

The Scottish Parliament Pàrlamaid na h-Alba

Official Report

JUSTICE COMMITTEE

Tuesday 25 January 2011

Session 3

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JUSTICE COMMITTEE 3rd Meeting 2011, Session 3

CONVENER

*Bill Aitken (Glasgow) (Con)

DEPUTY CONVENER

*Bill Butler (Glasgow Anniesland) (Lab)

COMMITTEE MEMBERS

*Robert Brown (Glasgow) (LD) *Cathie Craigie (Cumbernauld and Kilsyth) (Lab) *Nigel Don (North East Scotland) (SNP) *James Kelly (Glasgow Rutherglen) (Lab) Stewart Maxwell (West of Scotland) (SNP) *Dave Thompson (Highlands and Islands) (SNP)

COMMITTEE SUBSTITUTES

Claire Baker (Mid Scotland and Fife) (Lab) John Lamont (Roxburgh and Berwickshire) (Con) Mike Pringle (Edinburgh South) (LD) Maureen Watt (North East Scotland) (SNP)

*attended

THE FOLLOWING GAVE EVIDENCE:

Richard Blake (Scottish Rural Property and Business Association) Alan Cook (Scottish Property Federation) Christopher Haddow QC (Faculty of Advocates) David Melhuish (Scottish Property Federation) Lionel Most (Law Society of Scotland) Donald Reid (Law Society of Scotland) John Robertson (Faculty of Advocates) Kenneth Swinton (Scottish Law Agents Society)

CLERK TO THE COMMITTEE

Andrew Mylne

LOCATION Committee Room 1

Scottish Parliament

Justice Committee

Tuesday 25 January 2011

[The Convener opened the meeting at 10:03]

Long Leases (Scotland) Bill: Stage 1

The Convener (Bill Aitken): Good morning, ladies and gentlemen. I remind everyone to ensure that mobile phones are switched off. We have an apology from Stewart Maxwell MSP, who is unwell. We hope that he will soon be back and feeling better. Everybody else is present.

The first agenda item is our second evidence session on the Long Leases (Scotland) Bill. I welcome the first panel of witnesses: from the Law Society of Scotland, Donald Reid and Lionel Most, members of the society's conveyancing committee; from the Scottish Law Agents Society, Kenneth Swinton, council member and convener of the society's conveyancing committee, and Rab Forman, also a council member; and representing the Faculty of Advocates, Christopher Haddow, Queen's counsel, and John Robertson. Gentlemen, I welcome you and thank you very much indeed for giving your time to our scrutiny of the bill.

As ever at this stage in the parliamentary session, time is finite. We are due to have an hour for this panel, but if we overrun slightly it will not be the end of the world. However, as we might not get all the answers that we want from you, we might have to follow things up in writing. I am sure that everyone understands the situation. I also point out that with certain questions some of you might not feel constrained to reply.

Bill Butler will lead off the questioning.

Bill Butler (Glasgow Anniesland) (Lab): Good morning, gentlemen. In its written submission, the Faculty of Advocates expresses concern about the delegated powers associated with the bill, especially in and around section 78. Will you place on record the nature of those concerns?

Christopher Haddow QC (Faculty of Advocates): Certainly. Quite simply, the proposed system of legislating through subordinate legislation, which has crept into the bill since the last consultation, is not the best way of doing this. It might be administratively convenient for Scottish ministers and others—it is certainly convenient for the commercial concerns that spend their time charging money to give advisers the up-to-date statutory position—but, in the faculty's view, it is

not a sensible way of dealing with what in effect is supposed to be a fixed and final position in property law. In previous efforts to bring property law up to date, there were schedules that set out notices and that sort of thing and, as our submission points out, no one heard any complaints about that. I can quite see that one might take the approach in the bill to deal with a moving target that might spawn changes every other month or so—social security and education legislation comes to mind—but it should not be that way with property law.

The end user will find it much more difficult to find out the current position. It will not be as easy as going to the library to look up the act in question if the current position is not in it. Moreover, there is also the small risk of the Scottish Parliament enacting the bill before the subordinate legislation setting out the various schedules has been prepared.

I say this with some trepidation but the faculty believes that, as the Scottish Parliament is not hugely overburdened with legislation in the way that Westminster was, it could deal with any changes that might be forced upon us.

Bill Butler: With respect, Mr Haddow, committee members will tell you that you misunderstand the situation in the Parliament. With regard to the amount of legislation that we have to get through, the converse is actually true. However, let us not dwell on that.

Your main concern seems to be that measures could be introduced without proper parliamentary scrutiny. Would the use of affirmative resolutions, say, or a Henry VIII power give you comfort in that respect?

Christopher Haddow: There is no doubt that affirmative resolution always gives more comfort than negative resolution, but it is still a poor second.

Bill Butler: Is a Henry VIII power a poor second?

Christopher Haddow: I will have to pass on that question as I do not know the significance of it.

Bill Butler: It means that the instrument can go out for consultation before it comes back to the Parliament.

Christopher Haddow: I am not at all sure that that would advance matters very far. I presume that there would be consultation at the stage of change, and we are not at that stage yet. We are at the stage of initial organisation.

Bill Butler: That is pretty clear. I acknowledge your concerns, despite our little disagreement over

what is actually a major issue. Nevertheless, that is by the by.

Does the Law Society of Scotland or the Scottish Law Agents Society have any views on the matter?

Kenneth Swinton (Scottish Law Agents Society): We have no particular concerns about section 78.

Donald Reid (Law Society of Scotland): The same is true of the Law Society, which did not identify that issue, although that is not to say that the society would necessarily disagree with Mr Haddow's point.

Bill Butler: Okay—that is lawyerly speak that means that you have nothing to say at the moment but you reserve your right. I am obliged, gentlemen.

Robert Brown (Glasgow) (LD): I think that Mr Reid was giving a somewhat political answer on that last point.

The panel will know that there has been some controversy about the question of common good in relation to the bill. We heard evidence last week from Professor Gretton, who said that he would have no particular objection to an exemption for common good, although he pointed out that there was a certain vagueness about what was common good and that there might be a need for court decisions on certain aspects of it.

Does the panel have any view on the possibility of a common good exemption? We will start with the Law Society.

Donald Reid: You seem to be focusing on me, Mr Brown—I will be political again and see whether I can body-swerve that question. My colleague Mr Swinton has a copy of a book entitled "Common Good Law" right in front of him.

Robert Brown: Mr Swinton?

Kenneth Swinton: Thank you, Donald.

First, the bill is not about common good; it is about the conversion of long leases. It deals with an irritating problem that is a relic of the system of the past and which is unfinished business in relation to the abolition of the feudal system and the modernisation and simplification of Scots property law.

There is a danger of looking at the point of contact between two esoteric areas of law—ultralong leases and common good law—and saying that there is a problem. We do not think that it is necessary for there to be a specific exemption in respect of common good law.

If common good property is disposed of, the proceeds that are received are subject to real

subrogation. The money that comes in forms part of the common good and the local authority can then dispose of those funds in appropriation of common good purposes.

The fact that there is an alienation of common good property is of itself not a concern to us. The difficulty is knowing whether common good property is inalienable or not. The position is uncertain, and the authorities on those very esoteric questions are mixed. One can see why a local authority would resort to an ultra-long lease rather than a disposal simply to avoid answering the question whether it is inalienable or alienable common good.

If property is alienated—we take for granted that an ultra-long lease is an alienation—those who make that decision are acting in a fiduciary capacity. The remedy that is available to citizens is one of interdict at that stage, to prevent that disposal.

To prevent things that have happened 20 or more years in the past from falling within a scheme when it is recognised that ultra-long leases are not an appropriate way to hold land in Scotland in the future is to conflate two different issues.

I see that Professor Gretton referred in his evidence last week to the case of Wilson v Inverclyde Council. In that case, it was too late for action to be taken because the property had already been disposed of, and any action would then have been an action for breach of trust. In relation to title and interest in such a case, it would be difficult for a citizen to show that they had a financial interest.

When an ultra-long lease is assigned or created, that leads to registration, at one time in the sasines but now in the land register. In the prequel to Wilson v Inverclyde Council, which was Wilson v Keeper of the Registers of Scotland, it was clear that even if there had been a breach of common good law there was no possibility of Mr Wilson having title remedied and the property restored to the council, and that the Scottish Development Agency and its successors had a good title to the property.

In our view, the issue does not necessarily need attention. Professor Gretton highlighted the need for the common good law itself to be explored, which is a point that Andy Wightman has been making for a dozen or so years. It might be useful for the Scottish Law Commission to consider that matter.

10:15

Robert Brown: That is helpful, although I am not sure that it takes us all the way. You suggest

that there is a case for the reform of common good law, or at least a review. Would it not perhaps be better to deal with this odd intersection with long leases arrangements under the heading of common good, against the background of the desire to avoid unintended consequences?

For example, inalienability has been mentioned. Many people might regard the inalienability of, say, park land or buildings in prominent positions in city centres as the reason why such properties should continue to remain in public ownership. Accepting the argument about inalienability or otherwise under long leases arrangements, is that not really the nub of the policy issue?

Kenneth Swinton: There is a policy issue. In the case of Magistrates of Kirkcaldy v Marks & Spencer Ltd, the former town chambers were said not to be inalienable and it was said that a new building could be created. There is a danger of sterilising land when an alternative arrangement might be made that is equally appropriate for the vicinity.

We have no strong view on the issue and we would not quibble if an exemption was put in place. The only problem might be that we would then have one scheme that applied to local authorities that disposed of property by ultra-long leases on a commercial basis, or which have done so in the past, and another scheme that applied to commercial developers. There would then be a question of proportionality, and that raises the potential of a challenge under article 1 of protocol 1 of the European convention on human rights.

Robert Brown: Will you explain that a little? I am not sure that I follow.

Kenneth Swinton: Local authorities would be treated differently from other landowners. You have to be clear. I do not think that a view was taken on the issue prior to the introduction of the bill, because it had not been raised.

Robert Brown: My next question relates to section 31, which interrelates with section 53 of the Title Conditions (Scotland) Act 2003 and the issue of real burdens being imposed on related properties. I think that that has to do with third-party rights, which have been an important part of the law in the past. As I understand it, there were a lot of academic criticisms, based on policy grounds, of the provisions in the 2003 act, yet those provisions are replicated in the bill for the purposes of long leases. Were the academic criticisms of section 53 valid? Does the bill take the right approach to dealing with the issue by replicating the provisions in the 2003 act?

Kenneth Swinton: I am one of those who was opposed to section 53 of the 2003 act, which created rights of enforcement on third parties where none had previously existed. That said, section 53 is now on the statute book, and the idea in the bill is to create a scheme that is parallel to that. Although I was opposed to section 53 when it came in, there is no evidence from case law that it has adverse consequences, so perhaps the case for repealing it is not that strong. In any event, from a policy perspective, it is rather more important that there is a consistent scheme between the conversion of ultra-long leases and the conversion of titles from the feudal system.

Robert Brown: Does anyone have a different view on that?

Donald Reid: More to endorse what Mr Swinton has said than to give a different perspective, I simply add from the perspective of the coalface of practice that the reality of experience is that the practising profession and its clients are coping with section 53, notwithstanding the criticisms of it, which might or might not have merit.

The Convener: Mr Haddow, do you have any comment to make with regard to the common good?

Christopher Haddow: No, it would not be right of me to do so. The faculty has not considered the matter. As members of the committee, you have seen the issue arising from responses that you have received, but the faculty has not formed a view.

Dave Thompson (Highlands and Islands) (SNP): Good morning, gentlemen. I wish to pick up on the length of leases and the cut-off point. The SLC survey of long leases in 2000 revealed that the vast majority of long leases were either under 125 years or in excess of 999 years. There is a view that 125 years should therefore be the cut-off point.

On the other hand, Professor Gretton, who spoke to us last week, suggested that 225 years might be a more appropriate period. The Scottish Law Agents Society has come out in support of 175 years—of course, from now on, there will be no new leases that are longer than 175 years. What are your views on those differing positions?

Kenneth Swinton: When the Abolition of Feudal Tenure etc (Scotland) Bill was introduced in 1999, it contained 125 years as the appropriate maximum period. Representations were made on behalf of landlords by surveyors organisations that there were genuine commercial leases that extended for more than 125 years. The result of that evidence was the settling in the Abolition of Feudal Tenure etc (Scotland) Act 2000 on a period of 175 years.

It would be dangerous to go back and revisit that, as everyone, including lawyers, surveyors and other professionals, has been working over the past 10 years on the basis that ultra-long leases are those of 175 years or longer. It seems an unnecessary complication to introduce a new period of 225 years at this late stage. I do not have any evidence to suggest that the move from 125 years to 175 years has changed things, and I suggest that it is appropriate to stick with the period of 175 years.

Lionel Most (Law Society of Scotland): There is a view in the Law Society that consistency is generally helpful. If we have a period of 175 years in one piece of legislation, it is helpful also to have a period of 175 years in another piece of legislation. As my colleague Mr Swinton said about section 53 of the 2003 act, it is helpful to have consistency across pieces of legislation. Such consistency helps our members in their practice of the law, and we therefore support keeping the period at 175 years.

Donald Reid: There are many issues that can cause practising lawyers to lose sleep but, speaking for myself, the issue of 175 years versus 225 years is not one of them.

The Convener: You are clearly consumed with indifference. [*Laughter*.]

Dave Thompson: Does the faculty have a view on the issue?

Christopher Haddow: No. It is either a matter of practice or a matter of policy. Personally, I am impressed by the arguments that have been put up for keeping the maximum period at 175 years, as in the existing legislation.

John Robertson (Faculty of Advocates): It is not a matter that the faculty has considered as such, but consistency is important. Advice has been given on the basis of the period that is specified in existing legislation, and anomalies or difficulties could arise if a different period were adopted in the bill.

Dave Thompson: Thank you—the witnesses have made that point clearly.

I will pick up on a second point, about the European convention on human rights. I seek your views on two aspects of the convention that will impinge on the bill, as you will be aware: article 1 of protocol 1, and article 14. Comment was made earlier about the common good and the different treatment of councils. What are your views regarding the bill's compliance with the ECHR? Are you happy that it complies as it stands? If not, please explain why.

Donald Reid: There is a paragraph in the Law Society's submission to the committee that addresses that point. I am beginning to sound like a broken record but, effectively, the Law Society is saying that it is not able to comment on the matter with any authority, because of the substantial research and care that would be required to address the issue. We have asked whether such cases are sufficiently the same as cases relating to feudal abolition for the approach to compensation legitimately to have the same basis, but we stand back from coming down one way or the other, as we consider that that is more for others to address than us.

Kenneth Swinton: Our view is that the bill is compliant with the convention. It serves a legitimate purpose: it simplifies property law and increases security of tenure for home owners, some of whom have precarious titles at the moment.

A point that the Law Commission's report did not address is that, in the 1970s and 1980s, a number of tenants under ultra-long leases purported to redeem their tack duty using the feudal laws. Factors were insufficiently skilled in the niceties of property law and accepted redemptions, so that no rent has been paid for in excess of 20 years. Those proprietors are at risk of an irritancy being incurred in the lease should the ownership of the property change and the new proprietor be unaware of the purported redemption. Therefore, it seems to us that it is proportionate to introduce the policy.

The question of the legitimate aim is important. The compensation arrangements are not significant, but the evidence that the commission gathered suggests that surveyors and others who value ultra-long leases value those interests as practically nil when the lease has more than 100 years outstanding. There is provision in the bill for extra compensation over the basic scheme that mirrors the feudal abolition scheme, and we think that that fulfils all the convention's requirements.

Dave Thompson: Does the Faculty of Advocates have a view on that point?

Christopher Haddow: No, I do not think that we do. I look forward to possible fee earning on the basis of dealing with it in the future.

In England, the Duke of Westminster case said that expropriation of property that was met with compensation was all right.

Nigel Don (North East Scotland) (SNP): I am glad that we have finally got down to the real world. I take the witnesses to the real world of underground pipes and buried treasure—albeit fluid—because we are concerned about issues to do with section 1(4)(b) of the bill. It appears that, as it was not possible to set up a servitude for pipes before 2003, ultra-long leases have been granted for the burying of pipes. As I am sure the witnesses are aware, Professor Gretton suggested last week that trying to exclude such leases was probably inappropriate because they might not be legal in the first place, which suggests that we are in a mess. I hope that, in the next few minutes, you can sort it out for me. First, will you establish how much of a mess we might be in? Secondly, what should we do?

Would somebody like to comment in the first instance on the legality or appropriateness of these long leases and what section 1(4)(b) would achieve? Thereafter, we can perhaps go on to what we should try to do.

Reid: The Law Donald Society's two representatives here might hesitate to offer their own views as more authoritative than those of Professor Gretton. We made the point that there is a lack of definition of pipes and cables, which might be a drafting point that needs tidied up. However, I do not think that that is the thrust of your question as much as whether we are in a mess because there are a whole lot of leases for pipes and cables that are not true leases. Off the top of my head, my response would be that they might be and, if they are, it would be disappointing if the leases were all of a sudden turned into ownership when the purpose for the granting of those leases was different from the purpose of granting an ultra-long lease in the classic sense, which the bill is seeking to address. If the Parliament were to pass an act that sorted out whether purported leases of pipes and cables were actually leases, we would be out of the mess, but I do not imagine that that could be done overnight.

10:30

Nigel Don: Am I to understand that it is possible that farmers may wake up one morning and find that they no longer own strips a few metres across running the length of their land, because there happen to be pipes underneath?

Lionel Most: The practice tends to be the grant not of the land itself but of the ground in which the pipe or cable sits, in the same way as airspace might be let for a satellite dish or air-conditioning equipment on the top of a tenement building. We are talking not about the strip of land—I think that this is right—but about the area that is occupied by the pipe, in the same way that minerals can be subject to a separate tenement.

Nigel Don: So it is possible in Scottish law to have a lease of an area that happens to be 1m across and between 1m and 2m down, and that might be the kind of lease—

Lionel Most: It is possible to have a lease with a small I. I think that Professor Gretton is saying that that may not constitute what is required legally to constitute a lease in Scots law. I think that my colleague said that we are not going to contradict that, but I can tell you that, as a matter of practice—the Law Society deals with the practice of law—it is not uncommon for such "leases" to be granted.

Donald Reid: It is fair to say that, although they are granted, I have not come across any in my own experience that are ultra long, although they may well be out there.

Nigel Don: I will explore the concept, as I have not met it before. Am I seriously to believe that, for example, in the case of major oil pipelines, which run the length of the country, the lease is for the bit underground and the farmer owns the ploughable bit above it?

Lionel Most: Yes.

Nigel Don: And there is no lease on the ploughable bit above it.

Lionel Most: There would be a right of access to get to the pipe, but I think that it is right to say that the ownership of the land would be with the farmer.

Donald Reid: Of course, that would always be true in the case of a lease, but Lionel Most means that the surface of the ground does not form part of what is leased and there is no denigration of that lease if the farmer grazes his cows and sheep on it, whereas, if the physical surface down to the pipe were all leased, the tenant would be entitled to fence off a tiny strip. That is not the case. These leases purport to be of the area constituting the pipe, which is buried 1m, 2m or 3m down.

Lionel Most: I will give an example. In the case of a wind farm, there is the windmill and there are pipes and cables running to the national grid, but those invariably run underground. The farmer continues to operate and the lambs continue to run about the fields.

Nigel Don: I can visualise one of those. You are telling me that that would be set up as a lease.

Lionel Most: Yes.

Nigel Don: Sorry, but I need to get to the bottom of this, if you will forgive me. It would be set up as a lease in such a way that the underground bit is leased and the tillable soil above remains with the farmer. Would that invariably be the case?

Lionel Most: Yes-

Donald Reid: Not necessarily invariably but very often.

Kenneth Swinton: A drafting point has been raised in respect of section 1(4)(b), in that it excludes leases that operate for the sole purpose of allowing access to the pipes and cables; it does not exclude leases of the pipes and cables themselves. That is the crucial point. Those leases need to be excluded so that they cannot be

acquired. I concur with Mr Reid and Mr Most that, by analogy with leases of minerals, there is no difficulty in leasing an area below the surface of the ground that is then occupied by pipes. Professor Gretton's point related to a lease requiring exclusive possession. In my view, an oil pipeline in which oil is flowing is exclusively possessed by the tenant—the oil company that uses it. There is no technical difficulty in having a lease of that pipeline.

Nigel Don: Is there any difficulty in principle in converting a lease in that kind of situation into a servitude?

Kenneth Swinton: The problem with creating a servitude is that you need a benefited and a burdened property that must be, if not adjacent, very close together. That has always been the problem; it is one of the reasons why servitudes have never been created in the past. The proprietor of the pipeline does not own property around the field; it may own property in Grangemouth or Peterhead, but it does not own anything between there and the pipeline. It is not possible to have a servitude, because the benefited property is not sufficiently adjacent to the pipeline.

Nigel Don: Does the law not understand that the benefited property may be 100 miles away because the pipe is 100 miles long?

Kenneth Swinton: I do not think that anyone has accepted that point; arrangements have always been made by way of lease, rather than by way of servitude. In any event, at the time when most of the leases were granted, there was a question as to whether fluids other than water could be the proper subject of servitudes, so arrangements were made by way of lease.

Donald Reid: It sounds like an easy fix for all of us to agree to handle the issue by allowing the benefited property to be very remote and to adjust whatever provision replaces section 1(4)(b) to cover that. The worry is that dropping that pebble into the pool, as one quick fix to one paragraph of the bill, would create more ripples than can easily be anticipated.

Nigel Don: We well understand that. Unintended consequences are the spectre that haunts every part of this building.

The Convener: That was useful, as the issue of underground services was causing some concern. We now have some answers that will allow us to move on.

The Scottish Law Commission's view seems to be that there should be no special treatment of commercial leases, except under section 1(4), which provides for an exemption relating to annual rent. I invite you to respond to that point.

Lionel Most: From the Law Society's point of view, it is helpful to the profession and important that there is consistency. A subset of that is that there should be as few exemptions as possible. There is provision in the bill for the situation of commercial leases in which there is a profit share in the form of a rent that is not mentioned. Section 49 provides for compensation for extras, if you like. Section 63 gives the tenant the right to an exemption, if they cannot afford to pay such compensation. A tenant who has an ultra-long lease, which may have been formed for reasons of tax planning or funding, has a choice, so we took the view that there was no problem. It is a policy issue more than a legal issue. Commercial tenants are educated and knowledgeable parties; they can take a view and take the steps that the legislation allows them to take.

Kenneth Swinton: We have nothing to add to that; we endorse Mr Most's views.

The Convener: We have had a submission from Brodies that suggests that, under the bill, some commercial leases that have been granted comparatively recently will be eligible for conversion. We intend to take further evidence from Brodies, but some issues do seem to arise. Mr Most, do you share Brodies' concerns?

Lionel Most: I see Brodies' point. The example that comes to my mind is the Clydebank shopping centre, the lease for which I think was granted in 1978 for 200 years. I think that there is also an income-sharing arrangement under the lease whereby a proportion of the occupational rents from the traders goes to the council and the investor, or the mid-landlord, manages the shopping centre, collects the rents and so on. In that example, a British Virgin Islands landlord has invested in a Scottish property, is collecting the rents and is paying his superior landlord a proportion every quarter. They have a choice. We take Brodies' point that it would be very expensive to convert the lease because there are millions of pounds of rental income to consider and to gross that up might mean £10 million or £20 million to buy the lease out and pay the compensation. However, they have a choice: they can send a notice under section 62. As we see it, the bill provides for that. It is consistent with the thrust of the rest of the legislation, but they can opt out of conversion if they want to.

The Convener: Mr Swinton, do you concur?

Kenneth Swinton: Yes.

Christopher Haddow: I have noted what Brodies said. It might be a drafting point, but I am not clear in my mind whether paragraphs 4.3 and 4.4 of its submission, which talk about the cut-off of £100, are not on a slightly different issue and whether there is a risk of not taking into account the turnover rent at the time of deciding on the cutoff point. I am not sure that that is what is intended. However, that is very much an instant response, as I saw the submission for the first time on Friday.

The Convener: The City of Edinburgh Council's written submission shows concern about the impact of the bill on commercial leases in situations in which the annual rent is £100 or under but the tenant has paid a substantial premium or lump sum on entry into the lease. What is your view of that, Mr Most?

Lionel Most: I am sorry; I have not seen that submission, so I am answering on the hoof. The City of Edinburgh Council is concerned about a substantial premium being lodged up front with a small ground rent.

The Convener: Yes.

Lionel Most: That is consistent with a purchase. A purchase price has been paid. If it was an ultra-long lease and otherwise fell within the confines of the legislation, the tenant would in effect be buying in the heritable interest. The tenant has already paid the money up front, presumably in 1972 or whenever it was. They paid market value at the time, so it seems to me that the tenant has paid the price and is capitalising the rent. I do not see that as an issue.

Kenneth Swinton: I agree with that. That is exactly what the bill is designed to achieve, and it would be contrary to the bill's policy to exclude that. If the tenant makes a single payment and then pays a nominal 1p rent if asked, that is a purchase in all but name and it should fall within the terms of the bill.

The Convener: Mr Haddow, do you adopt those arguments?

Christopher Haddow: Agreed.

The Convener: Thank you. I had some difficulty in understanding the view that the City of Edinburgh Council was taking in this respect.

10:45

James Kelly (Glasgow Rutherglen) (Lab): Sections 68 and 69 cover Blairgowrie leases. Section 69 makes special provision for a renewable lease such as a Blairgowrie lease where it has not been renewed but should have been renewed. Does the Law Society consider that to be unfair to landlords and fair to tenants? Where do you sit on that?

Donald Reid: I will duck the question by saying that Mr Most might have something to say.

Lionel Most: I do not have much to say, which is quite unusual for me. There will be several

areas such as the Blairgowrie lease—we mentioned another one—that are caught between a rock and a hard place, if you like. They are not within the legislation, but there is clearly an inequity. We suggested in our submission that there should be a place of last resort for a punter to go if they found themselves in the position where something was clearly inequitable and the legislation had treated them in a way that was not intended. They should have the right to go to the Lands Tribunal to try to remedy that. That would cover your point and the point that we made in our submission.

James Kelly: Okay. Do any other panel members have comments on section 69?

Kenneth Swinton: The issue here is one of policy rather than drafting. Do you provide a remedy for people who are subject to these fairly long but not ultra-long leases with an obligation on the part of the landlord to renew, which are leases of ground on which a substantial endurable property has been built? Is it appropriate to allow them to stay on in their property? It is a simple policy issue. If the policy is that these people require support-they are typically residential properties-the provisions in the bill seem appropriate. If, on the other hand, that is seen as unfair to landlords, the landlord has the right to seek extra payments because of the way that their right to bring that lease to a termination has been taken away by the operation of the legislation.

James Kelly: Mr Haddow and Mr Robertson, do you wish to add anything?

John Robertson: My view, which I think is probably shared by the others in the faculty who have considered this, is that it is a question of striking a balance. This chimes exactly with what Mr Swinton was saying. When I read the section, it seemed to me to strike a fair balance. The question of fairness is clearly a policy issue that the Parliament will have to decide for itself. It struck me that the section went a fair way down the road of striking a suitable balance.

James Kelly: The Law Society has commented that the provision in section 68 for disregarding a landlord's right to terminate in calculating the duration of the lease is potentially unfair to landlords. Do you want to expand on that?

Donald Reid: In our submission, we gave an example of a case where a lease was granted in 1800 for 999 years with a mutual break or a landlord break after 250 years. That would take it to 2050. A landlord of an institutional investing nature sitting on a lease of that kind in 2011 is rubbing his hands in a manner of speaking and saying, "In 39 years, I'm going to be quids in, because I'll be able to serve notice and have the tenant out of here. The outright ownership will

revert to me as the landlord." There is a case for looking at such a lease not as a 999-year lease but simply as a 250-year lease that has only that relatively shortish period still to run. The question that the Law Society is posing is whether it is equitable to deprive the landlord of that reversionary expectation or whether such cases should be considered to be special cases and excluded from the scope of the bill. What I am not clear about-perhaps some of my colleagues will be able to comment-is whether the additional payment provisions would come into play to compensate such a landlord more powerfully than would be the case merely on the basis of the rental multipliers. I am putting that to my colleagues because I realise that I did not research the point before coming along this

morning. That possibility does not necessarily negate the point, however, which might be significant enough in itself to take such cases outwith the scope of the bill. **Bill Butler:** Colleagues, do you think that giving

landlords the opportunity to preserve sporting rights as a separate tenement, as is provided for under section 7, is desirable in policy terms and workable in practice? I believe that the Faculty of Advocates has concerns about that, Mr Haddow.

Christopher Haddow: It was certainly noted as a concern that it is a new creation in law, but it perhaps comes down more to a matter of practice. Do you have anything to add, Mr Robertson?

John Robertson: Likewise, I had noted it as a new creation, but I then noted that a similar system is already in operation under the 2000 act, so it is not a complete novelty. I am not aware that difficulties have arisen from that, at least as yet.

Bill Butler: What do you make of Professor Roddy Paisley's argument that it is not advisable to preserve sporting rights in a form that might permanently deprive the former tenant of his or her right to develop the land, without compensation?

Christopher Haddow: I have not seen Professor Paisley's comment, but that is something that had occurred to me in the background. I had not worked out whether it would have that effect in practice, so I am interested to hear that Professor Paisley has said that it would. It does seem an anomalous situation to get into.

Bill Butler: Does anyone have anything to add in that regard?

Kenneth Swinton: The first question to ask is whether it is a hypothetical issue. We are not aware of any situation where there is a landed estate with a 999-year lease. It may or may not be the case that there are situations that fall within the provisions. The bill mirrors the provisions in the 2000 act. I echo the comment by my colleagues from the Faculty of Advocates. There do not seem to have been any adverse consequences to date from the provisions that were incorporated in the 2000 act. I am aware of people who have taken advantage of those schemes to create sporting rights as separate tenements.

Bill Butler: So far-

Kenneth Swinton: So far, so good.

Bill Butler: Are there any other comments from the Law Society?

Donald Reid: All I can say is that it can take quite a bit of time for such issues to work their way through from the initial legislation to an actual sense of workability or otherwise in practice. The fact that no major, serious case has come to light following the 2000 act does not necessarily mean that we have given the provisions a reasonable enough run to be sure of that. All that we have is our experience to date, which is not particularly adverse.

Bill Butler: Much could be said on both sides, as Sir Roger de Coverley said.

Donald Reid: Yes.

Bill Butler: Thank you.

Cathie Craigie (Cumbernauld and Kilsyth) (Lab): My question on residential ground leases is directed to the Law Society, but I would also be interested to hear other panel members' The comments. Scottish Law Commission considered whether the bill should include a separate conversion scheme for the remaining residential ground leases that do not fall into the category of qualifying ultra-long leases for the purposes of the main conversion scheme, but it did not recommend including such a scheme in the bill, and the Government declined to include such a scheme following the commission's recommendations and its own consultation. However, the Law Society explained that it had received representations to the effect that a landlord's interest in a residential ground lease might become a target for title raiders. In giving evidence to the committee, Professor Gretton said that such leases would be unlikely to be a good target for title raiders, given that there would be no immediate opportunity to extract money from the tenant. Will the witnesses comment further on that? What representations on the matter has the Law Society received from its members?

Lionel Most: Before the war, there was a tradition of granting long leases, sometimes of 100 years. Under a scheme in Garrowhill and another in Bothwell, leases were granted for 99 years. Most of them have now been bought in, but we suggest that an example of an anomalous case

involves someone who paid the market value perhaps 50 years ago. We came across the case of an old lady who was in a home and wanted to sell her house or pass it on to her daughter. It was found that the lady had bought the house around 50 years ago and that it was granted under a 99year lease. The original developer and builder, who was still in business, was approached, and there was no problem; he transferred the house in exchange for legal expenses. However, it occurred to us that, if that builder had sold all his existing heritable interests that were subject to residential long leases, there could have been a problem with people finding that they had paid the market value 40 or 50 years ago and now no longer had a title to their property. That was why we suggested that, if something was clearly inequitable and not in the spirit of the legislation, there should be an ultimate right to go to the Lands Tribunal to have a declarator.

Cathie Craigie: Does anybody else want to comment on that matter?

Donald Reid: Title raiders can have two mindsets. They might want to acquire an interest actively to pursue exploitation of it, or they can passively acquire an interest in the hope that, eventually, somebody will need their help to solve a problem. That is a delayed-action ransom attitude. It would possibly be true to say that a title raider might not reap instant rewards from seeking to get involved in what we are discussing, but our observation of title raiders is that some of them are quite capable of taking a longer view and of thinking 10 or 20 years ahead rather than merely a few months or a year ahead. If the issue is perceived to be serious enough to be worth being concerned about, it would be better to address it now rather than leave it to the mercy of those uncertainties.

Lionel Most: We could look to the analogy of leasehold casualties issues. A company whose name I cannot remember bought up leasehold casualties from British Coal in the early 1980s. I do not think that the people who bought them up intended to exploit them in the way that they eventually did; rather, they bought them with a view to getting an income from the ground rents in the first instance but, when they realised that they could make a killing on the casualties, they did so.

11:00

Cathie Craigie: Does anyone else have a comment?

Kenneth Swinton: We restricted our comments to the bill and did not consider that separate matter.

Cathie Craigie: If the bill was not amended to take account of the Law Society's concerns, what

other course of action would individuals or families be able to take?

Donald Reid: The matter would simply be addressed as it is at present. The risk is already there, and well-advised people in such a situation should approach their solicitors. If anything to address the issue does not find its way into the bill, that does not preclude it being of sufficient concern to merit separate treatment. However, if the bill is grappling with the area generally, it might be an opportunity to add something that addresses the issue rather than simply to leave it. If it is simply left, it might not be addressed because of the heavy demands on parliamentary time.

Cathie Craigie: So the bill would make the situation no worse, but you regard it as an opportunity to tidy up something that your members have experienced on the ground.

Donald Reid: Only in the sense that the lingering cases will become highlighted as not being protected by the legislation, so the exposure of people in the situations that we have described might arise. However, that is speculation.

The Convener: There being no other questions for the panel, I thank you very much indeed for your attendance this morning, gentlemen. It has been a useful session. The underground services issue was explained to us with particular clarity, which is useful to say the least.

11:02

Meeting suspended.

11:03

On resuming—

The Convener: Our second panel of witnesses consists of, from the Scottish Property Federation, David Melhuish, director, and Alan Cook, chair of the commercial committee; and Richard Blake, legal adviser to the Scottish Rural Property and Business Association. We are very grateful for your attendance, gentlemen.

We now proceed to questions. Our time is restricted this morning, so if we do not get through the questions that we need answers on, we may have to ask you to let us have answers in writing. However, we will proceed as briskly as possible.

Dave Thompson: Good morning, gentlemen. On the duration of ultra-long leases, I am sure that you are aware that the SLC survey in 2000 found that most long leases were under 125 years or over 999 years, with not too many in-between. When Professor Gretton spoke to us last week, he suggested that 225 years might be a better cut-off point; others have argued for 125 years. I am aware that a cut-off point of 175 years would tie in with the Abolition of Feudal Tenure etc (Scotland) Act 2000. Do you feel that 175 years is the right place to be?

Alan Cook (Scottish Property Federation): I believe that 175 years is a fair place to be, in the interest of ensuring consistency across the legislative scheme overall. When the 2000 act was passed, it was felt that 175 years was an appropriate cut-off point and that it was inappropriate for new leases to be granted for a longer period. Given that that view was taken, I see no reason why it should be revisited now, particularly when the evidence is that very few leases would be affected by changing the cut-off point from 175 to 225 years. I support consistency.

David Melhuish (Scottish Property Federation): If the purpose of the bill is to continue the process of property law reform and to tidy up some of the feudal issues that have been around for more than 10 years, keeping a period of 175 years would add to consistency.

Dave Thompson: Thanks very much.

Nigel Don: Good morning, gentlemen. I would like to continue the discussion about pipes and underground leases that we had with the first panel. Am I right in thinking that you were all here and that you heard it? The witnesses are nodding—that is good, because I really do not want to repeat it. Given that we have had the benefit of that, could you give us your feelings on where the debate has got to and where the right answer lies? Perhaps we could start with Mr Blake, whose organisation dealt with those issues in its submission.

Richard Blake (Scottish Rural Property and Business Association): We feel that there is an issue. I have taken on board all that has been said, and I read the evidence that Professor Gretton gave last week before I came to the meeting, so I am reasonably up to speed with the academic viewpoint. It was useful to have the Law Society's more practical view on how underground pipes and cables are dealt with in practice, which is an issue for our members, although there was a lack of evidence that the Law Society could give.

In our response to the original consultation, we said that our members had encountered leases for underground fibre-optic cables. A company—I think that it was called 3G—was taking ultra-long leases for fibre-optic cables. There is no particular reason why there should be any difference between a fibre-optic cable lease, an oil pipeline lease or a lease for any other sort of pipeline. It is still necessary to have the right to get into the ground to lay the cable or pipe and for it to be possible for the right of the tenant not to have that cable or pipe damaged to be preserved. Although

it is absolutely correct to say that a farmer might be able to continue to graze the land above, the tenant would have the right to ensure that his leasehold rights were not interfered with, so there is a detrimental effect on the landlord.

The other point that I picked up on relates to your question about whether there would be any benefit in creating a servitude to cover such interests. One must bear in mind that a lease is a lease, which is finite, whereas a servitude is not finite—it goes on for as long as it will be used. Therefore, the landowner's interest is restricted. Do you follow me on that?

Nigel Don: I do but, presumably, fibre-optic cables or pipelines are put in the ground more or less in perpetuity. I know that things do not last forever, but it is almost inevitable that there would be a desire to replace them, if the planet were still spinning. I suppose that fibre optics might eventually be replaced by radio technology, but an oil pipe is an oil pipe.

Richard Blake: Yes, but with changes in technology—as well as in the value of pipelines and the land—the landlord might be able to renegotiate the terms of the lease. With a servitude, that is it.

Nigel Don: I am with you on that. It is probably not for us to interfere with commercial interests.

It is conceivable, though, that an oil company with a pipeline in a certain location might come back and say, "Look, guys, can we build another pipe parallel to this one to deal with capacity issues?" Where does the bill leave us in that respect?

Richard Blake: The question is what it says in the lease. Does the company have the right to construct only one or more than one pipeline? If the lease allows for only one pipeline, the company will have to start renegotiating. It is a question of contract. I know that the same argument has been raised with regard to certain power suppliers, which might have had the right to put in one power cable but not to come back and dig up the ground for a parallel cable. That is a slight red herring but, as I say, it is a matter of contract.

Nigel Don: Do the other gentlemen have any perspective on this discussion, or are you content with the legislation in front of us?

Alan Cook: I have no particular comment to make. If I remember correctly, it was not among the SLC's proposals and we therefore did not consult on it with our members.

David Melhuish: I would add, however, that Richard Blake has identified a key issue and we support the SRPBA's view in its evidence to the committee. It will be a matter of getting the drafting correct and we hope that, with the benefit of those comments and the Law Society's views this morning, that will happen. However, it was not an issue that we raised with the Government initially.

Nigel Don: I am not sure that we have reached a final position on this, but we have certainly managed to get the issues out in evidence, which is, after all, what we are trying to do.

Does Mr Blake wish to come back on the issue of roads, which was mentioned in his written submission?

Richard Blake: The issue is the same. Actually, I was about to make a supplementary comment that I think will cover roads and underground pipes. I am not sure that the policy behind the bill is that any long leases granted by landowners through the middle of a farm should suddenly convert to outright ownership. The SLC might well have missed that practical point.

As for private roads, I am no academic lawyer but I am fully aware of the question whether a nonexclusive lease is valid under Scots law. I cannot comment any further on what is an academic point; all I can say is that, in practice, leases have been granted for the right to use a road on a nonexclusive basis, possibly along with the landowner and other users. We will get into an unholy mess if the right of conversion applies in such cases. If a non-exclusive leaseholder—in other words, a tenant—has the right to convert, one has to ask what he will be converting, given that other people have the same right. The issue needs to be clarified.

Nigel Don: Am I right in thinking that the crucial phrase is "non-exclusive"? After all, if it were exclusive, that is what it would be.

Richard Blake: That is correct.

Robert Brown: Do you have a view on the SLC's apparent position that, instead of having exemptions for long leases in which the annual rent is more than £100, there should be no special treatment of commercial leases?

11:15

Richard Blake: Our response on that in the original consultation was fairly robust, because some of our members were extremely concerned about relatively recent commercial leases of land in the country. One particular championship golf course comes to mind, which is in the middle of an estate in Fife and was let on a long-lease turnover rent with the tenant having the right to renew after a certain period. Under the draft bill that was consulted on—not the current bill—that would have been caught and would have been automatically converted to outright ownership. The ownership of a bit of ground in the middle of the

estate would then have ended up in a company in Los Angeles.

There was a real issue with that and with other commercial arrangements that were entered into under the earlier, feudal legislation before the restriction of long leases to 175 years or less. However, we believe that our concerns about that have been addressed by the £100 cut-off. As the Law Society explained earlier, we were concerned about situations in which a premium would be paid up front and there would then be a peppercorn rent. The committee would probably see that as relating more to commercial urban leases than to rural leases.

After we made those points and had our discussion with the bill team, we were comfortable with the way in which the bill had been amended to take account of our concerns. We have no other comments to make on the commercial side.

Alan Cook: I endorse the comments that have been made. It is important to recognise that, in commercial property, leases are sometimes more a mechanism for a joint-venture type arrangement between parties. I am not familiar with the specifics of the golf course example, but there has clearly been a commercial negotiation and agreement between landlord and tenant as a result of which it has been agreed that the landlord will share, on an on-going basis, in the value that is generated from the land. They have not simply sold out for an up-front, lump sum payment thereafter to accept 1p per annum with no active interest in the value of the land.

It would be wrong for such commercially negotiated arrangements to be swept away by the bill. Although the bill allows the tenant to opt out of the arrangement, it does not allow the landlord to opt out of it. It gives one party but not the other an ability to change the nature of the arrangement that has been negotiated at, no doubt, great length.

Robert Brown: That brings us to the comment by Brodies that certain valuable commercial leases will be eligible for conversion under the bill because part of their rent is variable and would, therefore, be disregarded under section 1(5) for the purpose of calculating the annual rent. Do you share the concern of Brodies in that regard?

Alan Cook: That is a fair point. It is entirely conceivable that there could be a low level of fixed rent payable but a more significant level of variable rent based on turnover, profit or some other measure. That is a conceivable example of an agreement that the landlord will retain an ongoing interest in the value of the land.

Robert Brown: In your view, there should be an exemption in that situation as well, or it should be defined differently.

Alan Cook: That is right. The question is whether the £100 flat annual rent is an appropriate measure. There is a lot to be said for taking a more rounded view.

Robert Brown: Do you have anything to add, Mr Blake?

Richard Blake: We have no comments.

Robert Brown: Finally, the City of Edinburgh Council raised an issue about situations in which the annual rent is £100 or under but the tenants have paid a substantial premium on entering into the leases. On the face of it, that seems okay. Do you share—or even understand—the reservations that the City of Edinburgh Council has expressed about that?

Alan Cook: I agree with the previous comments. In my view, that is exactly the sort of situation that the bill is designed to address. An initial payment has been made, which at the time would have been viewed as being akin to a purchase. Princes mall is not the only example of that out there; I am sure that there are plenty others. I have come across a couple of examples in my professional life of commercial property that is held under the type of long lease whereby an initial payment has been made and a very low rent is charged—the sort of nominal rent that fulfils the legal definition of a lease. It is appropriate that the bill should apply to those cases.

Richard Blake: I have no comment to make. We have said that we support the policy behind the bill. The matter at issue fits with the policy behind the bill.

James Kelly: Section 69 makes provision for renewable leases—the so-called Blairgowrie lease, when it should have been renewed but was not. Is that provision unfair to landlords, or is it fair protection to tenants?

Richard Blake: I have no comment. In saying that, I have an interest to declare: I live in Blairgowrie. [*Laughter*.]

James Kelly: Very good. Does any other panel member have a comment?

Alan Cook: I am not aware that the SPF has a particular view on the matter.

David Melhuish: We do not have a view on that. We decided that the bill does not change things, but we may not have fully considered the issue. In evidence last week, the Scottish Law Commission confirmed that this is not an initial issue in terms of the bill. In that sense, we think that the bill takes the right approach.

Bill Butler: Good morning, gentlemen. Is giving landlords the opportunity to preserve sporting rights as a separate tenement, as the bill provides for under section 7, desirable in policy terms and workable in practice?

Richard Blake: The first important point is that this is not a practical issue. I have canvassed members and professional members on the issue. The second point is that, if sporting rights are reserved from any lease as a matter of contract, the question arises whether it is equitable for the rights to be included in a conversion instead of being excluded. I support the current drafting of the bill on those grounds alone. I reiterate: in practical terms, I suspect that this will not be a terrific issue.

Bill Butler: Does any other panel member have a view?

Alan Cook: I tend to agree. There is no particular SPF view on the matter.

Cathie Craigie: The SRPBA may have a view on residential ground leases, given that it represents major landowners. The bill does not give protection under residential ground leases that do not qualify for conversion under the main scheme relating to ultra-long leases. Is it desirable to give that protection to those tenants?

Richard Blake: That has to be a policy decision. We have not looked at the matter as an organisation. I therefore have to defer giving a view on such a policy issue.

Cathie Craigie: Fair enough. Does any other panel member have a view?

Alan Cook: I have no particular view on the matter, which does not form part of the SLC view on the bill. I agreed with what the Law Society of Scotland said. Action is not precluded in the future should it be felt that this policy issue merits attention.

The Convener: Do you have any other points to canvass with us this morning, gentlemen?

Richard Blake: Our points have been dealt with.

Alan Cook: I am happy. Thank you.

David Melhuish: I have a point on residential ground leases and the concerns about title raiders and so on. A draft land registration bill may come forward early in the next session of the Parliament. We do not want that to preclude the passage of the bill that is before us. Perhaps the matter could be addressed at an early stage.

The Convener: Committee members have no further questions. Thank you very much, gentlemen, for your attendance at committee and for offering your answers in such a succinct and clear manner. We are much obliged to you.

11:25

Meeting suspended.

11:26

On resuming—

Subordinate Legislation

Civil Legal Aid (Scotland) Amendment Regulations 2010 (SSI 2010/461)

The Convener: There are two negative instruments for consideration under agenda item 2.

On the first Scottish statutory instrument, I refer members to paper 2. The Subordinate Legislation Committee drew no matters to the attention of Parliament in respect of the instrument. Do members have any comments, or are they content to note the instrument?

Robert Brown: I am curious as to the purpose of the instrument. The

"person who owes an obligation of aliment to a child"

would usually be one of the parents, whether they are present or estranged. On the face of it, that could have some rather odd effects. I am not sure that I fully follow the policy view behind it.

The executive note states that the provision would not apply if it produces

"an unjust or inequitable result",

but that is a fairly broad discretionary element, which does not usually exist in that way in legal aid regulations. I wonder whether we might have a bit more background on the policy intention.

The Convener: The thinking appears to be that there is a wish to ensure that all matters are taken into consideration in assessing a child's eligibility for civil legal aid, and that if that were not to be, there could be an inequitable result in comparison with other types of cases. I am happy to continue with the matter for a week.

Robert Brown: I understand the point, but my recollection of the matter when I was in practice—which may have gone with the passing of time—was that the child's circumstance was taken into account in its own right, which was a slightly different position, as opposed to a family position. That allowed a number of cases to proceed under legal aid that would not otherwise have done so.

I do not follow the concern about the inequitable results that would follow from the present position; I do not see the logic of that. I would appreciate a bit more background from the Government on the instrument.

James Kelly: I support Robert Brown. I am not necessarily against what is being proposed; I just want a bit more information on the detail. I know that there are financial savings attached to the provisions, which are welcome. However, I would not want a situation in which the Government, because its legal aid budget is under pressure, is considering potential schemes to save money that may result in inequitable access to justice.

The Convener: On the basis that there is some unease, I propose that we reconsider the matter next week. In the interval, we will write to the Government to suggest that someone comes to speak to the instrument.

Robert Brown: I would just like a bit of information on the type of cases to which it would apply.

The Convener: We will keep our options open, but we will continue the matter and see what the response is when we write to the Government. That may well be sufficient, but if we need to get someone in, we shall do that. Is that agreed?

Members indicated agreement.

Advice and Assistance (Scotland) Amendment Regulations 2010 (SSI 2010/462)

The Convener: We come to the second SSI, to which paper 3 refers. The Subordinate Legislation Committee did not draw any matters to the attention of the Parliament in relation to the regulations. I invite comments from members.

Robert Brown: The issue regarding the regulations is the same as that which we have just discussed. I know that there are other issues involved, too, and I am certainly not against tightening up verification, if it is helpful. Perhaps we can proceed on the same basis.

The Convener: That would be sensible—we can continue on the same basis.

11:30

Meeting continued in private until 12:03.

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