



The Scottish Parliament
Pàrlamaid na h-Alba

Official Report

RURAL AFFAIRS, CLIMATE CHANGE AND ENVIRONMENT COMMITTEE

Wednesday 31 October 2012

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RURAL AFFAIRS, CLIMATE CHANGE AND ENVIRONMENT COMMITTEE

23rd Meeting 2012, Session 4

CONVENER

*Rob Gibson (Caithness, Sutherland and Ross) (SNP)

DEPUTY CONVENER

*Graeme Dey (Angus South) (SNP)

COMMITTEE MEMBERS

*Claudia Beamish (South Scotland) (Lab)

*Nigel Don (Angus North and Mearns) (SNP)

*Alex Fergusson (Galloway and West Dumfries) (Con)

*Jim Hume (South Scotland) (LD)

*Richard Lyle (Central Scotland) (SNP)

*Angus MacDonald (Falkirk East) (SNP)

*Margaret McDougall (West Scotland) (Lab)

*attended

THE FOLLOWING ALSO PARTICIPATED:

David Barnes (Scottish Government)

Richard Lochhead (Cabinet Secretary for Rural Affairs and the Environment)

CLERK TO THE COMMITTEE

Lynn Tullis

LOCATION

Committee Room 1

Scottish Parliament

Rural Affairs, Climate Change and Environment Committee

Wednesday 31 October 2012

[The Convener *opened the meeting at 10:00*]

Interests

The Convener (Rob Gibson): Good morning, everybody, and welcome to the 23rd meeting in 2012 of the Rural Affairs, Climate Change and Environment Committee. Committee members and members of the public should turn off their mobile phones and BlackBerrys, as leaving them in flight mode or on silent will affect the broadcasting system.

Under agenda item 1, I ask Nigel Don to declare any relevant interests.

Nigel Don (Angus North and Mearns) (SNP): I draw members' attention to my entry in the register of members' interests, but I have nothing specific to declare in connection with the committee.

The Convener: Welcome to the committee, Nigel. I thank Annabelle Ewing for her sterling and incisive work as a member of the committee. Just in case we meet in private next week, I wish Clare O'Neill, our assistant clerk, well at the Infrastructure and Capital Investment Committee and thank her for all her work on our behalf.

Members: Hear, hear.

Deputy Convener

10:01

The Convener: Agenda item 2 is the choice of a deputy convener. Parliament has agreed that members of the Scottish National Party are eligible to be chosen as the deputy convener of the committee. That being the case, I invite nominations for the position.

Angus MacDonald (Falkirk East) (SNP): I nominate Graeme Dey.

Graeme Dey was chosen as deputy convener.

The Convener: I welcome Graeme Dey to his position.

Graeme Dey (Angus South) (SNP): Thank you.

Subordinate Legislation

Town and Country Planning (Marine Fish Farming) (Scotland) Amendment Regulations 2012 (SSI 2012/259)

Plant Health (Scotland) Amendment Order 2012 (SSI 2012/266)

10:01

The Convener: Under agenda item 3, the committee will consider two negative instruments. No motion to annul the instruments has been lodged. I refer members to the relevant papers. Does the committee agree that we do not wish to make any recommendations in relation to the instruments?

Members *indicated agreement.*

Fishing Boats (Satellite-tracking Devices) (Scotland) Scheme 2012 (SSI 2012/264)

The Convener: Under agenda item 4, members will take evidence from the Cabinet Secretary for Rural Affairs and the Environment on the Fishing Boats (Satellite-tracking Devices) (Scotland) Scheme 2012. The instrument is subject to approval, which means that the Parliament must approve it for it to remain in force. Following the evidence session, the committee will be invited to consider a motion to recommend approval of the instrument, under agenda item 5.

It is with great pleasure that I welcome the cabinet secretary, Richard Lochhead, who is accompanied by Allan Gibb, head of sea fisheries operations with the Scottish Government. I ask the cabinet secretary to speak to the instrument.

The Cabinet Secretary for Rural Affairs and the Environment (Richard Lochhead): Good morning and thank you for inviting me to appear before the committee. I begin by adding my warm welcome to Nigel Don. I look forward to working with him and the rest of the committee in the times ahead. I pay tribute and give thanks to Annabelle Ewing, who was an active member of the committee. Of course, I also congratulate Graeme Dey on his appointment as deputy convener, and I wish Clare O'Neill all the best for the future, too.

The Fishing Boats (Satellite-tracking Devices) (Scotland) Scheme 2012 allows Marine Scotland to provide skippers with 100 per cent grant assistance towards the cost of installing vessel monitoring systems. A new legal requirement is set out in article 9(2) of Council regulation 1224/2009, or the control regulation, as it is more commonly known. Vessels of more than 15m have been using VMS since 2004. Article 9(2) extends

the provision to vessels of more than 12m, along with a provision on electronic logbooks.

For members who are not familiar with fishing vessels, VMS devices transmit a position report to the fisheries authorities every two hours, which allows the authorities to determine where the vessel has been operating. The devices, which are tamper-proof, sit on board the vessel and skippers are not required to do anything other than check that they are functioning prior to departure. The data from VMS transmissions is vital for our fisheries control obligations and wider fisheries management responsibilities. It allows Marine Scotland to crosscheck catch data against vessel movement. It also allows us to enforce protected areas and can be used to determine time spent at sea.

The VMS data has been central to supporting the development of policy on establishing track records for vessels and the development of conservation schemes such as real-time closures. We are pursuing the project jointly with the other United Kingdom fisheries administrations, and similar grant schemes have been approved throughout the UK.

The obligation came into force across the European Union from 1 January. However, because the UK was required to retender the VMS infrastructure contract that supplies the VMS devices for the over-15m fleet, its extension to 12m to 15m vessels has been delayed to align with the procurement processes. The European Commission is aware of the UK delay, and we have continued to keep it informed of our plans.

To help vessels to comply with the new requirement and to mitigate the financial impact on skippers, the Scottish Government applied to the new EU new technologies fund for up to 90 per cent of the costs. Over the piece, the overall cost of implementation will amount to £128,000, and Marine Scotland will meet the 10 per cent member state contribution this financial year for all those vessels that choose to apply.

The contract to supply the devices has been awarded, although no formal announcements have been made yet. Unlike our approach to electronic logbooks, there is one approved UK supplier for the devices. Following the committee's recommendation today and the approval of the instrument, we will write to the industry in the next month or so to outline the process for grant aid and installation. The industry will welcome the grant assistance that is being provided. The Government met the cost of the devices and the warranty when the programme applied to the over-15m fleet, and I feel that it is only appropriate that we provide financial assistance to smaller vessels.

The instrument allows Marine Scotland to provide financial assistance to skippers in meeting a new EU obligation largely using EU funds. Marine Scotland will work closely with the device supplier and skippers on implementation to ensure that it takes place as smoothly as possible.

That is the background to the instrument. I hope that I have explained it clearly. I trust that the industry will welcome this assistance and hope that the committee does, too. I am happy to take questions.

The Convener: Thank you, cabinet secretary. Do members have any questions?

Alex Fergusson (Galloway and West Dumfries) (Con): Good morning, cabinet secretary. I have a practical question. I understand that the units have a shelf life of five to seven years. What is the financial position once they reach the end of their useful life? Is it up to the vessels to replace them at their own cost? Do we know what the situation will be in five to seven years' time?

Richard Lochhead: I cannot pre-empt the decisions of future Governments and the budgets that might be available to them, but I expect that the industry will have to pay for the devices several years down the line.

Alex Fergusson: Is that the case for the larger vessels that have already been fitted with the devices?

Richard Lochhead: I think that they have all paid for their own devices. I am trying to work out the timescale. The devices were first introduced in 2004, so they will have paid for their own replacements.

Alex Fergusson: That is fine. I just wanted to know that. Thank you.

The Convener: Does Margaret McDougall want to ask a question?

Margaret McDougall (West Scotland) (Lab): It was the same question.

The Convener: There are no further questions, so I thank the cabinet secretary for that.

We move to agenda item 5, which is consideration of motion S4M-04544. The committee is asked to recommend approval of the Fishing Boats (Satellite-tracking Devices) (Scotland) Scheme 2012. The cabinet secretary will move the motion, and a debate can take place if required.

Motion moved,

That the Rural Affairs, Climate Change and Environment Committee recommends that the Fishing Boats (Satellite-tracking Devices) (Scotland) Scheme 2012 be approved.—
[Richard Lochhead.]

Motion agreed to.

The Convener: The committee's decision will be confirmed in our report.

Draft Budget Scrutiny 2013-14

10:09

The Convener: Agenda item 6 is our final evidence session on the Scottish Government's draft budget. I welcome the cabinet secretary—again—and his accompanying officials: Jonathan Pryce, director, rural environment; Linda Rosborough, from Marine Scotland; and David Burns, deputy director, agriculture and rural development. I invite the cabinet secretary to make brief introductory remarks.

Richard Lochhead: Thank you for giving me the opportunity to do so. As I hope that the committee is aware, the Scottish Government's purpose is to focus on creating a more successful country, with opportunities for all Scotland to flourish through sustainable economic growth. My rural affairs and environment portfolio is key to protecting our environment and to supporting and developing rural Scotland.

Our overarching aim is to grow the rural economy through five key priority areas: community empowerment; improving rural connectivity; building up our world-class food and drink industry; supporting renewables; enhancing our natural resources and tackling climate change; and investing in research.

The spending review, the draft budget and the Government's economic strategy and programme for government all reflect and support our purpose. Wherever possible, we are taking action to ensure that everyone who lives and works in a rural area contributes to and benefits from a strong, cohesive Scottish economy. However, delivery of our purpose at a time of significant cuts in public expenditure is a challenge.

We continue to press the European Union on the new common agricultural policy and plans for transition. The EU has been slow to engage, which has been frustrating, but is starting to engage. Contingency plans for transition are being developed, given that a gap between programmes is likely in 2014. Work includes the determination of priority areas for funding using domestic resources, if that is required—we explored that issue when I appeared before the committee a few weeks ago. Consideration of the need to manage the Scottish rural development programme co-financing rate is important, to ensure that we balance the budgets and utilise all the EU funding.

Last year, I doubled our food and drink industry budget. I have ensured that that funding will remain in place. The funding is making a huge difference to our food education agenda and will help our food and drink producers to take advantage of the opportunities that are presented

by the Commonwealth games, the Ryder cup and homecoming 2014.

It is essential that we empower communities. I intend to deliver in that regard in a number of proactive ways, including through the new Scottish land fund and the land reform review group.

Rural connectivity is essential if we want to ensure that there is flexibility in relation to living, working and doing business in Scotland. Our commitment to establish a next-generation digital fund, with a particular focus on rural and remote areas, is crucial in that regard.

We recognise the economic opportunities that the renewable energy sector brings. We have redirected resources and capacity to offshore energy, creating new licensing and planning teams, with scientific support, to help to facilitate the growth of industries that are important for Scotland's future. I have protected our science and research capability, including in the context of strategic research on rural and environmental issues, which will continue to provide highly skilled employment in Scotland and research outputs that support sustainable use of our natural resources, innovation and economic growth.

I will continue to work hard to ensure that Scotland's voice is heard as we take forward many important policies to help rural Scotland and coastal communities. That includes getting the best deal that we can get for Scotland's farmers and fishermen in the on-going European negotiations, which is hugely important, given that farmers and fishermen are often the mainstay of fragile rural communities. In 2011-12 we paid more than £0.5 billion in EU funding to more than 20,000 producers through the single farm payment and Scottish beef schemes and a further £7 million through the European fisheries fund.

Although we must make savings across the portfolio, as is the case in all Scottish Government portfolios, we have limited the impact in areas that are crucial to our continued success, where we have been able to do so. We are all aware that the budget settlement has been difficult. However, it will deliver good outcomes for rural affairs, the environment and climate change.

I am happy to take members' questions.

The Convener: Thank you. In the context of sustainable economic growth, it would be helpful to understand the extent of poverty in rural areas. We have the index of multiple deprivation, but there has long been a call for some kind of rural deprivation index and work to underpin our knowledge of how poverty is being tackled.

10:15

Richard Lochhead: You are right that a debate has been on-going for many years. There are many instances of hidden rural poverty, which is sometimes not as clear to the eye as it is in many communities in Scotland.

These issues have to be looked at across all portfolios. As you can imagine, as the Cabinet Secretary for Rural Affairs and the Environment, I am involved in many discussions with my fellow Cabinet members. I welcome, for example, the recent investment in rural housing that will flow from the capital investment in housing thanks to John Swinney's efforts to switch more than £600 million of resource into capital expenditure, which will help to fund the building of more housing across Scotland. I pay close attention to the issue across the Government.

In terms of my own portfolio, I outlined some of our priorities for supporting the rural economy in the times ahead. I support finding ways in which people can afford to live and work in rural Scotland. That is crucial to our connectivity agenda. There is growing evidence that people are moving from rural areas to urban areas because of better connectivity. For example, it is clearly easier to run a small business in some urban areas as a result of better connectivity.

That is why I am pleased that, after discussions between myself and fellow Cabinet members, the new funds that we have presented for improving connectivity in Scotland, which amount to hundreds of millions of pounds, will place an emphasis on the 10 or 15 per cent of premises that are not benefiting, or have not benefited in the past, from better connectivity. We will work our way out from rural areas towards urban areas and hope that the commercial sector improves urban connectivity. We want to ensure that public funding is directed towards the more rural and remote areas of Scotland. We pay close attention to the issue.

I am happy to write back to the committee on where the debate on the indicators has reached. It is not an easy issue.

The Convener: Indeed.

Richard Lochhead: There are many different indicators for measuring rural poverty and, indeed, defining rural communities. To some extent, that is dictated by European as well as domestic legislation. I am happy to write to the committee to summarise the situation.

The Convener: I have a brief supplementary question on that point. Do you have the staff to pursue such research internally so that we can have a clearer picture about poverty, its complexity and so on?

Richard Lochhead: I hope so. We have been reducing the Scottish Government's payroll over the past two or three years, just as the private sector has had to do across Scotland—we have had to face some of the same challenges. The information that I give the committee will be compiled by our research and analytical directorate, so I hope that we have staff resources staff in place to give us that information.

The Convener: Thank you. That sets us up for a number of questions. The new member of the committee, Nigel Don, will ask the first question.

Nigel Don: Thank you, convener. I am in at the deep end at my first meeting as a full member of the committee.

Good morning, cabinet secretary. I would like to look at the very high-level aims of the budget. To what extent can you measure sustainable economic growth, particularly in the context of the rural environment? I compare and contrast that task with the task of measuring what is happening in Glasgow, where there are some obvious surrogates because it is a relatively clearly defined place and there are relatively clearly defined activities. The difficulty, which we are all aware of, is that the rural community is the spaces around places such as Glasgow, so it is difficult to find surrogates. To what extent can you measure, in general economic terms, sustainable economic growth?

Richard Lochhead: That is a good question—of course, there is no easy answer to some of these questions.

I tend to look at the success of our portfolios in achieving sustainable economic growth in rural communities in two key areas. First, there is the impact of our spending plans, which I will come back to in a second. Secondly, once a year we publish rural facts and figures, which I am sure the committee takes an interest in. The findings are generally that people living in rural Scotland are happier and have a better standard of living, and that there are many positive factors about living in rural Scotland—less fear of crime, for instance. We need social attitude surveys of rural Scotland as well as economic surveys. There are positive signs in rural Scotland. According to economic surveys, many of our key rural sectors are performing well—for example, the forestry sector is looking up. We must pay attention to what rural Scotland is telling us.

We look across the board at the impact of our spending plans—we do not just look at forestry. The food and drink sector is Scotland's best-performing economic sector. We should just think about that for a second: as we meet in this committee meeting, the best-performing economic sector in Scotland is the food and drink sector. It is

delivering significant benefits to rural communities, particularly our primary producers, notwithstanding the many challenges that they face.

Other primary production sectors are doing quite well in comparison with previous years. For instance, forestry had a record timber harvest last year and there are signs of significant investment in the forestry sector in rural Scotland. All areas of primary production are doing quite well economically, notwithstanding the challenges that they face, particularly the weather and high input costs.

In the rural development programme, we are focusing on job creation, where we can. As the committee will know, we brought forward a lot of the capital expenditure in previous years for job-creation purposes, and thousands of new jobs have been created with that expenditure.

Those are generally the measurements that we take into account, but the question is always open ended. What we are trying to do is focus our spending plans more than ever before on sustainable economic growth. However, my portfolio also covers the environment. Some people may argue that environmental expenditure does not create jobs, but I would argue that it does, because many of the successful sectors that we have in rural Scotland are underpinned by our natural environment. Therefore, we must protect the environment in order to protect Scotland's economy, and we indirectly help the economy by investing in the environment.

Nigel Don: If I might, I will pursue the point. I am not surprised by the cabinet secretary's answer, which I respect, but of course the food and drink industry is easy to measure because it finishes up with a balance sheet showing profit and loss at Companies House. I suggest that such sectors are not only easy to measure but reliable.

I guess what is worrying me are the other things that go on in the community and whether we have any kind of metric as to how small rural communities are doing as communities. Is there any exercise that is looking at them? We could take a small rural place—I do not want to pick out one in particular—and, over a year or two, look at how that place is developing. In that way, we could see what the economics of one of our small rural communities looks like. Has anybody ever tried to do that?

Richard Lochhead: The Scottish Agricultural College, which has now become Scotland's Rural College, published the report "Rural Scotland in Focus 2012", which looks at the state of many of Scotland's rural towns. It highlighted many of the challenges facing some of our towns, and those that they will face in the future. The indicators show that rural Scotland perhaps has a higher

quality of life and a higher standard of living, but—to come back to Rob Gibson's first question—there are many hidden challenges, and there are fragile rural communities in Scotland. I am trying not to come across as complacent by saying that the indicators show that there is good, healthy economic activity across rural Scotland as a whole. However, we all know that within that there are many pockets of deprivation and that some of our communities face many significant challenges.

I recommend the SAC report to Mr Don. I will be speaking on the report at a reception in Parliament—this evening, I think—so he has the opportunity to go along and learn more about it. We support a lot of research into towns, communities and villages across rural Scotland so that we understand their economic and social challenges.

Graeme Dey: You have talked about job creation. How does the modern apprenticeship programme fit into that? We need an appropriate rural workforce and we need to ensure that rurally based young people see a future in rural communities.

Richard Lochhead: That is a good question. We are addressing the issue in two areas. To encourage the use of apprenticeships in rural industries, we will hold a rural skills summit in Oban on Monday, so your question is timely. Angela Constance, the Minister for Youth Employment, and I will attend the summit, at which we will bring together rural sectors to look at the wider debate on how we can encourage rural industries to employ more young people and create more apprenticeships.

The irony is that, although many of our rural sectors are doing quite well, attracting young people to join them is a challenge. However, the numbers of applications to rural colleges are at record levels, which is a good sign. That shows that more young people want to get into rural sectors.

We will focus on the issue on Monday. I did not know that you would ask about it but, as you did, I have been able to mention the summit.

We are making a significant effort to encourage Government agencies such as the Forestry Commission Scotland, the Scottish Environment Protection Agency and Scottish Natural Heritage to take on apprentices when they can. I have met young apprentices at the Forestry Commission and it is encouraging to speak to such young people. We are doing all that we can to encourage the use of apprenticeships in rural sectors and we are making good progress.

Even representatives of machinery rings in the agriculture sector have spoken to me recently about what they want to do to take on more

apprentices. That is one reason why we wanted to hold the rural skills summit. There is a lot of appetite in rural sectors to take on more apprentices.

Claudia Beamish (South Scotland) (Lab): Good morning, cabinet secretary. I will build on questions that committee members have asked. We all grapple with how hard it is to measure aspects of life in Scotland that relate to the economy and those that are more to do with quality of life, which you highlighted and which are important, as you know.

A members' business debate was held on the humankind index, and the Scottish Government has its national performance framework. To what extent are the outcomes that they and the natural capital asset index show taken through into policies? I know that members will ask questions about the SRDP later. Is there a process for taking such outcomes and measures through to that policy? If not, is it hoped that that will happen in the future?

Richard Lochhead: One reason why the Government put in place the national performance framework when we were first elected back in 2007 was that we felt that measures were lacking. We looked at what was happening elsewhere in the world and we were inspired by what some countries and US states were doing in having a performance framework to measure success against and to make performance transparent. It means that the people of Scotland can have at least some idea of whether we are making progress in areas and of where the challenges lie.

My portfolios have a reasonable track record under the national performance framework. We are making progress on cutting Scotland's waste and we are making progress, or at least holding our position, on protecting areas such as special areas of conservation and habitats. However, on issues such as biodiversity, we are not making progress. That is out there and transparent for Scotland to see. The lack of progress on the indicator in the national performance framework on protecting biodiversity reflects the situation in every other European country, so it is clear that how we protect biodiversity is a Europe-wide challenge.

On the one hand, we have made progress, but on the other hand, there is a lot more to do. SNH publishes quite good statistics on Scotland's natural capital, and we could do more to relate that to our spending plans. I am open to the committee's views on how we do that. How we link our country's natural capital with our economic and expenditure plans is very much a 21st century debate. I agree that it is a big challenge.

10:30

Claudia Beamish: Some of the measures that you have highlighted have been more successful than others. I take on board the point about biodiversity, which is a challenge for everybody. Is there a way in which a member of the committee or anyone anywhere in Scotland can see where the throughput is? For instance, could they use the SRDP or anything else that you have talked about to understand how the funding, the work and the measured assessment link to future policy?

Richard Lochhead: Yes, I am happy to make that happen and will get back to you with a proposal. We could continue that debate for a very long time. One of the biggest challenges that I have found with the SRDP is that although we spend significant parts of the budget on agri-environment schemes that deliver benefits, and that can be seen and measured, it is sometimes more challenging to measure the benefits.

A debate is going on in Europe about future SRDPs, or the rural development regulation, and whether there should be a minimum spend of 25 per cent of the SRDP on agri-environment schemes. My view is that before Europe makes a decision on the issue, we should understand whether those schemes are actually delivering. If we are going to spend 25 per cent of pillar 2 of the new CAP on agri-environment schemes, we need to understand whether they are making a difference to the environment. At a time of climate change, there are some areas in which we could throw hundreds of millions of pounds at budget headings but climate change would just sweep everything away. I have raised that issue with the committee before, and I have raised it often with my UK counterparts as well as with the Commission in Brussels. However, I do not feel that Europe has got a handle on that yet, so it is an area that is worth exploring further.

Margaret McDougall: Good morning, cabinet secretary. Let us go back to sustainable economic growth within the portfolio. Where do you think that the portfolio is performing best? Where are we getting the best return for spend, and where are we getting the least return? Do you think that we are getting the balance right on that spend?

Richard Lochhead: Whether we are getting the balance right relates to Claudia Beamish's question, because if we do not fully understand the impact of all our expenditure, we cannot take a view on that. As I said in response to the previous question, there is still a bit more work to be done on the impact of environmental expenditure.

Nevertheless, we do have views on the impact of our expenditure at the moment. The rural development programme delivers a good return through the rural priorities because we give

support that attracts private sector investment. That applies not only to the rural priorities within the SRDP, but to the European fisheries fund, where our delivering £X million of support attracts tens of millions of pounds of private finance. The match funding that comes from the private sector is used for projects that take place all around Scotland. In the future, we need to focus more on whether that is creating jobs, but the investment still benefits the rural economy. If we give a 40 per cent grant to incentivise private sector investment, that delivers hundreds of millions of pounds to the rural economy, whether through the European fisheries fund or through the rural priorities in the SRDP. I feel that those are some of the most valuable measures that we support.

The most obvious example at the moment is the food and drink industry. We have protected our food grants and have doubled our food budget. There are two areas of support for food and drink in Scotland in my portfolios. One is the capital grants, which we protected under the SRDP, and the other is the overall food and drink budget, which we have doubled and which supports a range of initiatives across Scotland.

We put a huge emphasis on that budget to support local economies. We put a lot of effort into supporting bottom-up economic development through local food and drink initiatives that are based around towns and villages in Scotland. In the past fortnight, I announced an extra £2.5 million towards that. The initiatives could involve food and drink networks being set up in towns and villages or other communities, or they could involve supporting individual events and festivals, such as T in the Park, to help small producers take part in bigger events. That approach to encourage bottom-up economic development and to support small local rural economies is important.

Margaret McDougall: How sustainable are those projects? It is good that we fund them initially, but will they have to come back continually for further grant funding?

Richard Lochhead: The challenge for all those projects is to become sustainable. Empowering communities to strengthen local economies, which is a big pillar of our rural development policy, can be done through food and drink grants or capital grants for other rural businesses through the rural priorities in the SRDP. I think that the projects are fairly sustainable but, if we support a food and drink project for three years, it will face the challenge of becoming sustainable for the future. That is always a challenge, but I hope that, given the food and drink revolution that is happening in Scotland, by encouraging people to buy more locally and encouraging local hotels and restaurants to source more locally, that will become a sustainable model for the future.

Another way in which we support the empowerment of rural communities is through community benefit from renewable energy projects. We support rural communities to take more ownership of or more of a share in renewable energy projects, thereby giving them an income stream for the next 20 years or so. That is a sustainable model and it is a really good news story in many rural communities.

I guess that what I am trying to say is that, in a rural community where a local food and drink initiative is supported; where the LEADER programme supports local infrastructure projects and other initiatives; and where there is ownership of renewable energy resources, that helps bottom-up economic development. There are fantastic models of that across Scotland. That is a really good news story, and we must support more of that in future through the SRDP and other policies such as our renewable energy policy.

Margaret McDougall: So the projects will be expected to be self-sustaining.

Richard Lochhead: Yes.

Claudia Beamish: It is encouraging to hear about the connections within communities and between farmers and local producers, and even that we are reaching out to the cities through allotments and all that. That is heartening.

I want to push the discussion on sustainable economic growth a little further, on the back of Margaret McDougall's question. WWF Scotland states:

"The National Performance Framework provides a good basis to help integrate spending decisions to deliver a flourishing sustainable Scotland."

I stress the word "integrate". Do you agree that focusing on sustainable economic growth alone risks undermining the potential to deliver on the broader outcomes that you have been discussing?

Richard Lochhead: There is always a balance to be struck between supporting the economy and at the same time protecting the environment. That goes to the heart of the debate. That is why the Government has put an emphasis on sustainable economic growth. We believe that we can create tens of thousands of jobs through clean energy and through some of the initiatives that we have been discussing. That balance can be struck and is being struck. Decisions always have to be taken in allocating budgets and trying to strike that balance, but the Scottish Government is doing things differently. In 2007, we specifically put in place the purpose of achieving sustainable economic growth, backed up by the national performance framework. Although I totally agree with WWF Scotland that we must continue to build on that, we are much further forward than we have ever been before.

I return to my previous theme, which is that protecting Scotland's natural environment underpins economic growth in Scotland. Protecting our natural environment, cleaning up our water and so on is sustainable economic growth, because jobs depend on that.

Graeme Dey: As far as good news stories and striking a balance are concerned, from the evidence that the committee has taken so far it seems that the national park authorities lead the way on delivering sustainable economic growth. That can be fairly readily assessed. Do the park authorities offer an example that could be followed—albeit in a tweaked manner—in other areas?

Richard Lochhead: You will have to clarify that question for me. Are you asking whether the success that the national parks are achieving could be replicated in other areas?

Graeme Dey: Yes.

Richard Lochhead: My initial response is that that shows the benefit of empowering communities. Clearly, the national parks play a role in their areas in helping to empower local communities. We cannot have national parks everywhere in Scotland, so we are finding other ways of empowering local communities elsewhere, which we have just debated in relation to some of the previous questions.

I would like to move towards a place—I think that Nigel Don referred to this—where we can empower villages and towns throughout Scotland to have more control over their destinies and have far greater input into economic development in those areas. In Scotland, that means that we have to work with our local authorities and ensure that all our European funds and other Scottish Government financial mechanisms are aligned to achieve that. I tried to give some examples of where the Government is trying to do that, such as our renewable energy policy, our food and drink policy, and the SRDP and its rural priorities. We are trying to align all those things—including the European fisheries fund, of course—to empower communities to have more of a say over their future.

The good practice in the national parks is being replicated in the rest of Scotland and I think that we just have to keep supporting it.

The Convener: Claudia Beamish wants to ask a question that is perhaps another one about how we measure things.

Claudia Beamish: Thank you convener, but I have had the answers—they have been covered.

The Convener: So, if we are happy, we will discuss measuring the inequalities and equalities issues. Do you know whether your budget will

have an adverse effect on any people with equality characteristics?

Richard Lochhead: Across the Government we have an obligation to take equality issues into consideration. That applies to the SRDP, for instance. My short answer is that I am relatively confident that we are taking on board equality issues. If anyone has any alternative view, we would clearly be happy to investigate it.

The Convener: The question was a kind of wraparound to the beginning of the session, when I started on the rural poverty index. It is important that we know the answer, so that the whole Parliament can consider these things in its consideration of the budget.

Claudia Beamish: I will push further on that question in relation to the nine protected characteristics—although I will not ask you to go through all of them, cabinet secretary. How is your department looking at some of those characteristics, particularly regarding people in rural areas who suffer or could suffer inequality, such as older, young or disabled people? As the convener said, we have a responsibility to them and we have a responsibility to report, in relation to the equalities statement.

Richard Lochhead: The Government has to work within an overall framework—which we take very seriously—which is about equality proofing all our expenditure plans. Equality also features in how we approach policy.

Connectivity was one issue that I mentioned earlier and the digital divide is an issue that causes me serious concern in rural Scotland. It can be a demographic issue or a geographic issue. That is one example where we take our obligation to achieve equality very seriously—we need to close that digital divide.

10:45

Claudia Beamish: Has your department looked at rural affairs in relation to other protected characteristics, such as age or disability? How is the portfolio looking at those challenges?

Richard Lochhead: All our funding mechanisms have to be checked for equality issues as a matter of course. That is mainstreamed across all our expenditure plans and I am happy to write with examples of where that happens.

The Convener: We now move to a series of questions about the details of the SRDP. Graeme Dey will start.

Graeme Dey: Cabinet secretary, there are a range of views on how the next SRDP might be shaped to deliver maximum sustainable economic

growth. Can you outline your thinking on the subject and give us an understanding of whether we can expect a significantly reshaped SRDP?

Richard Lochhead: Yes—I greeted the statement that we are now going to discuss the details of the SRDP with some trepidation. However, we have discussed the debate over the next SRDP before and it is well under way. A lot of engagement is planned with all the rural stakeholders to work out what we want as the next SRDP in Scotland. We also have negotiations with Brussels on the parameters of the next SRDP.

My view remains that we have to find ways to be more focused in the future—not only on the number of objectives that the SRDP might want to deliver for Scotland but on the outcomes that we want to see and how we want those to be delivered. We have been discussing sustainable economic growth and job creation. Given the state of the economy in Scotland and Europe at the moment, we want to have more focus on job creation and we want to target expenditure where it will support more economic growth across rural Scotland. That will also help with the bureaucracy of the scheme. We all recognise that although we need an element of bureaucracy for substantial grants of public money that go to businesses or individuals, which we must have audited and checked to ensure value for money, a lot of bureaucracy has been associated with the existing programme.

There are a couple of reasons for that bureaucracy. First, Europe makes us jump through a number of hoops before we can fund particular schemes. We are trying to persuade Brussels that we must lessen the amount of bureaucracy. It is costly for us to fund and it is difficult for customers—for the people who are applying for the funds in the first place. The second reason is how we deliver the SRDP in Scotland, which also influences the amount of bureaucracy; it is not just about Europe. Those are the issues that I want to address.

I laid out five or six priorities that underpin our rural development strategy at the beginning of the conversation. We must focus the SRDP more on those particular priorities.

Graeme Dey: On what you are doing with Brussels to press it to cut bureaucracy, what sort of feedback are you getting? Do you have support from other countries?

Richard Lochhead: Yes, we have—I am trying to remember the name of the group of senior civil servants who meet and discuss with the Commission the implementation of the SRDP. David Barnes is heavily involved in that aspect, so he can explain what we are doing to try to get across to the Commission the phenomenal level of

bureaucracy and the fact that it makes things very difficult and costly.

David Barnes (Scottish Government): Yes, in addition to the formal negotiation structures—the Council of Ministers and the groups of officials that sit behind it—a group called the learning network has been in existence for some years now. It was an initiative of the paying agencies in some of the member states to come together and learn from one another—hence the name. Over time, it has developed into a group that has been able to come up with recommendations to put to the Commission. The idea is that those recommendations come from the practitioners and that that gets over the difficulty that clever policy officials in Brussels think up great ideas without paying enough attention to the delivery aspects of their proposals.

The learning network has grown over the years—more and more member states have joined it. It is a forum, additional to the formal negotiating mechanisms, through which the member state practitioners can try to open the Commission's eyes to the bureaucratic implications of its proposals.

It is fair to say that it is quite hard going with the Commission, which takes its role as guardian of European public expenditure extremely seriously and tends to start with a rigid line. However, that makes it all the more important that the paying agencies can come up with the evidence to demonstrate that they can deliver better outcomes with an equally safe protection of public money through streamlined systems.

Graeme Dey: To what extent do the ideas and proposals to which you have referred fulfil the committee's, the cabinet secretary's and Scotland's aspirations?

David Barnes: Scotland participates in the learning network and feeds directly into the proposals. We find a high degree of consensus. As a policy official, I am perhaps treading on the territory of my delivery colleagues, but my understanding is that there is a high degree of consensus because the delivery issues that we face in Scotland have much in common with those that other member states face—for instance, how to do accurate mapping or meet the Commission's audit requirements. There are, of course, local particularities, but there is a high degree of commonality.

Alex Fergusson: I wish David Barnes and his colleagues on the learning network every success as they try to shape future thinking and bureaucracy. I have many constituents who understand the need for scrutiny but would greatly welcome some simplification of how it is gone

about. Good luck, and thank you for the explanation, which was helpful.

The cabinet secretary mentioned the agri-environment schemes, which are a major part of the SRDP. He mentioned the increasing pressure to increase the amount of money within the SRDP that is given to agri-environment schemes. He also mentioned the understandable difficulty in measuring the effectiveness and sustainability of some agri-environment schemes. I fully understand that some are easier to measure than others.

We have heard a number of views on people's preferences for the shape of future agri-environment schemes. Some are focused on individual schemes and others suggest that a number of partners could be taken on in a catchment area. Does the cabinet secretary have any views on which of those suggestions is easier to measure? Does he have any preferences for more narrowly focused or widely based agri-environment schemes in the next SRDP? What are his thoughts on that general area?

Richard Lochhead: I do not pretend to have a fixed view on that, but my initial thought is that there have been some good collaborative projects throughout Scotland. I spoke to a group of crofters in Lewis who had a joint agri-environment scheme. It was easier for them to access the scheme by doing that, because it clearly met the criterion of having an impact. It is probably also easier to measure the impact of such a collaborative scheme.

I am attracted to supporting such schemes in the future and feel that it might be a better way to move forward. However, agri-environment is simply a heading that covers many different scenarios, conditions and geographical criteria throughout Scotland, so there will always have to be a degree of flexibility.

We certainly have to have the debate. I would be interested to hear the committee's views on whether we should go for collaborative schemes that involve many businesses, farmers and crofters or should continue to receive thousands of applications and hope that they add up to a big impact throughout Scotland.

Alex Fergusson: Thank you. You said that you are beginning to think that your focus for the next SRDP would be on job creation—I think that you referred to economic development. Would that also be your thinking in relation to the agri-environment schemes in the SRDP?

Richard Lochhead: Again, we must maintain flexibility, because we must face up to lots of environmental challenges. Protecting our environment underpins our economy, so we must always achieve a balance in that regard. However,

even within rural priorities, never mind agri-environment budget headings, we could do better on job creation. A guiding principle that we must perhaps stick to more when we prioritise applications in future is to give more focus to those who create jobs and support sustainable economic growth.

The Convener: Does Jim Hume want to ask something on this?

Jim Hume (South Scotland) (LD): Yes. Good morning, cabinet secretary. Forgive my Hallowe'en metaphor, but perhaps the monster in the room is the fact that if we do not have a new SRDP by 2014-15 and a new CAP, as we have discussed previously, that will have strong implications, because we will not get European Union funds, which will mean that the Scottish Government will not be able to provide co-financing. Have you estimated how much it could cost Scotland in 2014-15 if no contingency plans are agreed at any level? If so, how much would it be?

Richard Lochhead: We have looked at what we might be able to make available under the parts of the SRDP that we would want to keep open. I think that I explained to the committee previously that we would want to ensure that the less favoured area support scheme continued for 2014, and we would want to continue support for the forestry sector, the food processing sector, new entrants, agri-environment schemes and the LEADER programme.

Because we have a parallel negotiation going on with Brussels, we are trying to ensure that co-financing is available through a bridging mechanism. Every country faces the same challenges, and we want Europe to deliver on that—it is important that it does. I do not have set, allocated budgets at the moment, but we are confident that we will be able to allocate funding under each of the headings that I indicated. That will be done initially through domestic funding in the budgets for 2014, despite the timing of the arrival of European funding and even though there might not be an SRDP in 2014. For instance, I am told by officials that despite the time lag in calling down European funding, we would still be able to fund 2014 LFASS payments. So, by the time that the funding was due to be called down from Europe, the SRDP would not be in place but the budgets would be in place and we would be able to manage.

We are therefore trying to be outcome focused and ensure that LFASS is delivered. We are confident that that will happen, irrespective of what happens with the EU negotiations. We have domestic funding in the budgets, which would have had to be there in any case, which we will allocate to keep the schemes open.

Jim Hume: Apparently there have been significant delays in SRDP payments to constituents. Is there a particular reason for that, whether staffing, budget flows or whatever?

Richard Lochhead: The timescales for deciding applications have improved over the past couple of years. I do not have the statistics in front of me, but they are somewhere in my papers and I will ensure that the information is sent to you. I can give you an example just now. We have improved the performance of the capital claims from 88 per cent of claims being paid within the 90-day target period to 94 per cent in 2011. Therefore, there are examples of improvements.

The reason for delays in paying out is because we must audit the applications before we pay the money, and we often find that applicants have not met the audit conditions, and that must be fixed before we can pay out the money. I am not saying that we cannot improve things; we have managed to improve some of the payment timescales. However, applicants often do not meet the criteria, and until they do so there is a delay before we can pay out the money.

11:00

Jim Hume: Do you have figures on that?

Richard Lochhead: I can tell you that a recent survey showed that in one week staff had to follow up 13 out of 15 capital claims that they received, because only two applications met the requirements. Perhaps there is a communication issue for the Government in getting across the criteria that applicants must meet, but I think that the committee will accept that delays are not necessarily the Government's fault in all cases. Given that only two out of 15 applications met the criteria, officials had to follow up the other 13 applications, discuss with the applicants the European requirements that they must meet and ensure that the requirements were met. Such work can take months.

Jim Hume: You talked about two out of 15 applications, but there must be hundreds if not thousands of applications. Do you have facts and figures on the causes of delays? For example, are 80 per cent of delays to do with audit?

Richard Lochhead: I will send the committee some information. I do not deny that there are computer glitches and delays. I will get statistics to you on the causes of delays and the progress that is being made.

Jim Hume: Thank you.

The Convener: That would be useful.

I think that the recipients of SRDP payments are made known publicly.

Richard Lochhead: Yes.

The Convener: In contrast, individual recipients of the single farm payment are not publicly made known. I assume that our continued position is that we want the information to be published. Is there movement in Europe towards such an approach?

Richard Lochhead: Yes, there is. The issue was on the agenda at last week's agriculture and fisheries council, and the Scottish Government expressed support for such an approach. There is a principle in that regard, in that public funding—over a certain amount, at the very least—should be transparent. The Commission proposes transparency in single farm payments. I have to say that a number of states around the table opposed increased transparency. A vigorous debate is going on in the Council of Ministers.

The Convener: Which states opposed increased transparency?

Richard Lochhead: Not the UK. The UK agrees that there should be greater transparency. I am not sure of the geographical split, but I think that a number of eastern European states thought that there was no need for transparency and opposed it—but it was not just eastern European states. I will be happy to give you that information.

The Convener: The matter is of interest, given how things develop. My question was not aimed at particular states.

Alex Fergusson: Given that the convener brought up single farm payments, may I ask a question, which relates to the flexibility in the SRDP that the cabinet secretary talked about? An issue that is often raised with me is that where there is any question over a claim for a single farm payment, the recipient goes to the back of the queue for payment while his claim is investigated. In some cases, that causes quite a severe cash-flow problem, as I am sure the cabinet secretary understands. In future, when a claim is questioned, is there likely to be the flexibility to pay a percentage—say 80 per cent—of the claim, with the rest pending further investigation? Is such an approach being considered?

Richard Lochhead: The issue has been raised with us. I will get back to you on where we are in those discussions, if the committee is happy for me to do so.

Claudia Beamish: As you know, NFU Scotland has expressed concern about delays in payment, particularly in the context of input costs over the coming winter, following the difficult harvest. I associate myself with what Alex Fergusson said about the possibility of paying 80 or 90 per cent of a payment if a specific issue, such as a mapping issue, needs to be resolved, rather than sending the applicant to the back of the queue.

You asked whether committee members had views on whether the SRDP criteria should be shallow. I know that there have been examples of crofters working together, but it has been drawn to my attention by Forth and Clyde NFUS how essential it is in my area and in other places that small farmers be able to put in applications together. That is important not just from the point of view of the costs and complexities of the application process, which we all hope will be resolved to some degree, but in relation to flood management—which could be done by a range of farmers working together—the development of biodiversity plans and water quality. Do you have any comments on that?

Richard Lochhead: I agree that we should somehow link the level of bureaucracy to the size of the payments. That would make sense. For example, there would be a case for reducing the level of bureaucracy associated with an application by a group of small farmers who were working together on a flood management scheme, as compared with the level of bureaucracy associated with an application for a significant grant to a single farming business elsewhere.

In relation to your and Alex Fergusson's point about paying part of the single farm payment to help with cash flow while we investigate discrepancies in the meeting of the conditions, we must account for public money and we do not want to pay out only to have to claim back. It is a question of balance. I think that we would all agree that we must guard against applicants making claims that are not justified. If we paid out 90 per cent to an applicant when they were entitled to 0 per cent, we would have to claim that back, which could be quite problematic. We must balance those considerations. In the case of a minor infringement, it is something that we should look at.

Claudia Beamish: I do not know the exact figures, but it is my understanding that the majority of outstanding concerns are resolved. Although I am aware that there is an audit process, for which the Scottish Government is accountable to the EU, in the majority of cases such issues are resolved. That provides support for the argument that farmers should be paid 80 or 90 per cent of the money.

Richard Lochhead: I might send the committee some figures on how many people have their payments withheld. There is often a perception that many farmers are affected, when only a small number are. Our inspection staff go to great lengths to be helpful and proactive so that farmers avoid having their payments withheld. We are talking about a tiny minority.

Alex Fergusson: When you send that information to us, could you include information on

the number of delayed claims that would have necessitated repayment had money been paid out—in other words, on the number of delayed claims that are not agreed, ultimately? That would be useful.

Richard Lochhead: I will do my best.

The Convener: I want to return to a question about income that I asked the Minister for Environment and Climate Change, Paul Wheelhouse, last week. It relates to the EU emission trading scheme and the potential auction of phase 3 emission allowances before the end of this year. Do you have any further information to provide on the question that I asked last week?

Richard Lochhead: I understand that Paul Wheelhouse will write back to the committee with more detail on that. As far as I understand it, the emission trading scheme and the auction process are reserved to the UK Government, so there are no Barnett consequential. However, it is fair to say that the auction is a revenue-generating mechanism for the UK Government—it gets tens or perhaps hundreds of millions of pounds every time there is an auction—so I am sure that the committee will want to shine a light on the matter. Paul Wheelhouse will write back to the committee with more details but, as it is a reserved issue, it has no impact on the Scottish block.

The Convener: We will await that answer.

We will change the subject and move on to the issue of research.

Nigel Don: I return to the basic question about what we measure. It is generally difficult to measure the value of research, although I suspect that it is slightly easier to do so in the agricultural environment than it is with more esoteric subjects. To what extent can your department measure the output of our research establishments? Should those establishments get more money, given that they are, I suspect, remarkably effective at improving economic growth over time? Can we justify more expenditure on research, although that might sound counterintuitive to most people?

Richard Lochhead: I am keen on ensuring that the funding that we give our research institutes results in better economic growth for Scotland, and I have discussed that with the institutes. That tends to happen in a couple of ways. First, the management framework that we have in place with the research institutes puts an emphasis on generating commercial activity and ensuring that their priorities are aligned with our economic strategy for the country. Secondly, the funding that we allocate to research institutes generates private sector funding in Scotland. The Moredun Research Institute or any of our other institutes—the Moredun is not ours, but we give it funding—can provide lots of evidence of the money that

they attract into Scottish research as a result of the seed funding from my portfolio's budgets. Therefore, that is clearly delivering an economic benefit for Scotland.

We need only look at the developments on potato and berry varieties that are now being deployed elsewhere in the world to see how research can generate income for our research institutions and commercial spin-offs from those institutions. There is plenty of evidence of economic activity. In the past few years, I have gone out of my way to put more emphasis on that. I am trying to align our institutes' research priorities with Scotland's needs. Whether in the area of climate change or agriculture and food research, a lot more is happening to align research with Government policy to promote those sectors.

Nigel Don: Your response shows that you share my enthusiasm for what is happening, but I return to my basic question, which is whether we are doing enough. If research is as cost effective as I think it is, perhaps we should do more, because it works well.

Richard Lochhead: To be fair, despite the budget difficulties that we have had in the past few years in my portfolio and elsewhere, we have protected research budgets, and the research institutes have welcomed that. They recognise that we are giving them priority. We believe that environmental and rural research underpins a lot of economic activity and Scotland's reputation in a variety of areas. We protect the budget. Unfortunately, I cannot say what will happen in future or whether budgets will increase, because that depends on future budget decisions. However, I am confident that we have research as a priority.

A year or two ago, I asked for a booklet to be produced that gave lots of examples of what has resulted from Scottish research. I hope that copies of that are still available. If so, we can perhaps send one to committee members. It is incredibly interesting to find out about what has come out of the research that takes place in Scotland's institutes. It has led to new products and all kinds of things. There is lots of evidence that things are happening.

The Convener: It would be helpful to have that booklet. It would also be helpful to upgrade it to show what has been produced in the past couple of years.

Margaret McDougall: In an earlier evidence session, the NFUS suggested that it would be useful to set up an organisation of advisers to help farmers to make better use of existing research. Have you considered that?

11:15

Richard Lochhead: Do you mean an organisation of advisers to advise on research?

Margaret McDougall: No. I think that it would be so that farmers could access it to get advice.

Richard Lochhead: I remember that suggestion, which I think NFUS made about 18 months ago—it was for an advisory service, and it was very much tied up with the new common agricultural policy. The idea is partly to help the industry avoid disallowance and errors with their applications. If I remember correctly, the suggestion is that if a proactive advisory service is put in place to assist farmers, come the time of the inspections and so on they would be in a much better place to jump through all the hoops. I think that there was an issue—David Barnes may remember the detail—with whether we are able to do that under our current funding arrangements. I will bring in David Barnes, because there was an issue about the funding.

David Barnes: We have touched on what is a quite exciting but complicated area. The specific issue to which the cabinet secretary refers is the European requirement that there is clear differentiation between Government-funded individuals who are involved in the auditing and checking associated with spending public money and publicly funded individuals who give advice to farmers. Europe is very strict that we cannot have people being both the policeman and the adviser at the same time.

More widely, there is the possibility under the proposed new rural development regulation that we could spend some of the future SRDP funding on advisory activity. That has been one of the most active of the areas that we have been working on with stakeholders over the past six months.

A lot of ideas have been proposed. As the cabinet secretary said, an early idea from the NFUS about helping farmers to avoid penalties is one that is on the table. Another useful area that we could look at is improving business efficiency and helping farmers to take on board the outputs of research. Outside the SRDP, we already provide funding to the SAC—it is now the SRUC—to help farmers get access to such information, but the option to do more and possibly bring it inside the SRDP is being considered. There is a link between that and climate change, because many of the business efficiency measures that we might look at would reduce emissions. Some stakeholders are therefore encouraging us to take that option, but with a particular focus on climate change.

Other stakeholders have encouraged us to look at the advisory service as a key vehicle for

encouraging the uptake of agri-environment schemes. The argument that is put to us is that because European legislation says that the best that a farmer or land manager can get out of an agri-environment scheme is to be compensated for additional costs or income foregone, and that financial benefit from participation is not possible, land managers will be attracted to participate in schemes only if they are persuaded to do so. Those stakeholders therefore say to us that an advisory service should be out promoting agri-environment schemes.

All those ideas are on the table. As I said, we have had some very active discussions with stakeholders. As we go forward in the next few months with the cabinet secretary, we will have to turn those ideas into an outline of the shape of the next programme.

Richard Lochhead: I have an open mind on how we can support advisory services in the future. Scotland has an enviable record on advisory services for agriculture. Many other countries look with envy at how Scotland has provided such services over the past few decades. The SAC clearly has a very good reputation and it gets a lot of the credit for giving us that track record.

I flag up only two areas of debate on the original proposal from the NFUS. First, although the motivation to avoid penalties is valid, we may be constrained by European funding conditions from doing that, but the advisory service could fulfil a lot of other roles.

Secondly, we have to take into account the fact that the SAC is doing a lot of that just now. How do we relate the fact that we have an advisory service just now to having a new advisory service? We will just have to work through the best way to deliver advice in the future.

Margaret McDougall: I think that the conversation was about sharing best practice and what has come out of the latest research.

Richard Lochhead: That would be useful.

The Convener: Thank you. Let us change the subject again.

Richard Lyle (Central Scotland) (SNP): Good morning, cabinet secretary. I listened with interest to your opening remarks about rural connectivity. On broadband, we have heard how good the new-generation digital network can be, but it can also be a bind in rural areas. You have expressed your support for businesses in rural areas, but many of those businesses are finding it hard to get the service that they deserve. Some of the funding for that is in your budget. How will you ensure that rural areas and businesses get the broadband that they deserve through the new digital service?

Richard Lochhead: I very much welcome the fact that, partly in response to Westminster's delay in providing the funding—due to Westminster machinations over the previous few years, which any mobile phone and broadband provider will tell you about—the Scottish Government has now found a significant resource to promote connectivity in Scotland. As I said before, that will prioritise rural Scotland and the 10 to 15 per cent of premises that have been left behind by previous UK Governments. We can be heartened that we will see significant progress over the next few years in connecting rural communities to 21st century telecommunications. It is a big issue in my constituency, and I am sure that it is an issue in all your constituencies as well.

We have just announced the community broadband fund, which will help some specific initiatives around the country. We must encourage communities to consider their own solutions, as is happening in some parts of Scotland. There are some exciting developments where communities are coming together to come up with their own solutions for connecting homes and local businesses, and they can get some public support for that.

A lot more is happening now, and I am very encouraged by that. In my constituency, the commercial side of things is further improving broadband in urban communities but leaving the rural communities further behind so that there is an even bigger digital divide. That is why it is urgent that we do all that we can to help rural communities to catch up.

Richard Lyle: Do you have any idea how long that will take? Some people say that it will take five or 10 years. I live in Central Scotland, where the wi-fi is excellent, but during the summer I stayed in Galashiels, where the system is not good although it is only about 30 miles from Edinburgh. I know your constituency very well—a friend of mine was on holiday there last week. Do you have any idea when we are going to reach communities in the north of Scotland, including in places that people might class as very rural, and give those people a service? As you say, businesses in those areas want to promote themselves, and it is amazing how much buying is now done online—especially as we approach Christmas, a lot of people are going online. How soon can we get these services—or at least a minimum service—to people who are not getting the service that they deserve?

Richard Lochhead: The whole debate is moving on apace. Our policy is to deliver a step change by 2015 and then ensure that Scotland is up there with the best in terms of connectivity by 2020. Those are the timescales in the Government's plans.

Tendering is just about to conclude for the Highlands and Islands project, which I hope should be under way by 2015. That massive infrastructure project will help the Highlands and Islands.

We are now in a good place, because things are moving on apace. However, you are right that it is incredibly frustrating that the digital divide is growing between urban communities, which are getting benefits from the commercial sector, and other communities, which have been left behind in previous years because of the UK Government's lack of attention.

It is pretty sad that internal political machinations at Westminster have left Scottish rural communities facing a massive digital divide, unable to connect to the modern world. That is the reality. We are playing catch-up on a legacy issue from a few years ago.

Nigel Don: I am conscious that companies have been required to reach 80 or 90 per cent or to bring the figure up. Will you confirm that the Scottish Government will try not to pile a figure on top of the 80 or 90 per cent but to start at the top and come down? That is what I would like for my rural communities. I would like to ensure that the remotest people get a service, which is cascaded to those who have a better service.

Richard Lochhead: Nicola Sturgeon is the lead cabinet secretary for the infrastructure plan. The emphasis on rural communities is the reason why the subject is in my budget headings, as I am working with her on the rural implications. The fact that the issue is in my portfolio gives a clear signal about our intention. That is also reflected in the infrastructure plan that the Government published.

More details about the roll-out will come forth in the foreseeable future. We must address the areas that have been left behind first.

Nigel Don: That is good.

Graeme Dey: As we move towards the better situation in 2015 and beyond, what pressure can be brought to bear to ensure that information on existing rural broadband speeds is accurate? I have a constituent who ran a business from home. He moved from a town to a rural setting where he had been assured of a more than adequate broadband speed but, when he got there, he discovered that broadband was virtually non-existent, which left his business in limbo. That sort of thing undermines the drive towards economic growth in rural areas. What can be done to address such issues?

Richard Lochhead: To be honest, that sounds like an issue that your constituent's MSP might wish to take up with the Office of Communications, which might have an interest in providers giving

out inaccurate information. Ofcom regulates such issues—that is why it exists.

Graeme Dey: If the problem is broader, could the Government look at doing something?

Richard Lochhead: I will certainly pass on the case to Nicola Sturgeon's team, which can see the lie of the land on how we can ensure that people get accurate information.

I can speak to Nicola Sturgeon about dropping the committee a note. We are looking at having an advisory service for the public. I am keen to look at how we ensure that rural communities, individuals and businesses have access to information about the assistance that is available, which is important.

The Convener: I call Alex Fergusson.

Alex Fergusson: Thank you, convener—I am sorry to be moving in and out of the conversation. I support Nigel Don's point. When we had a round-table discussion with stakeholders, we had a representative from Ofcom, to whom I tried to reiterate the point that Nigel Don made about the 10 per cent who have very poor access—if any. As in the cabinet secretary's constituency and other areas, some people in my constituency cannot get broadband at all. When we took evidence in the round-table session, I was struck by a degree of complacency in the Ofcom attitude. We are doing more and more for the 90 per cent, but little for the 10 per cent.

I was drawn to a recent House of Lords report that suggested that the UK Government should concentrate more on coverage than on speed at this point in our development. I am pleased to hear the cabinet secretary say that he would like to focus on that. I do not really have a question; all I want to say is that you will have the universal support of this committee if you can concentrate on better access for that 10 per cent. It will impact on the entire rural economy and will not just have the benefit of enabling people to get online. As you rightly said, rural Scotland is an attractive place; people are happy living there and it is a good working environment. It would be a much better working environment and we would get much more work out of rural Scotland to regenerate the economy if we had proper broadband coverage.

11:30

Richard Lochhead: Yes, we would. I hope that the committee will support my attempt to get powers over telecommunications transferred to the Scottish Parliament, which would make that much easier.

I remember a conversation that I had last year, during which the point was made to me that Ofcom could regulate for mobile phone providers to work together to deliver better mobile phone

reception in rural areas. Unfortunately, such issues are reserved and are not a priority. The Scottish Government does not have the power to step in and make that a licensing condition.

However, a lot of things could be done to improve mobile phone reception and broadband connectivity in rural Scotland if the appropriate regulations were put in place. If you contrast what has happened in Scotland and the UK with other small European countries, you see that we are way behind. They are on 4G or 5G, whereas in parts of rural Scotland we are struggling to get from 2G to 3G. There are a lot of lessons to be learned there, as part of the current debate.

Alex Fergusson: I am happy to continue to make the appropriate representations.

The Convener: I will back that up. Ofcom is utterly complacent on delivery in the most remote areas. Because the market will not meet that demand, it is quite clear that there has to be Government support. Indeed, the Highlands and Islands programme will go from medium-sized centres to smaller ones. Presently, the last places that will be served will be the most remote places. The people in those areas are the ones who perhaps have to fill in their SRDP forms and single farm payment forms online, so it is therefore a high priority for this committee that we see that happen.

Richard Lochhead: That comes back to the equalities issues, in that people who live in rural communities are unable to take advantage of some of the cost savings that can be made through the connectivity that urban dwellers take advantage of every day of the week.

The Convener: We will certainly take that point on board.

Angus MacDonald has another change of subject.

Angus MacDonald: Thank you convener. If you allow it, I, too, will first touch on the broadband issue. I recently attended the Gaelic college, Sabhal Mòr Ostaig, on Skye, which has an exciting broadband initiative that bounces the signal from Mallaig to Skye, then back across the water to, I think, Glenelg—although I am not quite sure about my geography on that side. It was a pilot, I think, but good work is going on. The technology is there and it is up to Ofcom to make sure that that is rolled out further. I was certainly encouraged to see that happening.

I will turn to the fishing industry and fishing communities. At the committee's recent round-table discussion we heard from Seafood Scotland, which suggested that better marketing of sea fish and a more responsive fisheries management system that was based on better research and

data are necessary. What can be done within the budget to ensure that those issues are addressed?

Richard Lochhead: When you said that you were going to turn to the fishing industry I was going to say that I thought you were a butcher by trade.

Angus MacDonald: I am a jack of all trades.

Richard Lochhead: I hope that I have managed to convey to the committee that over recent times we have been putting a lot more emphasis on increasing the value of Scottish seafood. I find it a very unsatisfactory state of affairs that Scotch lamb, beef and so on command premiums in the marketplace for being Scottish and make the most of that opportunity, whereas Scottish seafood does not. That does not apply to all species; I am talking generally. Haddock, for example, and some of our other whitefish do not command a premium despite their being up there with the best of such species that you can get anywhere in the world.

We are working with Seafood Scotland, the industry-led body, and Scotland Food & Drink on how we can fund future initiatives to add value to the primary product of sea fisheries. That will, of course, involve marketing and branding. The ultimate objective is to get for Scottish seafood a "Scottish" premium, which is largely absent from the marketplace. There are huge opportunities there. If we want to improve the bottom line for fishing businesses in Scotland, we should increase the value of the product on landing. We cannot promise to land greater volumes of the product to generate extra income, so we should get more value for what we are landing. That is the way forward for Scottish seafood.

There are many success stories in Scottish seafood at present, and we should recognise that many individual companies and fishermen are doing a lot to add value in their own ways. However, we have to do more for the wider industry. I certainly agree that marketing is the way forward. We are looking at how we can fund that in the future within our Scottish food and drink budgets, and announcements on that will be made in due course. The Scottish seafood partnership is up and running and will bring all parts of the supply chain together. It is looking at that very subject and will bring proposals back to the Government on how we can take the debate forward and make the most of the fantastic Scottish seafood.

On Angus MacDonald's second point, I am arguing with the retailers that responsible fishing should be recognised; our retailers should give more rewards for fish that is landed by responsible fishermen. From looking at the current behaviour

of some other countries in the international fisheries, it is clear that retailers should pay more attention to what those countries are doing. Rather than reward that behaviour, retailers should reward the countries that fish responsibly by offering a premium and ensuring that the consumer knows from the packaging of the fish that they are buying from the fishmonger or the supermarket that it comes from responsible fishing. That should be rewarded in the price that is paid for the fish. Likewise, fish that does not come from responsibly fished fisheries should be penalised.

Angus MacDonald: Absolutely—I could not agree more.

I will stay with fishing, and sea fisheries in particular. The sustainable economic development of many fishing communities will be an important issue in the next few years. How has the budget been prioritised to assist the fishing communities that will require assistance?

Richard Lochhead: In the past, the European fisheries fund—which is still in operation until the new fund comes into play—has been the key way in which we have supported fishing communities on a range of issues. Those have included modernisation of fish-processing factories; help for the aquaculture sector rather than just sea fisheries; and help to adapt vessels for the future with new gear or energy-efficiency measures. We have co-financed the European fisheries fund, which remains open and will do for the foreseeable future.

Last week's negotiations in the European Union, in which I took part, concerned the successor to the EFF, which is the European maritime and fisheries fund. Thankfully, the Council of Ministers agreed on the approach—although it still has to go to the European Parliament and to final negotiation—of putting in place a new fund that will support conservation measures, fish processing and, to a degree, the modernisation of fishing vessels. The states that wanted to cap the amount of funds that are available for new fishing vessels or for modernising fishing vessels thankfully got their way, so that other states cannot abuse those funds to build brand-new big and more powerful boats, as has happened in the past.

Some funding will go on modernisation of fishing vessels and new engines, but new restrictions have been put in place on how fishing vessels can be supported because some countries have abused that funding in the past. We want not to increase fishing capacity across Europe, but to ensure that we help in achieving the objective of the new fishing policy, which is to have more sustainable fisheries.

Claudia Beamish: On broader issues in relation to coastal communities, some of which have lost some of their fishing industry, to what extent would your department have conversations with other departments about diversification into, for example, marine renewables, with support for developing skills in that area?

In view of the delayed national marine plan and the marine protected areas, how do the new targets for aquaculture, growth and conservation measures fit together? That is a concern. Does your department have the budget to allow you to address that interface in a way that many people in coastal communities and environmental groups would want?

Richard Lochhead: We are in a very exciting place in terms of developing Scotland's first national marine plan, but there will be a slight delay in getting it out for consultation—it is due for consultation next year—partly for the reasons that I have just outlined. There was a desire among all marine stakeholders for everything to be aligned and for the national marine plan to take on board current work on renewables. There are separate consultations going on about where we want to develop future tidal and wave technology, which should be taken into account by the national marine plan along with plans for aquaculture development. The desire among stakeholders to ensure that the national marine plan is aligned with all the uses of our waters is the reason why it is taking a bit longer than expected to publish the consultation on it. Some non-governmental organisations may be frustrated by the fact that there is a slight delay in getting the marine plan out for consultation, but—believe me—it is for good reasons. We do not want to have a national marine plan that does not take into account other developments that are taking place in Scotland's waters.

We will do our best to minimise any delay in getting the national marine plan in place. For the first time, as a country, we will have an idea of how we are going to use Scotland's seas in the future and we will have a planning regime for our seas such as we have had for planning on land, which will set out how decisions will be taken in balancing the various interests of all the industries that have an interest in use of Scotland's seas. It is very exciting, and I hope that it will deliver lots of potential for Scotland.

Claudia Beamish: Thank you, cabinet secretary. Can you say something briefly about whether there is any support available for communities that are looking to diversify?

Richard Lochhead: I apologise—I should have answered that question, as well. The EFF supports diversification and can support any projects that come from fishing communities

where, in response to a decline in fishing or other challenges, there could be diversification. A lot of funding has gone to communities to enable them to diversify into marine renewables through a variety of funds, and not just the EFF. There are lots of examples of harbours and coastal communities gearing up for the marine renewables revolution, which is attracting investment.

That is a big priority for the Government. In January, we announced £4.2 million of funding under axis 4 of the EFF and local authorities will be given some match funding towards that. In my area, over the past few weeks there have been some announcements by the Moray Firth Partnership about how it is going to ask for applications for that funding.

Alex Fergusson: My area might be ahead of you on that one, cabinet secretary. There are organisations in Galloway that are seeking funding.

The Marine (Scotland) Act 2010 included the aim of increasing Scotland's shellfish output by 100 per cent. I do not think that any timescale was put on that, but I would like to know whether any allowances have been made within your budget this time around to help to achieve that aim.

Richard Lochhead: Yes. We are keen to support the shellfish sector, which is a very sustainable sector. As you will be aware, it has also increased in value over the past few years. We must create a higher profile for shellfish in Scotland's food policy, and I am keen to do that. We will support proposals and will ensure that funding is available, provided that they meet the criteria for food grants, sea fisheries grants or whatever. It is certainly a sector that we want to support.

Alex Fergusson: That is very useful. Thank you, cabinet secretary.

Graeme Dey: A few moments ago you made reference to possible assistance for the processing sector. Can you expand on that? It is important that Scotland has a thriving processing sector, yet we hear stories about the industry encountering a variety of difficulties, including in access to regular supplies of some species and in attracting new entrants.

11:45

Richard Lochhead: In the past, a significant amount of EFF money has gone to fish-processing capacity in Scotland—it has gone towards modernising it or to help with expansion. There have been changes in fish processing in Scotland in recent years. Hundreds, if not thousands, of jobs have been created in salmon processing, which has been a helpful diversification for many

fish-processing companies in Scotland. The fish-processing sector is highly significant.

One challenge for the future is in the implications of moving towards a discard-free policy in Scottish waters. The detail of that is not agreed yet within Europe but, if fish are not going to be discarded, we can envisage new species being landed in Scotland in the decades ahead.

Another challenge is the fact that the fluctuations among species that are currently landed in Scotland mean that fish processing often has to adapt to ensure that it has appropriate capacity. We must always be wary of not losing capacity. Skills are built up over generations, and I am always concerned to ensure that we do not lose them. We have to ensure that, for stocks that have been recovering, we have not lost particular skills from the fish-processing sector that will allow us to take advantage of the recovered stocks. We must pay to close attention to that, and we do our best to do so.

We want to give attention to a number of issues in the years ahead to support our fish-processing sector. There are significant challenges with some stocks, but I am thankful that there is much potential for more stable fish stocks in the future. Only this year, there was fluctuation in the main prawn stocks in Scotland. The prawns did not appear in the burrows in the North Sea—which is a major fishery for Scotland—but on the west coast of Scotland, which led to challenges for the processors. Such things also lead to challenges for the catching sector, which needs to land the catch where the stocks now appear but may not have fishing rights to go there and catch them. That is a very complicated issue that the Government must help to manage in conjunction with the industry. It presents challenges for the fish-processing sector, which needs to know that it will get the fish and needs to adapt to any future changes in stocks or in discard policies.

The Convener: I have a follow-up question on that, which might well fit into the discussions about the development of the common fisheries policy and our success in economic development.

What about labelling of where fish come from? I have been in Germany, France and, recently, Barcelona. The term "north-east Atlantic catching area" for langoustines annoys me every time I see it. We need to ask whether we have been able to get any agreement at Europe level about where catches are made.

Richard Lochhead: I totally agree. It is frustrating at times. I have raised the issue with the retailers often. I always remember the fillet of salmon that I picked up in one of the supermarkets two or three years ago that was labelled as being produced in Norway and Scotland. How can one

fillet of salmon be produced in Norway and Scotland? I found that quite confusing, as I am sure other consumers would.

Of course, there was a debate about Norwegian salmon being mixed in with Scottish salmon to try to take advantage of the Scottish premium, which would enable retailers to up the price. That is not honest and I hope that the situation has been changing over the past year or two.

We need the co-operation of the retailers on labelling fish products. I will continue to press that matter with them. You are right that European legislation should also give us protection.

The Convener: It does not at present.

Richard Lochhead: I will investigate the latest situation on fish labelling and drop the committee a note on it.

The Convener: Thank you.

I have another point, which harks back to the regeneration of coastal communities. The Treasury in London has told us that the Crown Estate's coastal communities fund should help people to plan for issues such as we have discussed. Is it in any way a help? Are the figures involved worth the hype?

Richard Lochhead: Are you asking about the current Crown Estate coastal communities fund?

The Convener: Yes.

Richard Lochhead: Any return to Scotland of the revenues that are generated by Scotland's seas is a welcome step forwards. However, we are disappointed that the UK Government has not devolved the Crown estate to Scotland, as at least one of the coalition parties in the UK Government led us to believe would be the case. We continue to push for that.

We believe that Scotland's communities—particularly its coastal communities—should benefit from the resources on their doorsteps. Unfortunately, that is not the case at the moment, as only 50 per cent of the revenues will be returned to Scotland. However, that is welcome and will, I hope, help economic development in the communities that will benefit from the fund.

The big concern for Scotland should be future revenues from offshore renewables in Scotland's seas. Several years from now, those could amount to hundreds of millions, if not billions, of pounds. We cannot know exactly what our offshore renewables potential will generate, but it is a massive fund that, in any other country, would benefit the communities that are on the doorstep of that resource. However, due to the archaic arrangements for the Crown Estate and its assets, Scotland will miss out on those massive funds, which will be swallowed up by the UK Treasury. I

argue, as would many people in Scotland—most importantly, the people in coastal and rural communities—that that resource should stay in Scotland for Scotland. It is a Scottish resource. We should continue to push that issue with the UK Government but, in the referendum in 2014, people will have the opportunity to capture that massive resource for Scotland.

The Convener: We will have a visitation from the Crown Estate Commissioners in a couple of weeks to give us an update on their activities. We may well take those points up with them.

That has given us a good round-up of the issues. I thank you and your officials very much for providing thorough information for our deliberations on the budget and, indeed, thorough information on the complexity of measuring many of the things that we are attempting to pin down. We look forward to the follow-up answers that have been promised to many of the questions that were asked.

I suspend the meeting briefly to allow the minister and his officials to leave and the public gallery to be cleared as we move into private session.

11:52

Meeting suspended until 11:54 and continued in private thereafter until 12:16.

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e-format first available
ISBN

Revised e-format available
ISBN 978-1-4061-9843-0

Printed in Scotland by APS Group Scotland
