustainable development and which allows remote, rural, fragile communities to produce a product that can participate in the food chain and generate very important income.

Mr McGrigor: I accept much of what the minister has just said. The new medicine Slice has been very successful. Recently I was told that six out of seven tests carried out in one-fish-farm companies showed that there were no sea lice on the fish. The only farm that still had sea lice was one on which the fish had not been treated. I am trying to make the point that many more jobs can be generated in local areas if different industries are able to co-exist with one another, which has not been the case until now in the sea lochs. Slice is the tool for doing that, but it is taking far too long for fish farms to get hold of the medicine, even though the Scottish Environment Protection Agency has approved it. There seem to be vast delays caused by bureaucratic red tape.

Ross Finnie: I am not sure what bureaucratic barrier the environment and rural affairs department or I are alleged to have put in place to prevent the distribution of Slice.

Mr McGrigor: Neither am I.

Ross Finnie: It might be helpful if, before accusing me, the member identified where the barrier is.

Mr McGrigor: Perhaps the barrier is with SEERAD officials. Fish farmers have told me repeatedly that they find it difficult to compete with other fish-farming countries because of the red tape that exists here. Red tape is also a problem for other industries.

Ross Finnie: I am very happy to deal with specific requests, but not with general accusations. If SEPA has approved Slice for use, I do not know what the specific problem can be. Perhaps Jamie McGrigor could write to me about the issue.

The Convener: Fergus Ewing has offered to throw some light on the subject.

Fergus Ewing: I hope to.

Ross Finnie: That is not a guarantee.

Fergus Ewing: I never claim to know what is happening in another member's mind.

Ross Finnie: That is a wise precaution.

Fergus Ewing: Companies such as Marine Harvest have indicated that there are delays in dealing with applications for permission to use treatments such as Slice. There is a statutory duty

on SEPA to reply within a specific, fairly short period, but the agency has been unable to do so. The problem was particularly acute about a year ago. I gather that since then SEPA has taken on additional staff to deal with applications, but the industry believes that there is still a serious problem. The problem is not that consents for using treatments such as Slice—which is one of the best-known treatments, but by no means the only one—are being withheld. However, repeated delays in granting consents damage the industry, because our competitors in Ireland, Norway and elsewhere do not encounter such delays.

When we visited a fish farm in Lochaber, we were told that Norway takes a one-stop-shop approach. Instead of dealing with a plethora of agencies, fish farmers deal with a rural development department that acts as a clearing house and co-ordinator for every requirement that must be considered before a consent for a new fish farm location can be obtained. Would such an approach fit in with your definition of rural development?

Ross Finnie: I am grateful for Fergus Ewing's clarification of the first point. I would have to raise with SEPA the issue of its capacity to deal with what would essentially be the equivalent of discharge consents in respect of additives to the water supply. On the separate issue of dealing with new applications, I understand that work is under way to develop the aquaculture strategy. I have not seen a recent draft of the strategy, but I know that the issue that Fergus Ewing raised of trying to create a more co-ordinated regulatory process in respect of the initial planning consent is very much under consideration. Issues such as whether hydrological surveys can be undertaken are also under consideration. As Fergus Ewing rightly said, two or three—at a maximum, four—major issues are involved in respect of co-ordination of the consents that are required.

Fergus Ewing: I am grateful for the minister's reply. If I may, I will stay on the subject of aquaculture.

The Convener: While we are on the subject.

Fergus Ewing: Does the minister agree that the perception of the aquaculture industry is a problem? The evidence that we heard, especially from fish farm workers—I am talking not about the bosses but about the workers—was that their industry was not valued and that it was under constant threat from a number of individuals and bodies that seem motivated to destroy it. It is also clear that elected representatives, particularly those of us who represent areas in which the jobs that aquaculture provides are jobs that cannot be replicated by other opportunities, must present a robust defence of high-quality salmon and other fish farming in Scotland. For many years, the

industry has received accolades such as the Label Rouge in France. Should we not be far more robust in defending the industry against its well-known and frequent critics, who would appear to have the ear of the press?

Ross Finnie: The approach that the Executive has taken, which has been consistent, is to be very supportive of the industry while recognising that a number of quite serious issues require to be addressed. With respect to some of the industry's critics, the reason why we were always reluctant to go down the road of having a full-scale public inquiry was that it could have opened an avenue to the voices of gloom and doom who are seeking to destroy the industry.

Instead, we have ended up with a systematic review of the problems and of engaging the industry. We have produced a constructive response to the problems, marshalling a co-ordinated strategy that embraces new practices and regulation that are much more relevant to eliminate the real environmental concerns. That we have done so is a positive step. The industry is grateful for the fact that what is emerging is an aquaculture strategy that deals with some of the problems and, much more important, gives a positive steer for the continuation of a sustainable aquaculture industry. As Fergus Ewing rightly said, the industry plays a very important economic role in Scotland. That is especially the case in the parts of the country in which it is located, which are largely remote, fragile rural areas.

The Convener: I call Alasdair Morrison, who has been even more patient than my colleague Jamie McGrigor.

Mr Alasdair Morrison (Western Isles) (Lab): I welcome what the minister said about fish farming, and aquaculture in general. The minister stated, rightly, that the Executive's decision not go down the road of a public inquiry was correct. A public inquiry would have given a platform to those whom he described as the voices of gloom and doom.

I want to turn, Presiding Officer—I am sorry, I meant to say convener. That was a promotion.

The Convener: For one exciting moment—*[Laughter.]*

Mr Morrison: From where I am sitting, it was depressing. I withdraw that remark.

The Convener: It was almost in order, Mr Morrison. Please continue.

Mr Morrison: The minister will recall that the initiative at the edge was launched because of a feeling in many areas, in particular the Highlands and Islands, that many communities were being presided over by a plethora of public agencies and quangos, none of which aligned their priorities with the needs of those communities. The initiative at

the edge stumbled in its first year and a half. That was not the fault of the communities in the eight pilot areas, but the result of intransigence on the part of some of the agencies.

Can the philosophy that underpins the initiative at the edge be translated across the work of the department? How can you, as a minister, break down the attitudes that prevail in a great many public agencies and quangos? How can you help other agencies appreciate that they must align their priorities according to the needs of communities, rather than being territorial?

15:00

Ross Finnie: Alasdair Morrison raises several important issues. One of the great sadnesses is that the initiative at the edge has proved a significant project, but we never bothered to examine the contribution that the work on the Dùthchas project could also have made. There is a lesson to be learned about examining the outcomes of all such projects and checking what worked and what did not.

The crucial element of the initiative at the edge is that it must be community focused. The mistake in the past was that the development agencies tended to put out directives in tablets of stone. Although those directives were dumped on the community from a great height, they had no great impact other than to leave a huge footprint of no great worth.

We are very bad at getting across examples of good practice and things that have worked, not just to individuals and communities, but to other agencies. Within the initiative at the edge, there are all sorts of things that have gone well and one or two things that we should take great care not to repeat. In terms of trying to improve the attitudes of agencies, we should not ask them to reinvent the wheel and keep coming up with new policies, but to get out and look at what is going on—to speak to the people on the ground and find out what is happening. It is not rocket science. I agree that it is depressing to hear people trying to think up new policies and directions to answer a problem that we identified four or five years ago.

The lack of exchange of ideas and information across the rural areas in Scotland—from the south of Scotland, to the northern isles and the western isles—at both an institutional and community level, is a serious impediment. We recognise that and we are trying to find ways of persuading people to stop trying to reinvent solutions and to examine existing projects.

Mr Morrison: I could not agree more.

I have a constituency interest in renewable energy, which is a topic that is of general interest

to the committee. Does the minister have any plans to introduce guidelines for the establishment of renewable energy sites as part of a strategy, or will applications be considered on a case-by-case basis?

Ross Finnie: No. The department has been working on a paper and I had hoped that it would have been completed sooner, but it will certainly be ready towards the end of the summer. The report will set out what we see as more desirable targets in terms of the overall position and will expose for debate and discussion the elements of that overall position. We know the advantages that Scotland has, but we would like to draw attention to the particular advantages of renewable energy developments, not just in their contribution to the energy sector, but in the economic prospects that they provide in the more remote areas. We must also expose where potential conflicts might lie—between natural heritage and planning interests—and come to a clearer view on where development could be accommodated and where it might be more preferable in relation to the natural heritage. We are working on that quite hard at the moment.

I do not want people to be alarmed. We have a huge advantage, but only a small proportion of our open space is required to achieve a substantial development. Even if there are one or two environmental barriers, that should not inhibit the serious development of renewable energy in Scotland.

The Convener: I endorse the Executive's desire to increase the output from renewable energy, but it has been pointed out to the committee that the emphasis seems to be on wind energy. Does the Executive have a role in considering other forms of renewable energy—particularly tidal power, but also other forms such as biomass power—which seem to have been left behind in the rush to establish wind farms?

Ross Finnie: When the paper finally emerges, it will make it absolutely clear that although there have been real technical developments in wind energy, we cannot and should not ignore the potential development of wave and biomass power if we are to have a balanced supply of renewable energy. The funding and assistance that we give to the research in Orkney are directed towards improving our knowledge. There are technical issues, but there are also developments to be harnessed. Many of the problems lie with the design of subsea structures that can withstand enormous pressures. Goodness gracious me—surely, in developing the North sea oil industry we have gained expertise in building such structures and are well placed to do that.

We are not ignoring alternative forms of renewable energy. As we encourage the industry, however, the difficulty is that, as in other

developments, the first 10 or 12 per cent is the easy bit, because it tends to be done with existing technology. The next step will require a range of technologies, with which we will wish to assist.

Mr Morrison: I have a question about how ministers will deal with applications. I did not intend to mention Lingerbay quarry, but I am sure that the minister is well aware of the sham surrounding that quarry, which has been a problem for two Governments, not only the present one. Is the minister confident about the systems for dealing with the applications and plans for large wind farms? Is he confident that communities and companies will not have to wait for months or years on end for ministers to arrive at their decision?

Ross Finnie: I hope that they will not, but I cannot give a more specific answer. You mentioned the fateful Lingerbay quarry, from which there are lessons to be learned. I hope that the Executive will realise that the planning process is intended to examine the issues, not to allow for interminable delay. The point of the process is to allow all parties with an interest in an application to put their side of the argument. People who abuse the system, and ministers who use it as a cover, do everyone a huge disservice.

We must have a consultation document that sets out a framework for how to approach planning applications for renewable energy developments and that specifies which parts of the countryside are available. That will mean that we receive fewer random applications and that applications will tend to be submitted for areas for which it is more likely that ministers can come to a favourable decision, provided that the applications meet the relevant planning criteria. I hope that the process that I will announce later in the summer will be helpful in that regard.

John Farquhar Munro (Ross, Skye and Inverness West) (LD): Unfortunately, Alasdair Morrison and the convener have covered much of what I was going to ask. I apologise for being late. I knew that the meeting started at 1.30 pm, but I was at an equally interesting event, which went on rather longer than I had anticipated.

The Convener: I find that hard to believe, Mr Munro.

John Farquhar Munro: The question that I was going to ask the minister concerned planning for renewables—wind and wave energy. Alasdair Morrison suggested that such planning matters might be decided by the Scottish Executive, or at least by the Scottish ministers, because those schemes are likely to be called in. Would not it be appropriate and sensible to allow local authority planning departments to make the decisions on such applications, which, after all, affect the

communities that those local authorities administer?

Ross Finnie: I cannot deal specifically with planning matters. The general guidelines on the point at which an application is called in, or is not called in, could be better explained by my colleague minister whose responsibility that is.

I understand John Farquhar Munro's point but, whether an application is called in or not, there is nothing to stop local communities, local councils or others from expressing their views. The planning process does not come to an end. It simply means that, in the final analysis, the decision will be taken by Scottish ministers. That does not cut across the basic requirements for the leading of evidence and the putting of a case by the local authority, the local community and other interested parties.

I cannot talk specifically about how my colleague minister will finally decide. All that I can do is indicate the process that we are trying to set out, which will give general guidelines about the areas that are more likely to be susceptible and receptive to having such developments, to avoid unnecessary applications in areas where there is a clear conflict with environmental concerns.

John Farquhar Munro: The convener asked about your support for renewables and he specifically mentioned tidal energy. You responded by mentioning wave and wind renewables, but not tidal energy. I know from past discussions with you that you have a keen interest in and support for tidal schemes. Could you tell the committee your views on such schemes?

Ross Finnie: That was a sin of omission rather than commission. Subsea developments, whether wave or tidal, have an important role to play. If one is trying to create a greater constancy of supply and a less interrupted supply, those are the areas that offer the greatest hope. At the moment, the only evidence that we have for the constancy of supply from wind power is from those who own wind power stations both in the east and the west of the country, which create a balance, but that is probably a matter of luck or good fortune. We need technologies that provide a more constant base-level supply if renewables are to play the role that we hope they will play.

Fergus Ewing: Transport was obviously mentioned a great deal in Colonsay, St John's Town of Dalry, Lochaber and elsewhere. Our discussions covered a wide range of topics, from the A82 trunk road in the west Highlands, which is important to many people, to forestry roads in the south of Scotland, where there is a particular threat to the forestry sector because of extra costs and lack of access. I do not know that we have time to cover all those wide, diverse and very serious problems, but perhaps I can sum them up

in one question to you. Do you feel that there is a great need for more resources in transport? If so, how do you, as a minister, go about achieving that? Is it something that you raise at the Cabinet sub-committee on rural development, which was mentioned earlier and, if so, will you be raising it at the next meeting of that august body?

Ross Finnie: You raise three questions, which are not discrete but integrated—two of them are, at least.

There is the issue of how our transport funding deals with trunk and other roads. Over recent years, transport funding has played an important role in supporting lifeline services, in improving air services, landing systems and runways, and in supporting Caledonian MacBrayne and other ferry operators.

In the Cabinet's rural development sub-committee, I have been conscious of the focus on lifeline and other support services—in regard to both the quantum and the specific direction. Evidence shows that, over the past three years, moneys have been directed almost exclusively towards remote and rural areas.

15:15

Historically, road improvements have been underfunded. The Executive inherited that situation three years ago and has progressively tried to redress it. Difficult choices arise in the allocation of funds. Members of this committee, and all who are involved in rural development—including myself as minister—know that intra-community transport and external links by road, rail and air are constant themes, which require constant attention.

Fergus Ewing raised the third, linked issue of the potential difficulties in the south of Scotland—although they are not limited to the south—to do with the imminent maturing of a substantial part of the Scottish forestry estate. The Forestry Commission is examining a number of options. Previous plans had suggested that the only means of extracting timber would be via the public road network, but I understand that a lot of work has been done to determine whether there are cheaper options within the forestry estate.

The issues that Fergus Ewing raised are crucial. We have increased direction and we have targeted key lifeline services with a substantial proportion of the transport funding.

Mr Rumbles: Forgive me minister, and please take this question in the spirit in which it is meant. Fergus Ewing talked about transport and, in your answer, you suggested that transport received constant attention at the Cabinet sub-committee. My impression from previous answers is that that

sub-committee does not meet very often. How often does it meet—every month, every six months, every fortnight?

Ross Finnie: It gets into about a six-week cycle. Trunk roads is a big issue on which we can make our views known to the Minister for Enterprise, Transport and Lifelong Learning. He, of course, has to consider a range of competing claims. We have been particularly successful in ensuring that the transport fund has offered support and subsidy to all the northern airports, landing systems and runways, and to all the ferries to the northern isles. The numbers of such links have increased as a direct result of discussions in the sub-committee.

The Convener: Do you accept that, in rural Scotland, the roads infrastructure becomes even more important because the car is not a luxury but a necessity? That is what people who live there feel. I live in the south-west of Scotland, and it is no coincidence that that area, which has the lowest average wage of any region in Scotland, also has the highest car ownership. People must have cars to get to work. Do you agree that, although public transport initiatives have a large part to play in the urban areas of the central belt, a separate focus is needed on the roads infrastructure in rural Scotland?

Ross Finnie: You are right, up to a point. We should not lose sight of the benefits that have been achieved for people accessing, exiting or using only part of routes.

Let us take the example of the A9—I do not know of a similar example in the south of Scotland. The Executive's support for moving the huge volumes of freight that travel between Inverness and the south from road to rail has been important for communities that use the A9 along only part of its length.

I do not suggest for a minute that road transport is not important—it certainly is. One of the odd statistics that are bounced around is that more people in rural areas go into debt to acquire a car than for any other reason. An integrated approach is required. The removal of traffic from roads assists people in rural areas. Our initiatives to persuade companies to take substantial amounts of trunk-road traffic off the roads contribute to making the A9 and the surrounding network of roads more available. If key heavyweight supplies to rural areas can be shipped and distributed using different means to feeding them exclusively through a limited road network, we must ensure that that happens.

The Convener: I see where you are coming from. However, the committee received evidence that there are concerns about both the A75 and A82.

Ross Finnie: There is a particular problem in

the south of Scotland as most traffic through the region travels in a north-south direction, rather than an east-west direction.

Mr McGrigor: Would the minister support local schemes to link quality food production, environmental management and tourism? If so, how could such support be provided? Does the minister agree that local abattoirs are absolutely essential for realising schemes of the sort that I describe?

Ross Finnie: I will deal first with the last question. The price that the consumer is prepared to pay for a product is one of the realities that we must face. Some of the most efficient abattoir plants—of which there are one or two in Scotland—are substantial. The committee might have spoken already to representatives of those plants and asked them about the basic economics of running a highly efficient slaughtering operation that includes the latest technology and is able to deal electronically with identification of animals both when they enter the abattoir and when the carcass is ready to be hung. That identification is done using a barcode that contains all the necessary information and meets the highest standards of traceability.

Such configuration costs a great deal of money. I understand the desire for more locally based abattoirs, but it is difficult to see how the quality and service that is provided by the most efficient abattoirs could be replicated in many areas of Scotland without placing an unbearable financial burden on the Scottish meat industry and driving up costs for the consumer. I am not sure that the issue is as simple as Jamie McGrigor implies, neither am I sure that schemes of that type have to be local. In collaboration with Mike Watson, the Minister for Tourism, Culture and Sport, SEERAD and I are placing much more emphasis on Scottish food and Scottish produce in marketing the tourism industry. I have long held the view that even if a visitor to Scotland leaves having had the odd wet day—you will know that that experience is rare—I do not understand how they could leave Scotland without the clear view that they have just visited a country that produces the most magnificent food.

It is not necessarily up to the Government to promote all local industries. In relation to the central drive of our tourism industry, I recently discussed with Mike Watson the promotion and presentation of food and the ways in which we can make it far more a part of what Scotland offers.

There are two separate issues and I ask Jamie McGrigor to consider the economics of providing a modern abattoir. The best example of such an abattoir in Scotland, which I will not name for commercial reasons, has ventilation systems that make conditions for people who work in that

atmosphere much more tolerable than those in almost any other abattoir in Scotland. There are important considerations regarding the people who work in an abattoir, but provision of such standards carries a sizeable cost.

The Convener: I draw to the minister's attention evidence that we heard in Lochgilphead, which suggested that most tourists to the west coast of Scotland leave with the impression that the only thing of real quality that we produce is the Scottish midge. In this kind of weather, that is understandable. I want to wrap up this part of the meeting, but I will make a final comment.

Before the minister arrived, we took evidence from the Borders Foundation for Rural Sustainability, which suggested in an interesting presentation that there is a need for an integrated rural development forum. Such a forum would draw together all the stakeholders in the countryside management industry as a means of overcoming existing duplication of responsibility and confusion over funding opportunities. That could also open up the workings of agencies such as Scottish Natural Heritage, which some people think perform behind-closed-doors operations and make somewhat dictatorial pronouncements. How does the minister view such a proposal? Does he think that it would help in the delivery of a bottom-up approach to rural development?

Ross Finnie: There is an issue there. The Rural Forum managed to go bust, which was quite a tricky thing to do. The problem is the one-size-fits-all approach. Despite the fact that we have had a constructive dialogue on integration of policy, and despite the fact that Scotland is tiny, there is diversity of topography and of general interest. I have wondered whether there is a need to replace the Rural Forum, but I concluded that to do so would be not right; that thought has remained with me. We have a Rural Development Committee of the Parliament and a Scottish Executive environment and rural affairs department, but should there be a third leg to that stool?

I have not closed my mind on the issue; I am interested in reading the evidence that the committee has received. If that idea is developed further, I would like to know about it. I have had the matter in my mind, but I have not come to a view as to how formal or informal a replacement for the Rural Forum should be, whether it would be another unnecessary layer or whether it would cut through the difficulties that the convener identified.

The Convener: To be fair to the BFRS, I probably did not describe very well what it suggested. I think that the witnesses suggested regional forums that would come together biannually in a national forum to provide overall guidance. The flexibility to which you referred could be delivered through regional forums.

Ross Finnie: We would also have to consider how rural local authorities would structure their responses to community planning.

15:30

The Convener: Thank you. On that note, we draw this part of the meeting to an end. I thank the minister for the comprehensive way in which he answered our questions, thereby contributing to the committee's inquiry.

The minister will stay with us for the next item, but I thank Douglas Greig, Jane Hamilton and Roberta Wilson for their attendance—albeit mute—and ask them to step down.

Rural Development Programme

The Convener: We move to agenda item 3, on the rural development programme. The minister has been joined for this item by John Hood from SEERAD, whom I welcome.

Members will be aware that the Minister for Environment and Rural Development has issued a consultation paper on possible amendments to the operation of agri-environment schemes. The paper has been circulated, and we understand that the consultation recently closed. Members also have among their papers an Executive press release that outlines proposed changes for 2003 to the less favoured area support scheme.

When proposals for the schemes are finalised, a package of amendments to Scotland's rural development programme will require submission to the European Commission for approval. It is expected that that will occur during the parliamentary recess. As the recess starts at the end of this week, we must today ask the minister any questions that we have. We expect to deal with the subordinate legislation that will give effect to any changes, but we were anxious to hear from the minister at this stage, before the proposals are finalised. I again invite the minister to make some opening remarks before we proceed to questioning.

Ross Finnie: I am grateful to have the opportunity to bring the committee up to date on the consultation exercise. This meeting is an opportunity for me to hear the committee's views before—I stress before—I come to final decisions. The consultation has just closed, but we must still assess the responses. This is therefore a timely meeting.

As things stand, it is quite difficult sensibly to manage the agri-environment programme, because I do not have discretion about which applications I should fund. As a consequence, some organic aid scheme applications are taking up money that might be better spent on the rural stewardship scheme. I will return to that matter.

The proposals in the consultation paper are intended to improve the operation of the organic aid scheme and other schemes. The consultation paper was issued to 227 individuals and a total of 63 responses have been received. [*Interruption.*] Perhaps that is a late response. No—it is Jamie McGrigor's phone.

The responses are now being analysed, but I can say at this stage that there appears to be a broad consensus in favour of the changes. I remind members of the reasons for those changes: to achieve better targeting of organic aid scheme resources to provide environmental and market benefits; to enable increased funding for

rural stewardship scheme capital items; to strengthen the contribution of the rural stewardship scheme—RSS—to the control of agricultural diffuse pollution; and to improve management of the costs of existing environmentally sensitive area scheme arrangements.

The most significant change that is proposed in the consultation paper is that, from this year, organic aid scheme applications should be funded selectively. Let me put that proposal into context. I want to give more support to the organic sector, because I think that it has the ability to produce goods that consumers want and which would otherwise need to be imported. If it is well done, organic farming can bring environmental benefits. I believe that it is only part of the overall picture of market-oriented, environmentally friendly farming, and that non-organic farming methods will remain as a way in which we produce food while respecting the environment. Against that background, I believe that it is fair to propose that organic aid scheme applications be funded only if they lead to significant environmental gain and to the production of marketable organic food.

Constructive and helpful discussions have been held with the organic sector bodies in Scotland to agree criteria against which organic aid scheme applications can be ranked for this year and next. I hope that it will be possible to publish agreed criteria following consideration of the responses to our consultation paper. Those arrangements, the agricultural diffuse pollution arrangements and revised arrangements for managing the costs of current environmentally sensitive areas scheme arrangements could be introduced at the Executive's hand without European Union approval, should I decide to do so. I await the comments of the committee and the responses to the consultation paper.

The proposed changes to the funding of the RSS capital items will enable the cost of capital to be spread over several years and to be spread between EC and domestic budgets. That will enable more capital works, such as hedgerows and ponds, to be funded. The change will require EU approval; any agreed changes will be submitted to Brussels later in the year. I hope that our proposals will secure early approval from the STAR committee—the committee on agricultural structures and rural development—and that the regulations will be agreed in time to implement the changes by spring 2003. Other changes to the Scottish rural development programme will include revised payment rates for the environmentally sensitive areas and countryside premium schemes.

During consideration of rural stewardship scheme regulations, the Rural Development

Committee expressed concern that only a small number of the applications that were submitted in 2001 would—as a consequence of the EU's decision to remove our ability to place a limit on agri-environment scheme payments—receive funding and that most of the money would go to a small number of applications for large projects. It is fair to say that those concerns did not materialise. Of the 380 farms, crofts and common grazings that were offered funding, 33 are of less than 10 hectares, 11 are of between 11 and 20 hectares, 36 are of between 21 and 50 hectares and only 65 farms are of more than 500 hectares.

I regret that it was not possible, given the resources at my disposal, to fund all the applications fully. Had I funded applications fully, 44 of the 476 applications would have received funding and only one would have been in the Highlands and Islands. The area covered by the agreements would have been 14,000 hectares. In contrast, my decision to part-fund applications has resulted in a financial commitment of £11.5 million to 312 farmers, crofters and common grazings, covering about 148,000 hectares. That represents a substantial commitment to agriculture and the environment.

Nonetheless, we have been keen to learn from last year's experience and to consider whether we can introduce changes to make the agri-environment programme work better for the benefit of people and nature. The proposed changes are designed to improve the operation of the agri-environment schemes in order to enable us to secure the maximum conservation benefit and the best value for money from the finite resources that are available.

Fergus Ewing: Am I right in saying that the consultation is on the alteration to the rules, rather than on whether current funding to agri-environmental schemes should be increased or decreased?

Ross Finnie: Yes. The consultation is on the rules that govern the operation of the schemes.

Fergus Ewing: At paragraph 2.7, the paper states:

"All agri-environment commitments entered into from 1 January 2000 are funded from a combination of modulation and domestic resources."

Do you believe that the current rate of modulation should be altered?

Ross Finnie: As I said, my problem is that we are now in a much trickier situation. I agreed to the current scheme of modulation as a direct consequence of having secured in negotiation the offer of matched funding from the UK Treasury. It seemed that given the levels of modulation that were being postulated at that time that Scottish rural development would, on balance, benefit from

modulation, in particular if that would secure additional matched funding.

The current situation should be considered in the light of the fact that the Commission might propose different rates of modulation under the mid-term review. I am very cautious about modulation as an instrument—it is a bit blunt. I suspect that Fergus Ewing shares my view that if, for example, we want to give a subsidy to Alex Fergusson, we should not give it to Mike Rumbles first, modulate it and then pass it on. I find that a difficult concept.

The present proposals for modulation are satisfactory. My difficulty—which I expressed in evidence earlier—is that we might be faced with a more compulsory form of modulation as a result of the mid-term review, which I would have to explain to the committee. We must remain alert to what might happen in Europe on that phase.

Fergus Ewing: From what I gather, the enthusiasts for further modulation are few and include possibly Mr Fischler, certainly Lord Whitty and presumably Margaret Beckett, but not the vast majority of Scottish farmers. Are you concerned that, if the Department of Environment Food and Rural Affairs pursued a pro-modulation policy—even up to 20 per cent, which is a figure that has been mentioned—that would take Scottish agriculture down the wrong path? Would SEERAD be able within EU rules to pursue a different policy by instituting variable modulation rates?

Ross Finnie: A number of member states—not just Mr Fischler's—are minded to seek a substantive change from pillar 1 to pillar 2 and have not closed their minds to doing so through modulation. The real issue is not whether there is disagreement between ourselves and our counterparts in England about the way in which we apply the policy, but whether modulation becomes the policy of the European Commission because it is favoured by a majority of member states. There are two serious considerations for me, as a Scottish minister. First, I would not want that modulation to be in addition to the current domestic arrangements. Secondly, as I have explained at length, it is important to me and to Scottish interests that the prescriptions that are available within the rural development regulations are suitably expanded to allow us to use the moneys that become available within pillar 2 for the benefit of more farmers and, I hope, to facilitate the implementation of instruments such as land management contracts.

Rhoda Grant: We have been talking about agri-environment schemes. Can we move on to talk about less favoured areas?

The Convener: Yes. Let us do that.

Rhoda Grant: My concern is about the organic

aid scheme. It is suggested that the organic aid scheme should be limited to hill farmers who have already identified a market for finishing their stock. That would be off-putting to many hill farmers, given the fact that it takes several years to transfer a business from ordinary farming to organic farming. To say that farmers must, before they can even start to go down that road, identify someone who will buy their stock, is asking them to do something that is nigh impossible. Nobody would be willing to draw up a contract with a farmer at that stage, when they are so far from the goal of having organic produce to sell. Have you given any thought to ways in which that problem could be overcome? What assistance will be available from the Executive to put hill farmers in touch with new applicants to the organic aid scheme, who would be involved in finishing? Will that be left to the farmers, which would create a huge barrier?

Ross Finnie: It will be left to farmers. The genuine disappointment is that we appear to be spending considerable sums from the organic aid scheme on certain hill farms where, frankly, the existence of other inputs is difficult to discern. In other words, it is almost impossible to identify which practices had to change on certain heather hills where no artificial fertilisers were used. It is not clear what environmental benefit is gained from that.

15:45

I am not asking for a guarantee that the product will be sold; there is no requirement to say that the product can get to market. If we are talking about lamb, the fact that the producer has not liaised with, discussed with or entered into an arrangement with someone on the low hill for finishing organically means that we would end up with public funds being used to gain organic accreditation without any serious environmental benefit being obtained, because much of the land is already natural. A lack of liaison with the finishing side results in the product not being sold as an organic product. It is difficult to justify giving support from the public purse to organic conversion when the end result is not an organic product. That is the point that we are driving at.

If people do not have land for finishing, we want them to tell us that in their applications. We would be willing to assist with the next bit of the chain, if those producers cannot find partners. We seek to ensure that we grant aid in the round and that the end product will be an organic product. At the moment, we have no guarantee of that, which makes it difficult to justify public funding. That situation does not make a great deal of sense. If people are considering conversion to organic methods, we want to push them to consider the whole production process and to have arrangements for that, so that they meet our

criteria. We are not asking for a guarantee that the person in the market will buy the end product, but we want to ensure that the end product will be an organic product that is available for sale.

The Convener: Is it your intent to focus on the lower-ground farmer—the arable farmer?

Ross Finnie: No. If it can be proved that there is a requirement on any farm, we will listen. We are not excluding people, but we are slightly concerned about the way in which things have developed. If the relevant society—the Soil Association, for example—says to someone on an upland farm that it is not prepared to give organic accreditation and that a conversion period will be required, we look at that. We want to be clear that there is a genuine environmental issue to be addressed—in other words, that there is evidence of the use of non-organic material. If that is the case, it is fine. The farmer will qualify. We are saying that we are not content to spend money and to get halfway down the hill, only to discover that there is no linkage and that the product is sold as a non-organic product. That does not represent value for money for the public purse.

Rhoda Grant: I want to pursue the matter. As you know, most hill sheep are usually sold at local markets to dealers who move the sheep on to lowland farms for finishing. How do we address that situation? You talked about helping hill farmers to identify lowland farmers who could work as part of a chain. How far are you willing to go to help them to do that? That is where the barrier arises. If the hill farmers do not receive assistance because they do not usually have contact with the finishers, as that is usually done through a dealer, how can we put the chain together?

Ross Finnie: I do not have a precise answer. We are wrestling with that issue. We cannot have a situation in which someone wants to sell an organic lamb and simply puts it on the market. We must find people in the marketplace who are interested in dealing in organic lamb. We must identify those people before identifying which part of lowland land we need to direct assistance to in the conversion period, which is the other side of the equation that must be solved to complete the chain. It is not easy, but I hope that you recognise that the situation at the moment is extremely unsatisfactory and is not producing the amount of organic product that we should be producing.

Rhoda Grant: I understand that. I do not have a problem with the aim but, unless we intervene to put people together, the effect of the policy will be to discourage people and create a barrier to conversion. We need to change the way that the market works for organic farming to get those people together. If we do not do that, we might as well forget about developing organic farming in upland areas.

Ross Finnie: We are keener on sorting out the other end than on abandoning the whole enterprise. I am much keener to get downstream and find people on the lowland ground who will deal with upland dealers and will allocate ground and have that ground converted for the purpose of producing organic produce. We have some work to do in that area. As I said, we have had constructive discussions with the societies responsible for organic accreditation, and that is beginning to generate some ideas on how we can deal with the issue. When I present my final proposal, I will have to fill in that bit.

The Convener: Remembering my former employment, I recall that the most successful organic producers of lamb and beef deal directly with the supermarkets, buyers and abattoirs, rather than going through the traditional store market chain.

Mr McGrigor: I have a question about the new LFA proposals. I understood that the idea was to disengage subsidy from production and to move from headage to hectareage. I must admit that I have not fully studied the new grazing categories, but it appears that category A and category B, which have the lowest stocking densities, will be very much worse off than farms with high stocking densities. That appears to be counterproductive to your original aims.

Ross Finnie: I do not think that that is right. As part of a wide-ranging consultation process, we found unanimity throughout the country that the former highland upland and lowland and southern upland and lowland classifications did not make sense and were not transparent to farmers in relation to how they recognised their own land. The scheme that is proposed addresses the carrying capacity of the existing land. The advisory committee drew up that new classification and believed that it was a fairer and more accurate reflection of the division of land within Scottish agriculture. Once those categories are drawn up, the percentages for the carrying capacity of the land can be applied. If you study those rules carefully, you will see that the proposal certainly does not disadvantage farmers in an obverse way.

Mr McGrigor: I was talking to one or two farmers who thought that they could work out at this stage what their levels were going to be, and they appeared to be very much worse off than they would have been under the previous set of proposals. Bearing in mind the fact that the initial talk was about not having winners and losers, I was extremely worried by the latest set of proposals, particularly as they affect those in the Highlands and Islands.

Ross Finnie: I would have to see specific examples before commenting. When we made the proposals, we produced models illustrating the

extent of winners and losers. Our modelling, by area office, indicated not only that the proposals were more specifically targeted but that they reduced, both in quantum and in amount, the total number of winners and losers. In addition, the proposals put quite a severe cap on the number of big winners at the top end. One of the objectives was to achieve a greater degree of equity and fairness throughout the country. In so doing, we narrowed the range of both winners and losers.

The matter is out to consultation. If Jamie McGrigor has specific examples, I will have to deal with them. From the model that we produced at the time, that was certainly not our understanding of how the scheme would ultimately work out. One or two people on the working group ran through the numbers on that.

The Convener: If I may speak as a South of Scotland MSP, one of my concerns about the original LFASS, which is backed up by the figures, was that it had the capacity to move a certain amount of input from the south of Scotland to points further north. I accept that the fragile area was designated for a reason, but will there be further shift of capital from the south and east of Scotland to the north and west, or has equilibrium been reached?

Ross Finnie: There will certainly not be any further shift. There was an inevitable shift in attempting to deal with the more fragile and remote areas. In the south of Scotland, because of the stocking densities and the rather different upland-lowland distribution, I believe that the new land classifications will go a long way towards addressing the anomalies that used to obtain. Perversely, people in the upland areas of the south seemed to be more disadvantaged as a result of the removal of the consideration of stocking densities. The introduction of land classifications that relate to the carrying capacity of the land, although not specifically to stocking densities, will go a long way towards addressing the problem.

Rhoda Grant: I want to come back to the LFASS. Unlike Jamie McGrigor, I have not had the opportunity to run through the figures, but I welcome the building in of fragile areas. That is a great step forward. Why is a base reference period required, given that the scheme could be updated year on year? Do you want the moneys that are available from the scheme for each farm to remain constant? That might mean that no change in farming practice is required or that changes might be made that are not in keeping with the scheme.

Ross Finnie: I have a clear idea why we want the base reference period, but given the specific nature of the question, I will take the question to a vizandum and reply to the committee. I have a niggling doubt about the last part of the question.

The Convener: Members have no more questions, so I will wrap up the session. I have a question on the rural stewardship scheme and capital expenditure. Last time around, in order to spread the money as far as possible, you removed items of capital expenditure from the scheme. In your introductory remarks, you mentioned that, to facilitate that, you would try to spread capital payments over a number of years. Will the likely number of applications to the rural stewardship scheme allow you to do that, given the limit on the amount of money that will be available for the scheme? Will the restrictions on the organic aid scheme free up enough money for the rural stewardship scheme?

Ross Finnie: The organic aid scheme is unlikely to free up money. I aim to focus and target that scheme so that it gives better value for money. Rhoda Grant raised the fundamental issue of how that can be done. The intention is not to reduce the funding that is available through that scheme, but to deliver better outcomes. Although there have been additions to domestic funding and an increase in the funding that is available from modulation, demand has also increased.

I do not hide from the fact that one of the reasons for consulting on the changes is that we need to spread the capital payments if we are to avoid being perpetually faced with the situation with which I was faced last year, where only a small number of applications were successful. That situation will be problematic as long as Europe refuses to allow us to cap the amount. That is an unhelpful development. There is a problem relating to the ability of a larger unit to comply with the points system for a variety of reasons and there would be an unfair distribution throughout Scotland. I can only hope that our proposals to take account of capital over a period will allow us to distribute funds more fairly over a longer period.

16:00

The Convener: I share that hope, minister. I thank you and John Hood for the large amount of time that you have spent with us this afternoon.

Integrated Rural Development

The Convener: Item 4 returns us to our integrated rural development inquiry. Members have before them a short note on the fact-finding visit to Colonsay that reporters made on 22 May. Members will recall that one of the objectives of the visit was to explore specific issues relating to island communities. If the reporters have nothing that they wish to add to the paper and members have no questions to put to the reporters, I ask the committee to note the paper, which will become part of the evidence in our inquiry.

Elaine Smith: I would like to thank the reporters for carrying out the exercise, which has been useful and informative to the committee.

The Convener: Thank you. It was a useful and informative visit, although it was not regarded by all people on Colonsay with as much equanimity as members would have liked. However, that is an issue on which I will write to one or two people.

Subordinate Legislation

TSE (Scotland) Regulations 2002 (SSI 2002/255)

The Convener: We have three instruments to consider under negative procedure. I am slightly concerned by the fact that the wording in the Westminster instrument and in the first instrument before us today differs from the wording of the European regulation on transmissible spongiform encephalopathy. The European regulation refers to susceptible animals while the UK and Scottish instruments talk about suspicious animals. I think that the choice of words makes a difference and could lead to the possibility that the UK and Scotland could take somewhat more draconian measures than would be required under the European directive. I do not know whether other members have had that concern raised with them.

We could write to the minister and put that point to him but we cannot hold up the statutory instrument as we have to report on it by 2 September, which means that we have to deal with it today. I do not think that we ought to go to the length of asking the minister to come before the committee, as that would mean that we have to have an extra meeting this week. As the matter appears to be nothing that a letter could not put right, are we agreed that I should write to the minister to raise the concern?

Members *indicated agreement.*

Loch Caolisport Scallops Several Fishery (Scotland) Order 2002 (SSI 2002/272)

Plant Protection Products Amendment (No 2) (Scotland) Regulations 2002 (SSI 2002/279)

The Convener: If there are no comments on the instruments, are we agreed that we wish to make no report on them to the Parliament?

Members *indicated agreement.*

The Convener: I now close this meeting. I thank members for the questions that they put to the minister. I hope that his answers will be useful to our adviser, Frank Rennie, as he embarks on the simple task of drawing together all the evidence and writing a draft report over the summer recess.

Meeting closed at 16:04.

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