



The Scottish Parliament
Pàrlamaid na h-Alba

Official Report

EUROPEAN AND EXTERNAL RELATIONS COMMITTEE

Thursday 20 September 2012

Thursday 20 September 2012

CONTENTS

	Col.
INTERESTS.....	601
DECISION ON TAKING BUSINESS IN PRIVATE	603
EUROPEAN UNION STRUCTURAL FUNDS	604
HORIZON 2020	612
COMMITTEE OF THE REGIONS	616
“BRUSSELS BULLETIN”	617

EUROPEAN AND EXTERNAL RELATIONS COMMITTEE
12th Meeting 2012, Session 4

CONVENER

*Christina McKelvie (Hamilton, Larkhall and Stonehouse) (SNP)

DEPUTY CONVENER

*Hanzala Malik (Glasgow) (Lab)

COMMITTEE MEMBERS

*Clare Adamson (Central Scotland) (SNP)

*Roderick Campbell (North East Fife) (SNP)

*Willie Coffey (Kilmarnock and Irvine Valley) (SNP)

*Helen Eadie (Cowdenbeath) (Lab)

*Jamie McGrigor (Highlands and Islands) (Con)

*attended

THE FOLLOWING ALSO PARTICIPATED:

Jennifer Bell (Clerk)

Jenny Goldsmith (Clerk)

CLERK TO THE COMMITTEE

Ian Duncan

LOCATION

Committee Room 2

Scottish Parliament

European and External Relations Committee

Thursday 20 September 2012

[The Convener *opened the meeting at 09:07*]

Interests

The Convener (Christina McKelvie): Good morning, colleagues, and welcome to the 12th meeting in 2012 of the European and External Relations Committee. I ask everyone to ensure that their electronic devices, mobile phones and so on are switched off, as they interfere with the broadcasting equipment.

We have two new members on the committee who are colleagues of mine. I formally welcome Willie Coffey MSP and Rod Campbell MSP. The first agenda item is to ask them to declare any relevant interests.

Roderick Campbell (North East Fife) (SNP): I declare an interest as a member of the Faculty of Advocates.

Willie Coffey (Kilmarnock and Irvine Valley) (SNP): I declare that I am the Parliament's Scottish National Party member of the British-Irish Parliamentary Assembly and serve on its European affairs committee.

The Convener: Thank you very much and welcome to the committee. We look forward to working with you.

Before we move on to the substantive issues on the agenda, I want to say something about the events that members may be aware unfolded last week following our business planning away day. Several articles appeared in the media last Friday and over the weekend about our private discussions. Despite my caution on the private discussions, they were reported to the media, which I find very troubling. I pointed out clearly that day that until we deem it to be in the public interest to disclose our work programme it is a private document, but some of that information was given to the public.

I remind members that any unauthorised disclosure of confidential committee discussions constitutes a breach of section 7.4.4 of volume 2 of the code of conduct. As I said, I am very disappointed and concerned that this situation has occurred. I hope—and ask—that it does not happen again. I understand that members may wish to intervene but, given the clear constraints of the need for confidentiality, I caution members to hold fire on that. I suggest that we move on to the

substantive items on our agenda for today's committee meeting. Is the committee in agreement with that?

Members *indicated agreement.*

Decision on Taking Business in Private

09:09

The Convener: Agenda item 2 is a decision on taking in private agenda item 6, which again is on our work programme. Are members content to take agenda item 6 in private?

Members *indicated agreement.*

European Union Structural Funds

09:09

The Convener: Agenda item 3 is to consider the response from the Scottish Government to the committee's report on European Union structural funds. Jenny Goldsmith will give us a helpful briefing on that.

Jenny Goldsmith (Clerk): The Scottish Government has given quite a substantial response to the committee report, which was published in July. Members have the cover paper, EU/S4/12/12/1, which attempts to summarise the main points from the Government's response. Overall, it seems that the Government is supportive of what the committee has recommended.

The main good news is that the Government has agreed to come and update the committee regularly on a large list of points. The first update will be in November and thereafter updates will be every six months, which will probably be useful as we go into the new round of structural funds in 2014. I will not go over the points that the Government has agreed to update the committee on—they are available in paragraph 2 of the cover paper.

Paragraph 3 of the cover paper highlights the fact that:

"The Scottish Government has not agreed to the Committee's recommendations to instigate a common code of practice and a 'champions list'".

Those were recommendations from stakeholders during the inquiry. The idea was that they would help the third sector and anyone else who is applying for funding to have a gateway for advice. Instead, the Scottish Government has said that it will work with stakeholders to develop national rules and to clarify systems, roles and responsibilities. I believe that it is doing that through the working group that is already established.

The final point is highlighted in paragraph 4 of the cover paper. Members might recall that the committee was concerned about the loss of the 30 per cent advance payment and thought that it would make it difficult for the third sector to cope. The Scottish Government has given quite a lengthy explanation of the decision. Basically, the payment was discontinued to prevent various problems that the Government had in managing the programme. It seemed to create more problems than benefits in terms of overpayment, underpayment and the ensuing problems for the third sector. That is why the Government has not agreed to that recommendation.

The Government also feels that its new strategic approach, which primarily involves the use of the various strategic delivery bodies, will provide a better alternative and create a more stable platform for the third sector to engage with the 2014 programme.

Those are the main points.

The Convener: Thank you. I see that the Government gave us quite a detailed response. There are some things in it that we probably need to have a close look at as regards our recommendations and how the Government is suggesting we take things forward.

Jamie McGrigor (Highlands and Islands) (Con): I wonder, with reference to paragraph 3 of the cover paper, why

“The Scottish Government has not agreed to the Committee’s recommendations to instigate a common code of practice and a ‘champions list’ in order to assist both the third sector to deliver the funds and applicants for funding. Instead, Scottish Government officials will work with stakeholders to develop national rules”.

Why will the Scottish Government not agree with our recommendations?

Jenny Goldsmith: I think that I summarised the reasons earlier, but the Government seems to think that its strategic delivery approach is better.

Jamie McGrigor: So the Government knows better than we do.

Jenny Goldsmith: I cannot comment on that.

The Convener: The evidence that we took from third sector groups and other organisations showed that they were pretty much split down the middle on the point about whether a champions list would work, how it would work and who would maintain it. Those are some of the problems that the Government is highlighting.

The Government does have its working group, and I think that it is talking about beefing it up a wee bit to make it more strategic in the sense of giving guidance and support to organisations. That may address the problems, but I think that Jamie McGrigor is right—it is something that the committee should monitor. We can get feedback from the organisations that called for a champions list to see whether the Government’s suggested new proposals work.

Jamie McGrigor: Can we get an explanation as to why the Government thinks that our recommendations are wrong?

Ian Duncan (Clerk): In the first instance, we can probably take the Government’s response back to the stakeholders to ask them whether it satisfies their concerns. Once we have received their responses, we can write to the Scottish Government to ask it for further information or

indeed to reinforce the original view of the committee, which was for those particular suggestions to be acted on. We can do it in that fashion if the committee is minded to do so.

09:15

Jamie McGrigor: I do not want to go too far; I just have concerns about the statement:

“The Scottish Government has not agreed to the Committee’s recommendations”.

We took quite a lot of time over that report.

The Convener: Yes, we did. This is just the first stage in the feedback exercise. Ian Duncan is correct, and one of the things that I would like to do is to go back to all the stakeholders to see whether they are happy with what the Government has suggested. If they are, fair enough. If they are not, we might be able to go back to the Government and suggest that there are other ways to approach this.

Jamie McGrigor: Okay. I just wanted to bring it up because it was a diversion from the committee’s policy.

The Convener: I appreciate that.

Hanzala Malik (Glasgow) (Lab): One of the challenges concerns the type of work that different people are doing. It would be extremely difficult to measure like for like. That difficulty itself is fraught with challenges. I think that that is why the Government feels that the exercise would be difficult. We are not sure whether that would provide value for money.

I am happy with your suggestion that we ask for the views of the people on the ground, convener. However, I think that it will probably come down to the question of value for money.

Clare Adamson (Central Scotland) (SNP): On paragraph 3, it would be useful if we could ask the Government what the timescales are for developing the national rules and responsibilities. It would also be useful to have an overall timescale for the strategic plan as well.

On paragraph 4, I came quite late to the investigation of what was happening but, for small organisations, the issues were the start-up costs and cash flow. Might it be possible to look at other partners that work in social enterprise areas to see whether there is some way of mitigating those issues, based on the decision of the Government?

The Convener: That is a good idea.

Jamie McGrigor: Paragraph 5 talks about

“European funding that may be underutilised”.

I am not quite sure exactly what that means. I am trying to translate what the whole paragraph means.

The Convener: Do you want an answer now, Jamie?

Jamie McGrigor: I just find it difficult to understand the point about the European funding that may be underutilised. What do we mean by that?

Ian Duncan: I think that I can help. You might remember, from our discussion on this matter, that there are certain strands of money that the Scottish Government is good at accessing and drawing down but that there are various other funds that are less well known and which the Scottish Government has less experience of accessing. It is almost euphemistic to say “underutilised”; it might be better to say “not really utilised at all”.

Given that there is money available, we are looking to encourage the Government to get the money that is due to Scotland. Paragraph 5 is concerned with getting money not only from the funds from which we are good at getting money but also from a range of other funds that are available to Scotland.

Jamie McGrigor: That would obviously be important.

The Convener: Our forward work programme contains an examination of the other funding streams that exist and an attempt to find out whether they match projects that we have in Scotland. We want to expand the horizon a bit.

Jamie McGrigor: Yes, Ian Duncan has explained what was meant.

On paragraph 6, what timescale is involved?

The Convener: It is every six months.

Jenny Goldsmith: November is the first update. After that, there is an update every six months.

Jamie McGrigor: Paragraph 6 says:

“The Committee is invited to consider the Scottish Government’s response and note that the Scottish Government will send regular updates on progress regarding these funds.”

The Convener: Yes. The first update will be in November, and there will be one every six months thereafter—every November and May, in other words.

Jamie McGrigor: Can I ask a question about my region, the Highlands and Islands?

The Convener: You certainly can; let us see if we can answer.

Jamie McGrigor: The annex says:

“The Highlands and Islands is currently classed as a convergence region and is likely to be classed as a transition region in the future programme given its current GDP level of 83% of the EU average.”

My question is: okay, but when is that going to happen? Moreover, if an area is designated as a convergence region, does that not mean that its gross domestic product is less than 75 per cent of average GDP—or am I wrong about that?

The Convener: Ian Duncan can update you on that as well.

Ian Duncan: This discussion is anchored in the next macro EU budget that will go live in 2014. You might remember from our discussion on structural funds that under the present system there are more or less two categories, one of which is that a region is below a given level of GDP and therefore has degrees of poverty. Scotland did not qualify in that category in the last round because the new member states from the east had lower GDPs and dragged down the average. As a result, the Highlands and Islands and the rest of Scotland were deemed to be above the level at which action would be taken. That frustrated not only the United Kingdom but almost all the western EU member states that had been recipients, and a new buffer category or band was created to help regions such as the Highlands and Islands—

Jamie McGrigor: This is the transition category.

Ian Duncan: In effect, yes. If you were being cynical, you might say that it seeks to ensure that the western countries get some of the money.

Jamie McGrigor: Money that the eastern bloc is now getting.

Ian Duncan: Yes, but according to the EU it is a sensible way of taking forward the policy. It all depends on whether you are a cynic or an optimist, but it all means that the Highlands and Islands will get more money. That is the important point.

Jamie McGrigor: Of course, but do we know when that is going to happen?

Ian Duncan: From 2014.

Jamie McGrigor: I think that that is everything, convener.

Willie Coffey: From my reading of paragraph 3—and as a new committee member—I wonder whether the “champions list” that was referred to earlier is a best practice list of practitioners and so on. After all, the Scottish Government suggests that best practice will be shared and, although I have not been part of the committee’s deliberations on the matter, I think that its intention will ultimately be delivered through that

mechanism. The outcome will be the same and the committee will achieve what it set out to achieve in the first place.

The Convener: Thank you for that helpful comment. Do members have any other comments?

Jamie McGrigor: I am afraid that I have one more.

The Convener: On you go, Jamie.

Jamie McGrigor: Near the top of page 7 of the cover paper, it says:

“The advance payment was commonly used in ESF”—

or the European social fund for employment opportunities.

“It was decided at the start of the current programme period to cease advance payments because of the additional problems that they had caused in terms of managing the programme effectively.

Advance payments frequently resulted in overpayments”.

Have we any idea why that was the case?

The Convener: I might, because I used to run an ESF-funded programme. If you received an advance payment but did not meet the outcomes—which sometimes just happened, especially with employment outcomes—you had to pay it back. Now the money is paid in arrears, which means that organisations are paid according to outcomes, not up front. Of course, that can lead to issues for the management of an organisation, but from an audit and monitoring point of view it is probably the best approach.

Jamie McGrigor: Is there a big delay in getting the funds?

The Convener: There was a delay but the other challenge was claiming back overpayments to organisations. Any money that is not used is claimed back by the European Commission and there were knock-on problems all the way back to Brussels to the detriment of other projects that could have used the money. Is that right, Ian?

Ian Duncan: That is exactly right.

The Convener: I had nightmares running that project.

Have you exhausted all your questions, Jamie?

Jamie McGrigor: Not entirely, convener. On page 9, the paper refers to the committee's recommendation that

“the Scottish Government continues to be involved in key discussions at the UK level to ensure that Scotland's particular needs and concerns are reflected in the negotiations, and provides regular updates to the committee”.

Are you saying that Scotland needs a seat at the table?

The Convener: I suggest that a number of organisations said that, too, and I agree with them.

Jamie McGrigor: I was not asking for your personal opinion, convener.

The Convener: I know, Jamie.

Jamie McGrigor: Do we say what I suggested in the report, or is it couched in different terms?

The Convener: There are a couple of technicalities on which Ian Duncan can perhaps give a much more constructive answer.

Ian Duncan: I might not be much more constructive.

The wording is taken from our report. The recommendation's purpose was to ensure that the Scottish Government participated in every possible way with the UK Government, which is the key negotiator on the issues. The important point was that we should learn the outcome of the discussions between London and Edinburgh, so that we can monitor them and comment when appropriate. The answer to the question is probably both that the UK remains the member state and that it is clear that Scotland has aspirations to be as involved as possible.

Jamie McGrigor: That is the end of my questions, convener. I beg your pardon for having asked so many.

The Convener: Well done for doing your homework.

Roderick Campbell: I found it quite difficult to understand what the paragraph on financial instruments meant. Is there an easy guide to what we are talking about?

Ian Duncan: Yes, but I suspect that it is about 40 pages long.

The Convener: And full of acronyms.

Ian Duncan: One ambition of the current round of determination of the next EU multi-annual financial framework is to make understanding the position easier. However, as the Commission always says, the easier that is made, the more must be put in the annex. All the rules go into the annex, so we end up with an easy paper up front but a very big engine behind it that must be mastered, which defeats the point.

If the committee had an appetite for it, we could ask the Scottish Parliament information centre to produce a paper that clarified the position. Under the work programme agenda item, we will talk about work that we might do to understand the broad range of funds that is available from the EU. As part of that exploration, we might ask SPICe to produce material.

Roderick Campbell: That might be helpful.

The Convener: I thank members for all their input, which is always helpful.

Horizon 2020

09:27

The Convener: Item 4 is the response to our horizon 2020 report, which Jen Bell will briefly talk us through.

Jennifer Bell (Clerk): The Government's response is generally positive. It details a number of activities that are specific to the committee's recommendations that the Government and the Scottish research and technological development steering group are undertaking.

Members will recall that most of the findings for the report derived from a conference that the committee held back in May. Some main points at the conference concerned procurement policies, and the Government has drawn attention to the consultation that it launched on 10 August on the proposed procurement reform bill. It is seeking views on how procurement can be used

"to encourage innovation and growth"

and

"to help businesses develop and commercialise new ... goods, services and works for internal and international markets".

Delegates at the conference raised those issues, to which the Government has responded.

Delegates highlighted the popularity of funding from the Scottish proposal assistance fund—SPAF—which the Government said was to be discontinued. Delegates asked the Government to look into analysing whether the new funding mechanism has been implemented and is successful. The steering group is taking that forward. The Government has acknowledged the SPAF's popularity, but it has highlighted drawbacks such as

"limited capacity building in SME applicants".

In keeping with the theme of funding programmes, the Government's response says that the funding support that the proposal assistance for co-ordination of European research—PACER—programme provided is now provided through PEER. That is another acronym, which stands for pools engagement in European research.

09:30

The final response is on the committee's call for a single portal for information. Again, delegates to the conference highlighted that as an important recommendation. The Government explains that it would be difficult to achieve because different bodies deliver different elements within the EU programme under contract with the Commission.

However, the steering group will consider how to signpost the relevant portals and advice. That should come through in its findings as well.

The Convener: Thanks, Jen. Do members have any questions or comments?

Jamie McGrigor: I will make a comment on bridging the gap between research and business.

At the conference that we held in the chamber, which members might remember, some of the business representatives commented that one of the main difficulties seems to be combining with university research. I have heard the same thing said since. The university research is very good, but the problem seems to be getting the innovation side of the business community linked into it. I am probably not expressing that well, but the problem has been portrayed to me by businessmen.

Might it be worth inquiring as to whether the people who appeared at our conference agree with the findings on that point or whether they are still unhappy? It is not that there was particular unhappiness, but it is important to get excellent research moving into producing products and business. I do not know what you think about that, convener.

The Convener: You are absolutely right, Jamie. The same exercise will be undertaken with this response as will be undertaken with the response on EU structural funds, in as much as we will send it out to a number of key delegates. Perhaps we will specifically look out the people who raised the business issues, because there were a few.

Jamie McGrigor: There were one or two.

The Convener: You highlighted some of them yourself.

For your information, I have a meeting next week with Kevin Moore, who was one of the main contributors and who spearheads some of the life sciences in Scotland. I am meeting him, a number of other people from academia and representatives of Scottish Enterprise to consider how we can identify the problems with linking up innovation and business—the very point that you make, Jamie.

I am happy to report back to the committee on that meeting. However, you are absolutely right that we need to get the information out to the stakeholders, get their feedback and take it from there.

Jamie McGrigor: I happened to meet a gentleman called Melfort Campbell, who came to the event in the chamber, at a funeral last week. He reiterated the point that there seems to be a lack of synergy between research and innovation.

The Convener: The life sciences sector does that extremely well, so I want to learn how it does

that and try to apply the lessons that it has learned to other business sectors. Melfort Campbell's comments at the conference were helpful, and we should ensure that we get a proper response from him to help to inform where we go from here.

Jamie McGrigor: Thank you, convener.

Clare Adamson: That is really important. The point also came through in the Scotland Europa conference that, although Scotland's research is second to none in the world, we are not capitalising on it and the benefits of it seem to be going outside the country.

Even though the life sciences seem to be doing well, they still underperform in capitalising on research. It would be interesting to get some research on other sectors to find out whether that is a trend, to identify countries that are capitalising on their research better than Scotland and, perhaps, to learn some lessons. It would be really useful to see the overall picture.

Ian Duncan: We might be able to commission that work from SPICe. If SPICe gives us the feedback, we can bring it back to the committee, consider it and follow it up with appropriate questions to whomsoever.

Jamie McGrigor: It might be worth getting a small panel of people who attended the conference to come before us and explain the intricacies of what they mean when they say that there is a gap somewhere. As a layman, I find it difficult to take on board exactly what the problem is.

The Convener: That would be helpful.

Ian Duncan: That makes sense.

I will outline the schedule. We will write to each of the participants in the conference to give them the Government's response. We will follow up with the business players the issues that have been raised and will commission from SPICe an analysis of how the different sectors are performing or underperforming. Once we have that information, we can bring in a small panel to discuss the findings of that work. That evidence session may well take place at either the end of this year or the beginning of next year.

Willie Coffey: My attention was drawn to the committee's recommendation in paragraph 41.3 on page 8 of EU/S4/12/12/2. It struck me as being almost the same plea that the convener made on the previous item, when you asked for information and support for those making applications for funding. The committee's recommendation states that awareness should be raised

"As a matter of urgency".

That immediately drew my attention to the issue.

I have read the response from the Scottish Government. What happens if a small to medium-sized enterprise does not know how to engage with both agencies? Is it left out of the loop? I noticed the comment over the page at the tail end of that response that organisations can use

“social media as well as conventional email alerts”

and so on. Do committee members feel that enough is being done to reach out and ensure that all the organisations are aware of the potential funding opportunities?

The Convener: You highlight an issue that I picked up myself. That is one of the topics on the agenda for a meeting that I will have next week. The Scotland Europa conference that was held to celebrate its 20th anniversary took place at the Parliament. A number of people in the room had been very successful in working with Scotland Europa but a number of people who should be working successfully with Scotland Europa were not in the room. It has identified that as one of its targets. I will meet Scottish Enterprise next week to look at the issue.

Another place where we do not look as often as we should is chambers of commerce. One recommendation that the committee should take forward is to engage much more with chambers of commerce and perhaps link them with Scottish Enterprise and Scotland Europa. Those organisations link well with the chambers of commerce in ordinary circumstances, but we should get them working together to push this specific issue forward, because thousands of businesses that are members of a chamber of commerce will not even know that Scotland Europa exists. We must address that problem.

Clare Adamson: It is probably worth reiterating a theme that came out from the SMEs at the conference that we held in the chamber, which is the timescales involved. Although horizon 2020 is streamlining the process, reducing timescales and so on, the decision-making processes still take a long time. The best target is to bring the timescale down to three months. A lot of SMEs work in such a way that the timescales keep them out of the process. We still have to do a bit of work on that issue.

The Convener: Thank you.

Committee of the Regions

09:38

The Convener: As a matter of interest to the committee, I should let members know that I have been invited along to some sessions on the Committee of the Regions. I have identified a few of them that tie in with our work programme, and I hope, with the support of the committee, to go along to them.

One session is about strengthening the role of nations and regions in the recovery strategy. It is about how to identify more EU funding and use it to boost your economy, which is obviously very relevant. Another session is called cities of excellence, but we could also apply the lessons to our rural areas. It is about seeing how other parts of Europe have approached horizon 2020, identifying where they have done it extremely well and learning lessons from their experience. I would be happy to report back to the committee on the sessions.

I need to get a bit more detail on a number of other sessions that I would probably be interested in attending. As I say, I would be happy to report back to the committee on them. I seek the committee's indulgence to sanction me to go across to those sessions. I would go out on Monday and come back on Tuesday, so it would be a very short visit in the first two days of the October recess.

Hanzala Malik: It is important that you do that for us. If you do not engage, you will not pick up valuable lessons. Such engagement saves us from reinventing the wheel.

The Convener: Okay. Thanks very much.

“Brussels Bulletin”

09:39

The Convener: Agenda item 5 is the “Brussels Bulletin”. I hand over to Ian Duncan so that he can give us his report.

Ian Duncan: This “Brussels Bulletin” is slightly longer than usual, as it covers the period from around the last time that we met, at the back end of May, through to last week.

There are a couple of things to which it is worth drawing the committee’s attention. A tradition has begun whereby each year President Barroso sets out his assessment of the state of the union, as it is called. President Barroso’s address contained a couple of issues that are worth flagging up, the first of which was his idea that there should be a youth package. There is a lot of concern that a whole generation is being lost, primarily as a result of the financial crisis and its implications across the EU. President Barroso is looking to prioritise issues that are targeted at that generation, so that it does not get lost. That is one thing to follow up on.

In the section on developments in the euro zone, I stopped after reaching point (vii). I could have got to point (xvii), as there have been so many developments in the euro zone. One thing that is coming up is that the Prime Minister of Italy has called for a unity summit to try to encourage the European ideal of working together. Over the summer, there seems to have been a greater schism in the EU regarding the haves and have-nots, or the indebted and the debt holders. Prime Minister Monti is trying to move back to the traditional model of Europe pulling together in the same direction, and that could be interesting. Much of that is stemming from Germany’s concerns and lukewarm appreciation of some of the banking and financial reforms, primarily because it holds the money—which is why it is less inclined to want this.

The banking union will also be important. The UK would sit outwith the proposed banking union, but a number of the proposals would read across from within the euro zone to those countries outwith it, which include the UK, Denmark and some of the smaller countries.

Other items more or less follow up on some of the committee’s initiatives. You will see that the energy efficiency directive has moved towards conclusion. You might remember from when we last spoke about this that it is the only part of the broad energy package that is not binding. The target of 20 per cent energy savings is not a binding target. An explanation has been given of how that target will be met without recourse to the

law. That is worth having a wee look at, because I think that it does not stack up. That is my guess, but who knows? It might work.

Something for Hanzala Malik’s attention is the section on the smart cities initiative—there is quite a bit of material on that. There is a real attempt to push that forward and get some money behind it, which is worth exploring.

I am happy to answer questions on any of the other material in the bulletin. The “Other News” section contains quite a lot of information, covering everything from mackerel right the way through. If members have any questions, I will be happy to follow that up.

Hanzala Malik: It is quite a detailed bulletin. I am looking for information on two issues, one of which is water management. Scottish Water has struggled to pick up the EU’s challenges on modernisation, water delivery, and repairing and replacing old structures. How well are we coping with that? Are we up to speed with the EU in that area or are we lagging behind?

The second issue is the smart cities initiative. The convener’s visits would be very useful and help us with smart cities. Perhaps you will be able to assist us directly with that. Going back to water management, I am keen to see where we are. We do not want to find that we are not keeping up with current EU legislation.

Ian Duncan: I can answer that. On water management, there is what is being called a blueprint—as a pun, in fact—which looks at managing Europe’s waters for almost the next generation. At the moment, that is still in its early days. The proposals, which will not emerge until November, will cover a broad range of issues from smart metering inside homes, to flood management, to drought in some of the southern member states, and so forth. It will be a comprehensive document.

The committee might want to take an active interest in the issue, or it might wish to refer it to the Rural Affairs, Climate Change and Environment Committee to take forward as a priority. It will be worth while monitoring what is going on and, once the blueprint is published, simply asking Scottish Water for its views on what the proposals mean for it. At that stage, Scottish Water will be in a better position to answer us.

09:45

Hanzala Malik: Historically, we have faced challenges in that area. I am keen to ensure that, when the proposals are published, we are ahead of the game, if possible. We need to be able to assist Scottish Water in facing some of the challenges. I wonder whether Scottish Water

might highlight some of the challenges early before the proposals go to print so that we can consider how to provide support, assist with those challenges and cushion Scottish Water from the effects.

Ian Duncan: There are two ways to approach the matter. We can write to Scottish Water now and bring it in to give evidence if we feel that it is ready to do that. However, Scottish Water might be disinclined to do that because that would preempt the proposals, although there is no harm in writing to Scottish Water. Alternatively, we could write to the Scottish Government, which will have something to say on the issue. The Scottish Government will be one of the players in the UK negotiating position, so the first step might be to write to it to find out where it stands on the issue. Thereafter, we can follow up with Scottish Water when we have a clear idea of where the Scottish Government stands. However, we can do both—if you wish to bring in Scottish Water, there is no difficulty in doing that.

Hanzala Malik: That is a good idea—we should contact the Scottish Government in the first instance to ensure that we can support Scottish Water. It has had serious challenges historically. I hope that we are in a better position than we have been historically to support Scottish Water. We need to be more focused in what we do.

The Convener: Do members agree that we should write to the Scottish Government on that?

Members *indicated agreement.*

Helen Eadie (Cowdenbeath) (Lab): I apologise for arriving late, convener.

The point about banking reform attracted my attention, and members will understand why when I explain my concern. The “Brussels Bulletin” contains a comment from President Barroso, who has said:

“In the future, bankers’ losses should no longer become the people’s debt, putting into doubt the financial stability of whole countries.”

I welcome that, and I am sure that all committee members would agree with it. However, I have a concern about the pace at which the proposals are being put to the Council of Ministers. The bulletin states:

“The Commission has asked the Council and the Parliament”—

that is, the European Parliament—

“to consider and adopt the proposals as quickly as possible, allowing the changes to come into force by 1 January 2013. The Commission foresees a phase-in period to last until 1 January 2014, when all banks would be covered by the mechanism. EU leaders are expected to formally adopt the plan at their December 2012 Council.”

That concerns me, because the European Parliament would have the right to express only a non-binding opinion on the package, although the bulletin points out that

“The Parliament has demanded co-decision powers with the Council”.

Any democratic body would back the European Parliament on that.

As members know, in the chamber and elsewhere, I have discussed the question of the Parliament doing an urgent inquiry on the euro, given the Scottish Government’s proposals to have a referendum. Those points underline the urgency of the need to have such an inquiry.

I have been doing some homework on the issue. I have a paper from the European Commission’s directorate-general for economic and financial affairs, dated 17 September 2012, that refers to those countries that are to become new members of the euro area. For example, Latvia has become a member of the European Union and it must join the euro by 1 January 2014; Romania is compelled to join by 1 January 2015. Other countries that have joined the European Union

“do not currently have a target date for adoption of the euro.”

If Scotland goes ahead and agrees that we will become an independent state—and that has to be a realistic possibility—the fact is that Scotland would become a new member state, according to the papers that I have read. That means that we would become part of the euro, which would mean that we would come under the banking union reform. For me, that presents some difficulties because I think that the people of Scotland should be able to understand and fully comprehend everything that is in the banking union reforms.

As it stands, the proposals say that the European Central Bank would have the powers to close banks within member states. I can just see the Royal Bank of Scotland and all the other banks across Scotland leaping up in surprise and horror at some of those proposals, although some people might welcome them.

However, I return to my point about what is in the paper that we have received today. My proposal, which I put to the convener, is not reflected in our work programme paper, which talks about examining Scotland’s relationships with the European Union come the Government’s publication of the white paper. I seek an urgent inquiry into the euro and our position in relation to it, and the situation with regard to membership of the European Union and what the impact would be on the people of Scotland. I do not want the answer just for me or for the Parliament; I want an answer for the people of Scotland.

The Government has the right to get its legislative advice from its legal advisers. I know that that matter is in court today. I believe that this Parliament and the people of Scotland have the right to take independent legal advice and opinion and to get witnesses here. I know that my proposal, which I put to you, convener, and to the committee, is not reflected in the work programme, but I repeat—

Jamie McGrigor: It is.

Helen Eadie: No, it is not—examine the words carefully. The paper talks specifically about relations with the European Union. It does not talk about the euro and talks only about considering it, so I think—

The Convener: Okay, Helen.

Helen Eadie: This underlines the fact that the situation is now urgent. The phase-in period will last until 1 January 2014, which will not give us time if we follow the proposal in our paper.

The Convener: Ian Duncan will answer the first part of your question. We will take up the second part in private session, because it pertains to the work programme.

Helen Eadie: So you want to keep it secret again. You want to gag me again in public. That is what you want to do, convener.

The Convener: Helen, if—

Helen Eadie: The matter is important, but you want to gag—

The Convener: Helen, if you had been—

Helen Eadie: You are very secretive about this—

The Convener: If you had been here at the start of the meeting when the committee agreed—

Helen Eadie: When our gate outside breaks for the 999th time, I cannot get into the Parliament's car park and I cannot help it if I am not here at the start of the meeting. That is not my fault; that is the Parliament's responsibility.

The Convener: The committee agreed to take agenda item 6 in private.

Helen Eadie: Yes, but this is not about that item, because my proposal is not reflected in the paper. I am talking about a proposal that I am putting to you now, which needs to be regarded as urgent.

The Convener: I caution you again, Helen, that the work programme is a private document. Any breach of that confidentiality is a breach of the code of conduct under section—

Helen Eadie: But my proposal is not in the work programme, so we are not talking about the work

programme; we are talking about a proposal that I am putting to you.

The Convener: You are talking about something that should be scheduled in the work programme. We have to have this conversation under the agenda item on the work programme.

Helen Eadie: So you are gagging me again.

The Convener: The committee agreed at the beginning of the meeting to discuss its work programme in private, which is the normal and natural protocol of the committee structure in the Parliament. All the decisions on the work programme will be published.

Helen Eadie: Only matters that are commercial or sensitive for an individual should be discussed in private in this Parliament. That is in the standing orders of the Parliament. There is nothing commercially sensitive and nothing relating to an individual to be discussed in the work programme.

The Convener: The protocol of the Parliament is that if a committee—

Helen Eadie: There is no protocol covering that.

The Convener: If a committee agrees—

Helen Eadie: There is a standing order that dictates—

The Convener: Helen! Desist, please.

The committee agreed at the beginning of the meeting to take that agenda item in private, which we will continue to do for today. Okay? I am going to move on.

Ian, can you answer Helen Eadie's earlier points?

Ian Duncan: Yes. Helen, you are right to draw the committee's attention to the speed with which the banking reform proposal will be taken forward. The idea that the changes will be in force by 1 January leaves almost no time for any serious debate in the European Parliament. You are correct to point out that the European Parliament has no codecision powers here, and you will also be aware that, whenever money is discussed, the Council does not like the Parliament to be too heavily involved because the Parliament has clear and different views on how money should be spent.

That said, there are a number of implications for countries outwith the euro zone, including the UK and Denmark, which will have to take decisions. There is no doubt that, once what is proposed is in force, its implications for the European Union—rather than just the euro zone—will be serious, so I suspect that during the next period the UK will be diligent in trying to ensure that nothing comes

forward that will harm banking in the UK, and other member states will take the same position.

Curiously enough, it is not those outwith the euro zone that are likely to slow things down, but Germany. Although the European Central Bank board voted to bring forward the proposal, the vote was not unanimous, and the one dissenting voice was Germany's. Given that Germany seems to be the biggest player in terms of finance, I find it difficult to believe that the proposal could move forward quickly without it. If Germany is not keen to move it forward in the given timescale, it will not happen. I do not believe that it will happen within the timescale unless Germany accepts it.

You are right—Barroso was clever in saying that the whole point of the proposal is to try to stop the crises that the world has gone through, with banks more or less being bailed out by the public purse. His ambitions are populist and will be popular, but whether the details of the proposals that come forward will be acceptable remains to be seen. I have some doubts.

Jamie McGrigor: Going back to the previous issue, I ask Ian Duncan whether the document on water management will include the EU water framework directive, which is important to Scotland. I am confused about that. The directive is important in relation to the whisky industry and extractions from rivers, and also in relation to tourism and the angling industry.

Ian Duncan: The water framework directive came into force in 2000, I think. There are a number of macro documents that cover both freshwater and salt water. The purpose behind the blueprint, as it is called, is to try to move that on to the next stage, so it is likely that those issues will be examined as part of a broader change. When the EU announces grand initiatives, it is never clear whether it plans to make grand laws to back them up, whether it intends to revise current laws or whether it just intends to encourage good practice. At present, I think that it is hedging its bets and saying that all those things are possible, but it has not said which are likely to be taken forward.

My hunch from earlier discussions with some people in Brussels is that the work will take such a long time that we will have ample opportunities to ensure that issues of concern to Scotland, including anglers, the whisky industry and so on, are addressed.

The EU wants to get this right. It also wants to ensure that the money works well so that subsidies, which in the past have been seen as ultimately harmful to the environment, are anchored into doing good. It might well be that anglers benefit from some of the work that is done in the area. We will know a lot more in November,

but I will be in Brussels next week and I will have another dig around to see what I can find out. I will bring some more material back to the committee.

Jamie McGrigor: I have a further point on that. In rural Scotland, a great many people have private water supplies. Reading the bulletin, it is almost as if there is a move to put everybody on the mains, which would cost a staggering amount of money. It is worth making the point that, although the number might not be huge in percentage terms, there are a lot of private water supplies in rural Scotland.

Ian Duncan: Absolutely. That is the sort of thing that allows the Scottish Parliament to show itself at its strongest—it is able to articulate views that the Commission might not hear from other sources. I will do some more digging next week and bring back some more material, and we will have time to decide whether the committee wishes to seek to lead, or whether it should be the Rural Affairs, Climate Change and Environment Committee, which might be doing some work on this already. I cannot remember.

10:00

Jamie McGrigor: Thank you.

The Convener: As a point of information, Jamie, our colleague Stewart Maxwell is one of the Parliament's representatives to the Committee of the Regions. There was an extensive debate on water management at its previous meeting—or possibly the one before that—because the proposals were quite detrimental to water-rich countries like Scotland. Perhaps you could have a conversation with our colleague about his experience there and what conditions the Committee of the Regions managed to secure.

Roderick Campbell: A couple of words seem to be missing from the third last paragraph of the article on banking union. Surely it should say, "It remains to be seen how the proposals will impact".

Ian Duncan: There are some words missing because sometimes we do not do as much proofreading as we should do. We will add the words before the bulletin goes public.

Clare Adamson: I have a point of clarification. President Barroso said in his address that "further political and institutional integration"

would be required. Would treaty change be required for banking union to go ahead? I am not expecting to get an answer today, but I would like a wee bit more information. The bulletin says that non-euro countries could join on a voluntary basis. Are there any further details on that? The bulletin also contains the statement that the UK

“would be expected to work in ‘close co-operation’ with the ECB.”

Could we have a wee bit more about what co-operation exists between the UK banking system and the euro zone, and what the expected co-operation would be?

Ian Duncan: I will take those points in order. Banking union can be achieved without treaty change, but treaty change is being discussed for other reasons in terms of the broader financial set-up. Banking union can go forward without that change but it is likely to be part of a bigger adjustment to financial management within the EU.

Denmark is exploring non-euro zone members joining on a voluntary basis. The idea is that the country would be entirely compliant with the code and allow the ECB oversight of its banks, despite the fact that it does not use the euro as its currency. That is entirely possible but, as I understand it, the UK is not pursuing that route.

The UK authorities are keen to work closely with the euro zone to stop banking union having a detrimental impact on the UK banking sector. It is almost about getting close to the euro zone to stop it doing stuff, rather than to help it to do stuff. Things will become a little clearer soon. The UK Government is expected to publish some material on all this. The timetable is quite swift and I will be able to give the committee some more information when I come back from Brussels.

Willie Coffey: The “Brussels Bulletin” is very useful. I admit that this is the first time that I have seen it and I think that it would be of interest to many members in the Parliament. I have never seen it at the Public Audit Committee.

The Convener: It is sent to all the committees.

Willie Coffey: I am just admitting that I have never seen it. It looks really useful because it provides a snapshot of everything that is going on in Europe.

My attention was drawn to page 4 and the paragraph about treaty change that my colleague Clare Adamson mentioned. President Barroso is

“calling for a treaty change to transfer national competences—such as budgets—to European institutions”.

It is early days, but I can imagine what the response to that might be. We will watch that with interest as the idea develops.

Another subject that interests me is not so contentious. It is broadband and it is on page 10 of the “Brussels Bulletin”. If we talk about business connectivity and the digital revolution, we should put our arguments and differences over Europe to one side—that is one area in which we should take a common approach.

All the EU member states have different policies on the digital agenda that give them an advantage or disadvantage. I hope that members in Scotland and across the European Union agree on the need for some kind of commonality on digital capability throughout the EU to ensure that there is a level playing field for digital business.

Ian Duncan: The notion of competence with regard to the budget is very serious. A member state’s budget is the most precious thing that it has, and the idea that it might give that budget to the EU for a wee look before it is published would be extremely controversial.

In my heart of hearts, I cannot believe that the EU could do that—or if it could, I cannot believe that any member state would be bound by it. If the Commission officials said, “You cannot do it in that way,” I would have thought that the member state officials would say, “Really? I think we can,” and they would. That would defeat the point of doing it in the first instance. If that is done through a treaty change, there are sanctions that can be applied.

I know that Jamie McGrigor has been talking about broadband connectivity in the Highlands and Islands. A big issue is that some of the providers are keen to connect up the cheaper bits of Europe—if I can put it that way; areas that are less expensive to connect—but they are far less inclined to connect up some of the more upland and distant areas. Where they are keen to do that, they are also keen to charge a lot of money.

It will be interesting to see what happens. This is an area in which the EU could be at its strongest: it could make providers behave in an appropriate manner and stop them trying to penalise people on the basis of where they live instead of enabling all to access the internet without ridiculous costs.

What often happens is that the EU starts by saying, “Wouldn’t it be nice if all the businesses behaved properly?”, and spends a wee bit of time poking back and forth to try to get businesses to do that, until it eventually discovers that they will not and it moves from a voluntary code of practice to some sort of control. This issue may well go through the same cycle. The EU is currently at the stage of poking businesses and saying, “Behave,” and it may well end up by saying, “If you do not behave, there will be sanctions against you.”

Willie Coffey: I certainly recognise that. It is quite evident, looking back on my role as convener of the cross-party group on digital participation, that in member state countries—and the UK is no different—the big commercial companies invest where the greatest return is. That is just the way that it is, and it is up to national Government to reach the parts that others have failed to reach.

That seems to be the pattern not only in Scotland and the UK, but throughout Europe.

From my experience I would flag the digital agenda up as another area on which some common ground can be reached in the European Union. That will allow us to achieve a level playing field, not only for rural communities in Europe but among the partners themselves, to make Europe a truly connected digital state. That is a revolutionary comment.

The Convener: That experience is very welcome in the committee.

Helen Eadie: That is one area about which I absolutely agree with Willie Coffey. Billions of pounds have been set aside in the European Union's budget to try to achieve the better digital economy that we all want to be part of. Willie Coffey can rest assured that I for one would stand shoulder to shoulder with him on that specific aspect, because he is so right to say that we should reach the parts that others do not reach.

The Convener: Not that we are advertising anything.

I have a couple of points on the "Brussels Bulletin". The first relates to the wee section on framework programme 7 funding and the call for proposals that has gone out. To tie into Hanzala Malik's interest in smart cities and the Committee of the Regions plenary sessions that I mentioned, can we get a wee update on where we are with that and how we are managing to reach the people who we should be reaching?

The other point relates to the Roma issue, about which I have grave concerns. I noticed the weekend before last the coverage of the rise of the far right in Greece and the racist attacks that have been taking place against people. If we go down the route of relocating people and calling people illegal, it will add to the negative culture that I feel is brewing. During financial crises and recessions, people who are different or poorer or vulnerable are often targeted. I am extremely concerned about what is happening. I suggest that we raise the point with the Equal Opportunities Committee, because I am worried that something is brewing that we do not want to allow to get out of hand. We have seen some evidence of that in Glasgow and Edinburgh, with far-right groups wanting to march and spread their horrible culture of hatred of people of different nationalities and creeds. I hope that the committee will agree to my suggestion.

Helen Eadie: I agree with what you say—you make a sound point. The only concern that I have is that, from what I read, I think that the Equal Opportunities Committee has completed its inquiry on the issue and is at the point of agreeing a draft report, so we might be too late to influence what it says. However, your point is still valid. I hope that, regardless of whether the detail of what you are

saying is in the committee's final report, the spirit of what you are saying is.

The Convener: That was helpful.

Ian Duncan: I absolutely agree. It would be useful to send the Equal Opportunities Committee's work—even if it has reached a later stage—to the key players in Brussels, to give them an understanding of the Scottish experience.

The Roma issue remains extremely controversial. It is a major media issue in France, which is why there is so much active interest in it. It will be interesting to see whether there is an EU-wide summit on the issue. France is keen to achieve that, but I am not sure that there is an appetite for it across all member states. We must bear it in mind that the EU Council presidency is in the hands of the Cypriots—for whom the issue might well not be a major one—and that it would be their responsibility to schedule such an event. That is not to say that it will not happen. It is an issue to keep an eye on. We can certainly refer it on—that is not difficult to do. In addition, we should encourage the Equal Opportunities Committee to keep a very close eye on what is happening. If it has no time in its agenda to consider the issue, it could refer it back to the Parliament, as per the European strategy.

In relation to FP7, the call for proposals has just been launched, so it may be a little while before we know who is feeding into it, but we might want to ensure that the Government is publicising it. FP7 is the father—the predecessor—of horizon 2020, so we might want to ensure that the Government is advertising what is the final call for proposals as widely as it can.

The Convener: Yes, that would be helpful.

That concludes our consideration of the "Brussels Bulletin". We had lots of interesting comments. I thank Ian Duncan very much.

Are we content to send the "Brussels Bulletin" to the relevant committees?

Members indicated agreement.

The Convener: We previously agreed to take agenda item 6 in private, so I thank members of the public for their attendance.

10:13

Meeting continued in private until 11:06.

Members who would like a printed copy of the *Official Report* to be forwarded to them should give notice to SPICe.

Available in e-format only. Printed Scottish Parliament documentation is published in Edinburgh by APS Group Scotland.

All documents are available on
the Scottish Parliament website at:

www.scottish.parliament.uk

For details of documents available to
order in hard copy format, please contact:
APS Scottish Parliament Publications on 0131 629 9941.

For information on the Scottish Parliament contact
Public Information on:

Telephone: 0131 348 5000
Textphone: 0800 092 7100
Email: sp.info@scottish.parliament.uk

e-format first available
ISBN 978-1-4061-9589-7

Revised e-format available
ISBN 978-1-4061-9603-0

Printed in Scotland by APS Group Scotland
