

RURAL DEVELOPMENT COMMITTEE

Tuesday 3 September 2002
(*Afternoon*)

Session 1

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CONTENTS

Tuesday 3 September 2002

Col.

ITEM IN PRIVATE	3349
INTEGRATED RURAL DEVELOPMENT	3350
SUBORDINATE LEGISLATION	3371
Pesticides (Maximum Residue Levels in Crops, Food and Feeding Stuffs) (Scotland) Amendment Regulations 2002 (SSI 2002/271)	3371
Extensification Payment (Scotland) Regulations 2002 (SSI 2002/278)	3371

RURAL DEVELOPMENT COMMITTEE

18th 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

WITNESS

The Minister for Enterprise, Transport and Lifelong Learning (Iain Gray)

ACTING CLERK TO THE COMMITTEE

Tracey Hawe

SENIOR ASSISTANT CLERK

Mark Brough

ASSISTANT CLERK

Jake Thomas

LOCATION

Committee Room 4

Scottish Parliament

Rural Development Committee

Tuesday 3 September 2002

(Afternoon)

[THE CONVENER opened the meeting at 15:04]

Item in Private

The Convener (Alex Fergusson): I will start by welcoming everyone back from the summer recess. I trust that everyone has summered well. Isn't it great to be back?

I also welcome the minister, Iain Gray, to the meeting this afternoon. It is his first appearance before the committee. It is very nice to have him with us and I thank him very much for coming.

Finally, I should remind everyone to ensure that their mobile phones are turned off.

The first item on the agenda is to invite the committee to consider taking item 4 in private. The item concerns a claim for witness expenses, which is something that we usually discuss in private. Are members agreed?

Members indicated agreement.

Integrated Rural Development

The Convener: We move straight to agenda item 2, in which we continue taking evidence for our inquiry into integrated rural development by hearing from the Minister for Enterprise, Transport and Lifelong Learning, Iain Gray. Again, I welcome the minister and his officials, Susan Reilly and Damian Sharp. I believe that we have the minister for 55 minutes and that he has to leave fairly well on time. As a result, without any further ado, I invite him to make any opening remarks and then I will open up the meeting to questions from committee members.

The Minister for Enterprise, Transport and Lifelong Learning (Iain Gray): I thank the committee for the invitation to give evidence. I think that the invitation was made some time ago, and I am sorry that, because of the practicalities, it has not been possible to arrange this meeting earlier. However, I am very pleased to be here now.

At this point, I should introduce Sue Reilly, who is from the Scottish Executive enterprise and lifelong learning department, and Damian Sharp, who is from the Scottish Executive development department, which deals with transport responsibilities. They will take on those roles this afternoon.

I know that the committee has taken evidence from Ross Finnie as part of its inquiry into integrated rural development. I am happy to contribute to the inquiry in any way that I can. Ross Finnie and I are both members of the Cabinet sub-committee on rural development and work closely together on areas of mutual interest, particularly the development of our rural economy. Since 1999, the Executive has tried to ensure that it works together in a co-ordinated and joined-up way. As a result, we have to consider holistically the economy, development, planning, transport, health care, schools and a range of other issues. The Cabinet sub-committee is certainly an attempt to do that better.

Because rural Scotland is an integral part of Scotland and is critical to Scotland's success, we have to support and enhance all aspects of rural life. As a result, we have invested in new schools and hospitals, increased support for the rural transport fund and invested in lifeline services and infrastructure. Moreover, we have produced a forward strategy for our agricultural industry and made rural development a key part of "A Smart, Successful Scotland", which is the framework for the enterprise networks.

I am now four months into my post. Since taking on my current portfolio in May, I have tried to get around Scotland. Recently, I have been able to

visit Cairnryan, Dumfries and Lockerbie in the south-west and Inverness, Forres and Elgin in the north. I am also visiting the Borders relatively soon. My aim on those visits has been to talk to people across Scotland and to do what the Executive has always said that it would do—listen to what people say and try to reflect their comments in what we do. I have been struck most by the fact that what matters fundamentally to people in rural Scotland does not really differ to what matters to people who live in urban areas. We all want a good environment to live in; security in our homes; the opportunity to bring up our families safely; a good education for our children; the chance to work; good health care; and an efficient transport system.

However, that does not mean that Scotland is homogeneous. We face different barriers and challenges in delivering those priorities in different parts of Scotland. As a result, our policy development must reflect the diversity of Scotland as a whole. It must also take into account the diversity that exists in rural Scotland from the villages that are located close to urban centres to the most remote settlements. Rural Scotland itself is not homogeneous.

Within my portfolio, rural development is integral to our enterprise and lifelong learning strategies and our transport delivery plans. It is clear that if we are to strengthen Scotland's economy, we must strengthen its rural economy. We must do that not only by strengthening long-established industries such as fishing, forestry, farming and tourism, but by stimulating new industries and small businesses. That will give us the chance to create employment, to build healthy and prosperous economies and to create communities that people find attractive.

We must also create transport choices to allow people to travel to work and to pursue leisure interests. Improving access through public transport is of particular importance in some remote areas, but we also acknowledge that in many areas of Scotland the car is no luxury, but is an essential mode of transport. Through the rural transport fund, we have made available significant sums of money to improve access to public transport, to support community transport and to assist petrol stations that are under threat in remote areas. We also provide significant investment in lifeline air and ferry services—Caledonian MacBrayne and Highlands and Islands Airports Ltd are receiving record support.

We fully appreciate that the whole of Scotland must be included in economic development. I am happy to take questions from the committee.

Mr Mike Rumbles (West Aberdeenshire and Kincardine) (LD): I will focus on the enterprise element of your remit. I want to pursue an issue

that I pursued with Ross Finnie when he appeared before the committee in June. We took evidence from around Scotland. The evidence that we received in Huntly, for example from Mid Deeside Ltd, was particularly useful. Mid Deeside Ltd is a local community development company that has been set up to bring development to mid and lower Deeside. The company can access money and grants for a range of project work, but it cannot access core funding. That situation does not apply only to Mid Deeside Ltd; its position typifies that of many companies throughout rural Scotland.

Everyone from ministers to practitioners on the ground indicated that such development companies were good for rural development. However, when it came to the crunch, the people who are attempting to put such development into practice have great difficulty in obtaining money—even in small amounts—to help and support them. The evidence that Jennifer Craw from Scottish Enterprise Grampian gave us was typical. Everyone from Scottish Enterprise Grampian to the local authority said the right thing. They all said, "Yes, it's good integrated stuff", but felt that, ultimately, it was someone else's responsibility to help with funding. Being able to access funding is a key issue. Everyone is keen to say that rural development companies are a good thing. Although such development forms part of almost everyone's remit, no one wants to take the responsibility for helping.

Iain Gray: I would not expect Scottish Enterprise or local enterprise companies to provide core funding for a community development body and I would be surprised if any of them were providing such funding. However, I would expect the enterprise companies to be working with community development bodies. In the case to which you refer, there has been some support from the local enterprise company for specific pieces of work and for starting up.

It is fair to raise the question of whose responsibility it is to ensure that if there is work for a community development body to do, it is able to perform that work. The answer resides largely in the community planning framework, which is where responsibility lies for ensuring that economic development progresses in each community planning area. Some of the details of how that will be progressed form part of the Local Government in Scotland Bill. It is clear that the local authority has the lead role to play. If community development is examined more broadly, it will become clear that we want to see a move towards the mainstreaming of those functions that have a particular contribution to play locally. The community planning framework is the framework in which we will take that work forward.

Mr Rumbles: In her evidence to the committee in Huntly, Jennifer Craw said something that

surprised me. I had been fighting a rearguard action, based on the assumption that Highlands and Islands Enterprise had a social remit, but that the Scottish Enterprise network did not. However, Jennifer Crow said that Scottish Enterprise Grampian was able to help in that way. That surprised me, but it is good that we do not have to fight that battle.

You have spoken about a lot of good work and good words that are said about integrated rural development. However, you have just given us an example in which, although integrated rural development was the responsibility of the local authority, the local authority did not look at it in that way. The example illustrated a situation in which everybody is saying the right thing, but they are putting off the responsibility to somebody else. That is the nub of our inquiry into the barriers that integrated rural development faces.

I am concerned that you, as minister with responsibility for enterprise, do not take responsibility for integrated rural development and that Ross Finnie, the minister with responsibility for rural development, does not take responsibility for it. You seem to be saying that responsibility lies in local government, which is not the message that we want to send to rural Scotland.

15:15

Iain Gray: The point that I want to make is that a stronger community planning framework is required, as that will clarify responsibilities. It is clear that the local authority has the lead role in the community planning framework and that it would be expected to work in partnership. The Parliament will shortly consider the legislative framework for community planning.

Is there a difference between the responsibilities of Highlands and Islands Enterprise and Scottish Enterprise? In one sense, there is not, although the committee knows that Highlands and Islands Enterprise has an additional fourth strategic objective to strengthen communities and it has done a lot of successful work under that heading. To my knowledge, HIE does not core fund local development bodies under that heading. That means that, even when the strategic objective is explicit and powerful, it does not manifest itself in the way in which Mike Rumbles suggests that it should in the case to which he referred.

Mr Alasdair Morrison (Western Isles) (Lab): I would like to cover two areas—broadband and renewables. With the convener's permission, I will ask both questions.

The Convener: Carry on. I will intervene only if necessary.

Mr Morrison: In his evidence today, the minister

used the words "stimulating new industries". He will appreciate that one new industry that is developing across Scotland, particularly in the south of Scotland and now in the Highlands and my constituency of the Western Isles, is the internet support industry that is offering services to companies right across the UK. Those internet support companies are doing well: one of them, One.Tel, employs in excess of 80 people in Stornoway. Every discussion that I have with One.Tel, formal and informal, returns to the single issue of the availability of broadband technology. I would appreciate an update—or the broad-brush detail—of where we are with the roll-out of broadband technology.

I am sure that, from discussions with our mutual friend the Minister of State for Energy and Construction, you are well aware of the importance of the development of the wind farm on the island of Lewis. That wind farm has the potential to become the largest wind farm in the world. A great number of planning issues need to be discussed before Scottish ministers take the ultimate decision. I appreciate that your portfolio does not include planning. However, I seek an assurance that a development on that scale will not be delayed unnecessarily, as has happened in the case of another development, the Lingerbay super quarry, which has been on-going for some 10 years. I raised the matter of that development with Ross Finnie.

Iain Gray: Let me give you an update on the progress of broadband roll-out. Access to broadband is available to 49 per cent of the population in Scotland, mostly through ADSL provision, although there is also some cable modem provision and some relatively limited satellite provision. It is well known to members of the committee that there is an understanding that the market is unlikely to deliver widespread broadband access in less populated parts of Scotland, where there will almost certainly not be enough of a market to drive its introduction. That is probably even more true now than when broadband was considered in developing the strategy, as some of the suppliers, such as BT, have concerns that, even where broadband is available, the take-up has been lower than they had hoped. That exacerbates the situation.

The committee will know that we intend to deal with that through the pathfinder projects, of which there is one in the Highlands and Islands and one in the South of Scotland. Those projects are an attempt to aggressively aggregate public sector demand for broadband facilities, to ensure that the infrastructure is put in place so that other businesses can access it. We are quite close to the procurement stage of pathfinder delivery, and I expect progress to be made relatively soon. The direct responsibility for that procurement lies with

my colleague the Minister for Finance and Public Services.

Stewart Stevenson (Banff and Buchan) (SNP): What account are you taking of the Welsh Assembly's £100 million initiative to provide broadband access throughout Wales, especially in rural Wales, at the same price as access to broadband in the cities and the related initiative that has been taken to create an office reporting directly to the Cabinet to promote the widespread adoption of broadband technology in Wales?

Iain Gray: I spoke briefly about that with my Welsh counterpart in the margins of a meeting just prior to the Welsh Assembly's announcement. We are looking closely at what the Welsh Assembly has announced, but some of the detail of it is still not entirely clear to us. Elements of it are similar to some of the projects that we are undertaking in our broadband strategy. For example, the office and reporting line that you mention are largely paralleled by the department in the Scottish Executive that is working on this, which also reports to ministers. However, we did not set that up as an office with a name and announce it.

Our initial impression is that the differences between what we are doing in Scotland and what is proposed in Wales are not as great as they might appear. That said, we will continue to monitor the situation in Wales. If we can learn any lessons from it—perhaps concerning direct intervention—we will consider them.

Stewart Stevenson: Perhaps some money could be provided, as it has been in Wales.

Iain Gray: As I said, there are similarities between what we are doing and what the Welsh are doing, and I extend that to the resources that we are investing in broadband roll-out. Perhaps we have not been as good at adding up all the money and announcing it.

The Convener: Let us return to the second part of Mr Morrison's question, on renewables.

Iain Gray: Alasdair Morrison started his question with a reference to how important wind farming is as a new industry and a new electricity provider. We absolutely share that view. Our recently announced aspiration towards 40 per cent renewable provision of electricity by 2020 is a sign of that. I think that that is quite a dramatic demand-side measure to take.

As minister with responsibility for enterprise, I have a particular interest in the industry as far as the supply side is concerned. I believe that when the wind power industry was first developing some years ago, we had an opportunity to become a major player, which we lost. We have a parallel opportunity now in tidal and wave power and subsea structures, and we want to ensure that we do not lose that.

Alasdair Morrison's question related particularly to the use of wind power. We have recently examined the national planning policy guidelines, in particular NPPG 6, as well as the planning advice note—PAN 45, I think it is—which lay down the process for agreements to set up wind farms. We have tried to streamline some of the discussions involved.

It is only fair to add that all the decisions will have to take place within the relevant legal framework. In the case of the proposal for a wind farm in Lewis, for example, it is a matter of determining whether there are issues to do with the designation of some of the land. That matter has to be dealt with; it cannot be sidestepped. My hope, like Alasdair Morrison's, is that it will not hold up a decision on the proposal. Generally speaking, wind energy can make a powerful contribution to some of the things that we want to see.

Mr Jamie McGrigor (Highlands and Islands) (Con): During our tours of the Highlands, we heard from many people who were unsure about wind farms. We received a lot of input on the subject. How do you intend to ensure a resolution to the conflict between various sectors in the countryside—tourism interests, for example—over the construction of wind farms?

Iain Gray: The answer must be threefold. First, the actual guidelines—the NPPG and the PAN—will ensure that the proposals that are brought forward are of a higher quality and will have taken more cognisance of the impact of the wind farm than guidelines might have done in the past. I hope that that will help deal with procedure and will give some of the reassurances that various sectors are seeking early in the process.

Secondly, officials supply advice and guidance to developers and consultees, and will do anything to facilitate an understanding of the process. Thirdly, developers are encouraged to consult as widely as possible and to have regular contact with us, with the planning authority and with other interested parties. In the end, it comes down to holding discussions and being willing to compromise. Finally, there is a legal process to be undergone.

The Convener: During our inquiry, it was put to us once or twice that, in order to overcome such problems, it would be worth designating areas as either available for renewable energy use or not. Given the Executive's targets in that direction and the enormous numbers of applications for wind farm developments that are being tabled, do you see any future for that type of thinking?

Iain Gray: Yes, I would expect that to be part of the preparation of local plans and structure plans, although that framework is likely to change

following our consultation. I would expect planning authorities to begin to look into possibilities with that approach. Because wind farming is a new industry and many of the plans are quite old, such consideration has not been made in the past, but I hope that, as the industry develops, such cognisance will be taken. That would allow some of the discussions to which Jamie McGrigor refers to take place in a less confrontational atmosphere.

Mr McGrigor: The main problem is that the turbines seem to be twice as high as they were in the original application. They will be seen by many more people.

The Convener: I know that John Farquhar Munro must be away by 3.30. He has one minute to ask his question.

John Farquhar Munro (Ross, Skye and Inverness West) (LD): In our travels around Scotland to take evidence on integrated rural development, we came across many interesting enterprises and concerns. I was amazed by the fact that some businesses that are designated as being in the service sector are refused financial support from funding agencies such as local enterprise companies and local authorities because they are deemed to be entering a different category of business—manufacturing. That occurs even when the application is closely related to the business's core activity.

We regarded such practice as detrimental to the enterprise that has clearly been demonstrated in rural Scotland. Are you considering bringing support agencies such as local enterprise companies and local authority development agencies under one roof, so that businesses that are seeking funding or support can take a one-door approach?

15:30

Iain Gray: It is difficult for me to comment on the barriers to funding that exist. Decisions tend to be based on specific cases. If the member feels that a poor decision has been made, I would be interested to hear about that.

In answer to John Farquhar Munro's broader question, I fall back on the comments that I made to Mike Rumbles. The Parliament is considering legislation that would pull together within one framework all the agencies that are responsible for delivering services and development for the community. I refer to the community planning process.

I am concerned to ensure that all those who have a part to play in economic development should have proper and effective engagement in the process. Local economic forums can play a key role in that regard. Their specific job is to deal

with the problem of duplication in the provision of support for business development. All the forums have plans to do that work—some of them have made considerable progress towards completing it. I chair a ministerial task force that is considering what the LEFs' role should be. It has concluded that they should contribute an economic development element to the community planning process. Work is being done on how to make that happen effectively.

I hope that all the bodies to which the member referred will be part of the process that I have described. The private sector should also be represented. One of the strengths of the LEFs is that they are not solely public sector representative bodies—they represent the private sector as well. I know that in some parts of the country the private sector has concerns about the balance between public and private. It feels that private sector members of the LEFs have difficulty finding the time to attend meetings and so on. We need to make the LEFs work more effectively. However, we would rather operate through the LEFs than seek to restructure economic development agencies into one body.

Mr Rumbles: As the Minister for Enterprise, Transport and Lifelong Learning, you are in charge of Scottish Enterprise, which has a multimillion-pound budget. You are the man who holds the purse strings. In the evidence that you have given this afternoon, you have said all the right things and indicated that the Scottish Executive is absolutely committed to doing them. However, at the end of the day the issue is who controls the purse strings and channels financial help to development in rural Scotland. It struck me that, in your answer to John Farquhar Munro, you almost said that the responsibility is the planning process and that it will be going back to local authorities. As we all know, local authorities do not have a huge amount of money. It seems to me that you will not direct funding from Scottish Enterprise into rural development.

Iain Gray: We know that Scottish Enterprise channels some of its funding into rural development. Highlands and Islands Enterprise would say that most of its annual spend—£85 million out of £90 million, I think—is in rural areas. I may hold the purse strings for Scottish Enterprise, but I am surprised if you are suggesting that I ought to take decisions in Edinburgh about how those resources should be allocated locally.

Mr Rumbles: No.

Iain Gray: That is what devolution is about. Such decisions ought to be taken locally. That is what lies behind community planning. I say that local authorities are the lead agencies in community planning. I do not say that they should

therefore be expected to fund everything that happens from their resources. Community planning pulls together bodies that have things to offer, have budgets and take local decisions on how those budgets are directed. I said that I would not normally expect a local enterprise company, Scottish Enterprise or HIE to provide core funding of local organisations, but I did not say that they should not discuss how their resources are directed locally to achieve economic development results.

The Convener: Do you feel that there is sufficient community involvement in community planning?

Iain Gray: The jury is out on that, because community planning is not in place yet. I have some detailed knowledge of the way that community planning has been advanced in the west of Edinburgh—that is not a rural example. It is further down the road there than in the rest of Scotland. There are issues around the engagement of the community in the west of Edinburgh.

To a great extent, the devil of community planning will be in the detail. In the Local Government in Scotland Bill, we must—and we will—place a strong onus on community involvement in community planning so that the legal framework is robust enough to ensure that it happens. We must then test community involvement against that standard.

Fergus Ewing (Inverness East, Nairn and Lochaber) (SNP): I will raise two issues. The first, which was raised in the evidence taking that I attended in St John's Town of Dalry, Fort William and Aboyne, is the lack of affordable housing. The remit of our inquiry is to identify the barriers to rural development. To have successful rural development, we first need rural communities that are able to grow in population and for that we need more housing.

I am sure that you are committed to the provision of affordable housing. Is there an argument for allowing the use of the Scottish Enterprise and Highlands and Islands Enterprise budgets to part fund or wholly fund such housing where there is an economic case for so doing?

Iain Gray: I accept the point that access to affordable housing is key to the sustainability of rural communities. That is easily demonstrable.

I will take the Highlands and Islands Enterprise area first. Significant progress has been made there on acknowledging that point and linking economic development with housing development. Two weeks ago, when I was in the Highlands and Islands Enterprise area, any presentation of HIE successes, particularly on the strengthening communities objective talked much about access

to affordable housing. I am sure that HIE will present those successes to the committee, given the opportunity.

The question is: how will that aim be delivered? The primary responsibility lies with Communities Scotland. When I met Communities Scotland in Inverness in my previous role as Minister for Social Justice, it had some innovative ideas, along with the rural partnership, on how to do that. Those ideas were almost the opposite of what has been suggested, and included using housing money to put in place infrastructure, which had been identified as the barrier to the provision of housing.

Other issues are involved. When I was responsible for land reform, HIE went to some length to explain to me why land reform legislation that was restricted to the purchase of whole estates would not cover communities that wanted development land, and we made changes to meet the requirements.

That is a long way round to saying that several agencies have relevant responsibilities. We would be open to their talking and thinking imaginatively about how their budgets are used to allow communities to sustain themselves and to provide new, affordable housing. The bodies should talk to one another about the best way to do that. HIE has done that and I am sure that Scottish Enterprise's rural group is also aware of that. I look to those organisations to learn the lessons for the communities and the areas that they cover.

Fergus Ewing: That is encouraging, if not quite a response to the question. If those economic agencies can use some of their resources to provide housing, they should. However, perhaps we can park that issue.

In rural communities such as those that are served by the Fort William to Mallaig road, the only place where housing can be provided is off a trunk road, yet a rule—about which I have made representations for the past three years—says that no new development is allowed off a trunk road. Such trunk roads in rural communities have less traffic than many B roads in urban areas. Why should that rule be rigorously applied? Is the minister aware that that rule prevented one of my constituents from developing her croft and using her capital to provide for her retirement? The rule causes a serious problem in rural communities.

Iain Gray: I am not sure whether my answer will be popular. I appreciate that Fergus Ewing has made representations before, but they were not to me. I am inclined to ask whether he is willing to make representations again, to let me consider the matter, because I am unaware of the past representations and of the example that he gave. I am more than willing to consider the matter.

Fergus Ewing: I will certainly take that up. On the general point, which is important and was raised in our evidence, is there any reason for a rigid rule that prevents development off trunk roads in rural areas?

Iain Gray: I presume that an argument lies behind the original regulation. The issue is new to me in my present role and I would be happy to reconsider it.

Fergus Ewing: I am grateful for that.

Iain Gray: Fergus Ewing may wish to submit some of the representations that he has made before, or I will ask for them to be found in the records.

Fergus Ewing: I raise the issue in a positive way. If we want to improve the rural economy, we can make small changes that could achieve returns, without spending millions.

In Aboyne, St John's Town of Dalry and Fort William, the planning rules were raised in evidence. Those rules are unduly rigid. In many cases, the Executive's role is to veto or overturn local decisions. I am thinking of the difficulty in developing farm buildings on or off a steading. Surely at a time of crisis in agriculture, we should do everything to allow diversification, yet it is virtually impossible to restore redundant buildings or to undertake development on or off a farm steading. Will the minister consider whether it is possible to change the rules to encourage rural development in those areas?

Iain Gray: If the committee thinks that the national planning guidelines need to be looked at, it should certainly raise that matter with the minister responsible for planning.

The most significant change on which the Executive has consulted recently is the streamlining of the planning system by reducing the need for different levels of plans. We are looking to implement that change, which might go some way towards helping people in some of the circumstances that Fergus Ewing mentioned. Ultimately, the decisions that we take are based around adherence to the proposed changes and how those changes relate to the agreed local plans. There is still a local element to the decisions that are made about what is possible in particular areas.

15:45

Fergus Ewing: Although I entirely agree with everything that the minister said, will he look at the specific issue that I raised, in order to see whether it has implications for enterprise and the economy in rural Scotland and whether new opportunities can be created in the way that I suggested?

Iain Gray: I can certainly take up that issue with the minister responsible for planning.

Elaine Smith (Coatbridge and Chryston) (Lab): The adequacy or otherwise of rural transport was one of the biggest issues to be raised during our inquiry. I want to give you the opportunity to tell us how rural transport is improving, but I would like you to focus on one or two specific matters.

The state of rural roads was raised with the committee. Some people believed that the poor state of the road network, both across and between rural areas, added to the costs of goods and services and therefore reduced inward investment. For example, the A9, which is the main artery from the central belt to Inverness and beyond, is far from adequate. Similar roads south of the border would be treated differently, if I may be so bold.

Part of the Executive's plan is to stop road use, and I seek your comments on what is happening on rail use, particularly in the area of freight. Proper integration of the public transport system across local authorities was another big issue. Let me give an example that shows how the system is detrimental to the travel plans of not only people who live in rural areas but tourists. When the train from Glasgow arrives in Inverness, people who get off it find that they have just missed the bus to Ullapool by five minutes. They have to wait several hours for the next bus, by which time they might have missed the ferry from Ullapool to the Western Isles.

There are also concerns about the quality of public transport within local authority areas. I seek your comments on the regulation—perhaps I should say the re-regulation—of bus services and on how quality contracts impact on services in rural areas.

As far as equal opportunities are concerned, there are significant gender issues to do with public transport in Scotland, particularly in rural areas, because women are the main users of public transport. There are also disability issues, such as access for people with disabilities to ferries.

I appreciate that there is a lot in my question, but the basic thrust is how you think rural transport is improving.

Iain Gray: I agree that there is a lot in your question.

The Convener: I ask the minister to bear in mind that he has only 12 minutes left, and four more members want to get in.

Iain Gray: In Edinburgh, when people say "how", they really mean "why". Therefore, as I am from Edinburgh, I interpret the question "How is

rural transport improving?" as "Why is rural transport improving?" The key reason for improvement in rural transport is the investment that we have put in. We have made about £18 million available over the financial period 2001-04 and, by 2004, local authority money for rural public transport services will increase to £25 million.

The astonishing fact is that the rural transport fund has funded around 500 different projects. One of the great truths about rural transport is that it has to be extremely local or it simply will not work. That is why we have invested in a number of small schemes, such as demand schemes, dial-a-bus, and community transport. As I said, we have invested in 500 such schemes, which is a significant number.

There are areas in which much remains to be done. In some cases, we would have to say that there is no immediate possibility of addressing a need that might have built up over many years. The issue of local roads is probably the best example of that. Of course, local roads are the responsibility of local authorities and we have recently made some additional resource available to local authorities: £70 million over three years in capital funds, a further £20 million after that and, most recently, a further £95 million divided between local authorities for quality of life improvements, including improvements to local roads. That is a significant investment. I understand that the Society of Chief Officers of Transportation in Scotland has commissioned a study to quantify the cost of catching up on missed maintenance on local roads. I have to be honest and say that the numbers that SCOTS expects to come out of that study are unlikely to be matched by available resources. There is a great deal of work to be done.

On the A9, the evidence shows that the traffic levels remain well below those that the road was designed to carry. However, we have acknowledged that there are safety issues relating to a number of areas on the road. We have responded to that fact and work is already under way on a grade separation at Bankfoot and on the A9 north of Inverness and we have recently announced an investment of £4.2 million towards a grade separation at Ballinluig, which is a particularly dangerous junction.

Shifting freight from road has been one of our great successes. Through the freight facilities grant, we have shifted some 18 million lorry miles from road to rail, which has made a significant difference. That is important for rural development and for the timber industry, as we have to ensure that we maximise the use of that resource, which is making significant increases in production. The timberlink project in Ayrshire uses coastal shipping instead of road transport and the three private companies that operate in Steven's Croft in

Lockerbie, which I recently visited, have plans to develop a yard that will allow them to bring more timber in by rail. A lot has been done, but there is a great deal more that we can do.

It is clear that we have not moved forward to the integrated transport system that we want to have and the examples such as the one that Elaine Smith gave are all too common. In many ways, the problems will be resolved through the transport partnerships, which will bring together the operators of the transport services in the various parts of Scotland to ensure that the lack of integration that was described earlier ceases to happen. We have to consider the powers of the transport partnerships, some of which are newer than others, and find out whether we can help them in their task. Lewis Macdonald and I are extremely interested in that area.

Quality contracts have had no impact on bus provision because there are no quality contracts.

On the ways in which buses can be re-regulated, the fact is that local authorities have powers under the Transport (Scotland) Act 2001 to regulate bus services in their areas more rigorously than they do at the moment, but none of them have chosen to use those powers. Why should we consider a new legislative framework when the legislative powers are essentially there? I have spent some time talking to bus operators and local authorities about why they think that the powers have not been used. There are some quality partnerships, but that is a less stringent regime. I think that we have work to do on getting the best from the legislative framework that we have put in place.

The Convener: Thank you. As I still have four members to fit in, I ask members to be as brief as possible.

Mr McGrigor: We are on transport again, I am afraid, but it was, after all, one of the biggest issues that we saw as a barrier to integrated rural development. The minister talked about local roads. There were many questions about local roads, which were said to be inadequate and falling to pieces. The minister said that that is the councils' responsibility.

On trunk roads, there is the A82, which has had one section with a temporary traffic light for 25 years and a single-track section at Loch Lomond that is one of the main arteries to the Highlands. That particular stretch was brought up again and again with us as being a barrier. On adequate ferry provision, there are two particularly glaring examples. First, it looks as though the vehicle side of the Dunoon ferry service may halve. Secondly—

The Convener: Jamie, I do not want to press you, but have you a question for the minister?

Mr McGrigor: Yes, I do. I am going to ask him a question.

The Convener: Could you ask it?

Mr McGrigor: What are going to do about the Dunoon ferry service and the NorthLink ferry service? People in Orkney and Shetland seem to be concerned that they will get a service that is inferior to what they had before.

Iain Gray: The convener has asked me to be brief. I understand that the temporary traffic lights on the A82 have gone but that there are permanent traffic lights there. However, I have not been on that stretch of road for a long time. I should be frank: there are no plans for the major redevelopment of the A82. There are plans for some significant resurfacing work, but I understand that that is not the point that was made, so it would be dishonest of me to say to you that the roads programme as it stands has additional work. The question is one of priorities and the evidence of traffic volume.

I hesitate to get into the ferry issue when the convener is looking at me and asking me to be brief, but I will if you want me to. The NorthLink service is due to start in October and we expect the service to start then in line with the successful tender. I think that the issues to with the service between Gourock and Dunoon will be exercised at some length locally and elsewhere. Indeed, Lewis Macdonald was in Dunoon last week and met a range of the people who were interested. He heard many points and tried to respond to them.

The Convener: I am sure that the minister would be happy to receive representations from individual members on some of those individual issues.

Iain Gray: Absolutely.

Richard Lochhead (North-East Scotland) (SNP): I am tempted to follow the example of every other member and to ask about a subject to do with my constituency—to ask when you are going to build the western peripheral route—but I will avoid doing that.

The Convener: Try to avoid the temptation.

Richard Lochhead: I just have a general question about the relationship between you, minister, and Ross Finnie in terms of portfolios. At the moment, the Rural Development Committee has an unusual situation whereby we liaise with Ross Finnie as Minister for Environment and Rural Development on rural issues and how to generate economic activity in rural Scotland. However, he has little influence over his budget and few powers to generate such activity. He is responsible for a little over 10 per cent of his budget and he just posts the rest of it on behalf of the European Union. The Minister for Enterprise, Transport and

Lifelong Learning has most of the budget that affects rural Scotland and, indeed, all the powers.

Could the minister tell us how the relationship between Ross Finnie and him is working for rural Scotland? I know that there is a cross-cutting committee, which this committee has heard about on occasion. We do not know what happens at the cross-cutting committee or what comes out of it, but we know that it exists. If the minister has been to one of those committee meetings perhaps he can tell us what happens, what comes out of the committee and when the most recent meeting was? No information is given to MSPs about those meetings.

When answering that question, I would like you talk about the general relationship and the ways in which we can take rural Scotland forward when our ministers with responsibility for rural development have few powers to develop rural Scotland and virtually no budget to do so.

Iain Gray: The relationship is good. The Cabinet sub-committee is important. It has met twice and it meets again tomorrow. Prior to that, we had a ministerial group on rural development and, although I have done four different ministerial jobs, I have always been a member of that group.

16:00

The Convener: Since what date has the sub-committee met twice? Are you saying that it has met twice since it was established?

Iain Gray: The Cabinet sub-committee has existed only since January. Previously, there was a ministerial group rather than a Cabinet sub-committee. When Jack McConnell became First Minister, he reorganised some of the ministerial groups, making them Cabinet sub-committees to give them greater authority and to ensure that they report directly to Cabinet.

The Convener: So the sub-committee does not meet on a six-weekly cycle.

Iain Gray: It has met twice since January and it meets again tomorrow.

Mr Rumbles: On 25 June, Ross Finnie told us that it met on a six-weekly cycle but now you are telling us that it has met only twice.

Iain Gray: I was asked how many times it has met. It has met twice and it meets again tomorrow. I have attended both those meetings, although I attended the first one in a different capacity. However, my predecessor in this job also attended that meeting, if my memory serves me right. Of course, I will attend tomorrow's meeting.

The sub-committee develops the cross-cutting, strategic approach to rural development. It discusses exactly the kind of issues that Richard

Lochhead raised in his question. Some of the papers that the committee has discussed and which are referred to in the report have been thrashed out in detail in those sub-committee meetings and the meetings of the previous ministerial group.

I do not pretend that it is easy to take forward cross-cutting issues but we have put a great deal of effort into making it work better and have succeeded in doing that to a significant degree.

Richard Lochhead: Could you give us an example of a policy that has changed because of, or has originated from, that sub-committee?

Iain Gray: The rural development plan came from that sub-committee, which did a lot of subsequent work on it. Some of the work that has been done on examining the delivery of services in rural and remote parts of Scotland has been done by that sub-committee.

The Convener: I am aware that we are slightly over time, minister. Could you bear with us for five minutes?

Iain Gray: Yes.

Rhoda Grant (Highlands and Islands) (Lab): Some people have touched on topics that show a lack of cross cutting between Government agencies—for example, planning, the provision of services and the roads network all seem to be working against the effective provision of housing. Another example is renewable fuel. The Government has set ambitious targets in that area but various Government agencies such as Historic Scotland and Scottish Natural Heritage do whatever they can to stop wind farms and so on being set up. That has become a big problem and it confuses people who expect assistance to follow Government guidelines but find barriers to doing so being put in their way by Government agencies. It was put to us that a solution to that problem would be to change the remit of Government agencies and, at the end of the year, have them report back not only on their remit but on what they have done to advance Government policy and assist other agencies. Do you think that that would be useful?

Iain Gray: I will answer your question with regard to the two agencies for which I have direct responsibility: Highlands and Islands Enterprise and Scottish Enterprise. The idea that you raise is interesting, but I think that the agencies would say that a number of their existing targets require them to do what you suggest. However, I would not be unwilling to think about the idea of shared targets and I would be interested to hear the committee's views on how that might work, particularly in a rural context, and how that might relate to the community planning structures and their requirement to pull various areas together and move forward in one direction.

I am not averse to the idea and, if it came out of the inquiry, we would consider it with some interest.

Rhoda Grant: Would it be possible to use community planning to do that? Could all agencies be charged with adhering to the community plan and be part of drawing it up?

Iain Gray: Yes, that would be one approach to take, but it probably would be worth examining the community planning structure to see whether it would deliver exactly what the committee is looking for.

The Convener: Lastly, I call Stewart Stevenson.

Stewart Stevenson: Thank you, convener. Well done.

The Convener: Thank you very much, Stewart. Would you care to ask your questions?

Stewart Stevenson: It is welcome to see freight shifting from road to rail, but it is not happening in every part of Scotland. My constituency is one of only two on the mainland with no railways and no prospect of railways, and it is not likely to see that shift. We are dependent utterly on the road network. That is particularly the case for businesses in rural areas, where there is a high concentration of primary production. I am thinking in particular of fishing and farming in the north-east and added-value industries related to fishing and farming. Road industry is important to us, with some oil support thrown in as well.

Over the period I have been in Parliament—somewhat over a year—transport companies have consistently told me of their difficulties and the added costs of being located at the end of the A90. We would love the worst 20 miles of the A9 to be transposed to replace the worst of the A90, because we would be immeasurably better off. What support would be available to companies such as those that are complaining to me about their added costs in rural areas in the north-east of Scotland?

Iain Gray: Some work is under way on the A90, but I concede that it is mostly safety improvement work rather than major reconstruction of the road. The most significant potential change that we have been involved in making, which may help, is the Rosyth ferry, which affords the possibility of a much shorter journey to a link to Europe. I know that many of the companies on the east of Scotland use road haulage to get equipment to Europe. I hope that hauliers and their customers will examine the ferry link closely.

You said that as there is no railway and no possibility of a railway, you are utterly dependent on roads. This is a slightly blue-sky point to make, but there is another potential alternative in Scotland: coastal shipping. I gave an example

from the other side of Scotland where coastal shipping can be used, so there are innovative ideas that we can examine and which might help with costs and the environment, but I acknowledge that the inquiry is looking at the barriers to development and the potential additional costs involved in development. Road transport to some parts of rural Scotland involves additional costs. That cannot be denied.

The Convener: Thank you, minister. I would be failing in my duty if I did not acknowledge the fact that you said in your introduction that you had recently visited Cairnryan and, I presume, travelled down the A75 to Dumfries. I am sure that you had your ear twigged on the issues relating to that road as well, so I will resist the temptation to do so again.

Iain Gray: On a platform, while naming a ship, I did.

The Convener: I am sure that you still had your ear pulled about it.

Iain Gray: That is what I mean.

The Convener: I thank you, in particular for running over time. We understand why you were not able to come here before the recess. We thank you for making this contribution to our inquiry. I hope that when we put the report together the Executive will look on it in a manner that reflects the proactive and, I hope, helpful way that we have gone about the inquiry, and I hope that what comes out of our report will be helpful to rural development. Thank you for being with us.

Mr Rumbles: Before you close the meeting, I have a question. At our last meeting, I asked Ross Finnie:

"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?"

He replied:

"It gets into about a six-week cycle."——[*Official Report, Rural Development Committee*, 25 June 2002; c 3333-3334.]

The Minister for Enterprise, Transport and Lifelong Learning has just told us that it has only ever met twice. Could you write to Ross Finnie and ask which is the correct version?

The Convener: For clarification, the minister said that the sub-committee had met twice since it—

Mr Rumbles: Since January, so I would like you to write to Ross Finnie to request clarification.

The Convener: Is the committee agreed that I should do that?

Richard Lochhead: I agree, as that is one point that I have pursued with the Minister for

Environment and Rural Development. We should also enquire whether other information could be made available on what happens at those meetings, such as the agendas. I do not think that we will get a verbatim record.

The Convener: I am more than happy to write to the Minister for Environment and Rural Development on those subjects. It will be up to the minister how he replies.

Mr Rumbles: I would like clarification.

The Convener: That is noted. I am sorry, because we could have spent longer on the subject, but the Minister for Enterprise, Transport and Lifelong Learning stayed 10 minutes longer than he should. We must be grateful for small mercies.

Subordinate Legislation

Pesticides (Maximum Residue Levels in Crops, Food and Feeding Stuff) (Scotland) Amendment Regulations 2002 (SSI 2002/271)

Extensification Payment (Scotland) Regulations 2002 (SSI 2002/278)

The Convener: We move to agenda item 3, which is two items of subordinate legislation. Nobody has indicated that they wish to comment on the regulations, so can I assume that we wish to make no report on them?

Members *indicated agreement.*

The Convener: That is just as well, because we cannot delay their consideration anyway.

We move to item 4, which we agreed will be taken in private.

16:11

Meeting continued in private until 16:15.

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