

ENVIRONMENT AND RURAL DEVELOPMENT COMMITTEE

Wednesday 25 June 2003
(Morning)

Session 2

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ENVIRONMENT AND RURAL DEVELOPMENT COMMITTEE

2nd Meeting 2003, Session 2

CONVENER

*Sarah Boyack (Edinburgh Central) (Lab)

DEPUTY CONVENER

*Eleanor Scott (Highlands and Islands) (Green)

COMMITTEE MEMBERS

*Roseanna Cunningham (Perth) (SNP)

*Mr Rob Gibson (Highlands and Islands) (SNP)

*Karen Gillon (Clydesdale) (Lab)

*Alex Johnstone (North East Scotland) (Con)

*Maureen Macmillan (Highlands and Islands) (Lab)

*Mr Alasdair Morrison (Western Isles) (Lab)

*Nora Radcliffe (Gordon) (LD)

*attended

THE FOLLOWING ALSO ATTENDED:

Brian Adam (Aberdeen North) (SNP)

Mr Richard Baker (North East Scotland) (Lab)

Rhona Brankin (Midlothian) (Lab)

Mr John Home Robertson (East Lothian) (Lab)

Mr Adam Ingram (South of Scotland) (SNP)

Richard Lochhead (North East Scotland) (SNP)

Mrs Nanette Milne (North East Scotland) (Con)

Jeremy Purvis (Tweeddale, Ettrick and Lauderdale) (LD)

John Scott (Ayr) (Con)

WITNESSES

John Allan (Midlothian Council)

Willie Campbell (National Farmers Union of Scotland (Ayrshire))

Peter Chapman (Save Craibstone Campaign)

Charlotte Gilfillan (Student Representative (Craibstone Campus))

Councillor Andy Hill (South Ayrshire Council)

Dr Mark Hocart (Scottish Agricultural College Edinburgh)

Alasdair Laing (Scottish Agricultural College)

Professor Bill McKelvey (Scottish Agricultural College)

Brian Pack (ANM Group Ltd)

Steve Tweed (Prospect Scotland)

Douglas Wynn (Deloitte & Touche)

CLERK TO THE COMMITTEE

Tracey Haw e

SENIOR ASSISTANT CLERK

Mark Brough

ASSISTANT CLERK

Catherine Johnstone

Roz Wheeler

LOCATION

The Chamber

Scottish Parliament

Environment and Rural Development Committee

Wednesday 25 June 2003

(Morning)

[THE CONVENER opened the meeting at 09:53]

The Convener (Sarah Boyack): We are a little late in beginning. I welcome to the committee's second meeting in the second session committee members, our colleagues from throughout Scotland, people who are interested in the discussion on the Scottish Agricultural College and those who are in the gallery.

Interests

The Convener: We must deal with a couple of key issues, the first of which is a declaration of interests. I think that Roseanna Cunningham is the only member who has not been able to declare her interests so far. For the *Official Report*, do you have anything to declare, Roseanna?

Roseanna Cunningham (Perth) (SNP): I have no interests to declare.

Work Programme

The Convener: The second item on the agenda is the work programme. There are two papers in front of the committee. The first is from me and is about our work programme and commitments, and the second lists possible topics for us to discuss.

There are several key points that I would like to recap for members. We will be meeting weekly for the duration, on Wednesday mornings, and we have space for a short inquiry before stage 1 scrutiny of the nature conservation bill. We will have a chance to talk more generally about research at our away day. I suggest that we agree to take evidence from the minister at our first evidence session to find out what his intentions are under "A Partnership for a Better Scotland". We will also need to deal with Scottish statutory instruments.

I suggest that we wait for formal referral from the Public Petitions Committee before we start work on any of the outstanding petitions, each of which could require us to do a lot of work. I would rather that we had a steer from the Public Petitions Committee on that. Members will note that we will come back to the matter of budget scrutiny in more depth at our away day in August. There are quite a number of issues that we will need to get to grips with then.

The key things that we need to decide today are the first topics for inquiry immediately after the summer recess and any longer-term external research priorities. We have had a paper from the Scottish Parliament information centre. I suggest that we deal with the national waste strategy as a four-week piece of work, and that we ask SPICe to do research for us to build up to some longer-term work on sustainable development and the European environmental action programme. Those are more substantial pieces of work that we would find difficult to pack into four weeks. We can discuss those further at our away day.

Do members agree to my recommendations for the away day?

Members indicated agreement.

The Convener: Do members agree on our inquiry topics and research agenda?

Members indicated agreement.

The Convener: Finally, we must decide where we are to have our away day. We do not have any costings, so I hope that the clerk can come up with some figures for us. I know that all bar one of the members will be there, and there are different views on where we should go, from the Highlands to the central belt. I shall ask the clerk to come up with some costings that I can circulate to members

with recommendations about where we should meet. Are members happy to put their trust in me on that issue?

Members *indicated agreement.*

The Convener: Thank you very much.

I assume that everyone is happy to invite the Minister for Environment and Rural Development to our first meeting after the summer. Is that agreed?

Members *indicated agreement.*

The Convener: That completes our work programme discussion.

Alex Johnstone (North East Scotland) (Con):

I note that one of the subjects mentioned in today's committee papers is implementation of the mid-term review of the common agricultural policy. The minister might want to give a statement to Parliament, but if that is not appropriate by the time we get back into our programme, he might want to report back to the committee, so it might be appropriate to ask him whether he wants to do that at the same time as he gives evidence.

The Convener: That is a good idea. The minister is not with us at the moment; he is still debating the matter somewhere in Europe. It would be useful to get an update to kick off the discussion, so we should flag up the issue.

Scottish Agricultural College

The Convener: The main item on today's agenda concerns the Scottish Agricultural College. This is not the first time that the issue has been dealt with by a committee of the Parliament. Huge interest was shown at our first meeting, we have received a great many comments and there have been debates in Parliament. We are conscious that a decision is imminent, so the committee wanted to enable a final round of representations to be made, which could be passed on both to ministers and to the SAC.

We will not invite opening statements from witnesses, partly because we have been provided with such an excellent and comprehensive set of written papers. All members have received a copy of them and they have been posted on the internet. I hope that everybody has read the range of comments that have been made. We have tried to get a reasonable balance of all the interest groups, and the clerks have put the witnesses into three groups for evidence taking. I hope that we will be able to ensure that all the key interests and stakeholders can answer questions from members.

I am conscious of the fact that there is big interest in the issue among colleagues who are not on the committee. The convention is that committee members get the first go at asking questions; however, in recognition of members' geographical and other interests in the matter, I will try to ensure that all members who are present have the chance to ask questions. That is another reason why we will not ask the witnesses to make an initial statement.

10:00

We have most of the relevant information in front of us, but there are two things that I want to draw to members' attention. First, I was offered the chance to examine some detailed information from the Deloitte & Touche report which, to date, has been held as commercially confidential. We asked for that information to be given to all committee members so that we could consider it in private, but that was not an option—it was offered only to me, on the basis that I would sign a confidentiality agreement. I did not feel that that was appropriate and I declined the offer. That means that none of us has seen the information, although it might have been helpful for all of us to see it in private. It might be helpful if that information is published at some point, as the Deputy Minister for Environment and Rural Development suggested when the issue was debated at question time on 12 June.

Secondly, I have asked for sight of the exchanges that took place between the Executive and the SAC following the debate in Parliament in which the minister said that the Executive had asked for further information. We have not received that information either. That said, there is rather a lot of information in front of us, which members will just have to make the best of.

Karen Gillon (Clydesdale) (Lab): You were absolutely correct not to view the papers yourself, convener. It would have been useful if committee members had been able to see some of the detailed papers to help us in our deliberations. The figures in the paper that the SAC has given us do not make any sense. If the committee had been able to see more detailed papers, that would have enabled us to make a more informed decision. It sets a dangerous precedent when an organisation does not allow the committee to see such papers in confidence. We should raise that issue with the appropriate minister.

The Convener: We can pick that up after our discussion.

We have also received representations from Brian Adam MSP. He has sent us a compilation of e-mails from SAC staff members who wanted to comment but remain anonymous. The paper has been designated as a private paper for committee members only and has not been published. In addition, we have received two submissions from SAC staff members who have requested that they remain anonymous. Those submissions have been added to the paper from Brian Adam and have not been published.

There are legal issues about the nature of some of the statements that we have received. We have taken legal advice about the extent to which those papers should not be classified as part of the proceedings of the Parliament, although they have been circulated to members. There are issues about some of the comments in the papers, concerning whether they could be read as defamatory and whether they could lead to allegations that the Parliament has made defamatory statements. I was concerned to ensure that committee members were able to read those papers and take them into consideration, but that does not mean that we affirm or support any statements in those papers; they have simply been put to us and parliamentary privilege has been applied so that the Parliament is not open to action for defamation. I thought it important that members should see the range of views that are being expressed to the committee.

I apologise for the fact that those introductory comments were long-winded. Let us move on to the evidence taking. We have scheduled three sets of evidence, the first of which will be given between 10.00 and 10.45. I welcome Steve Tweed

of Prospect, which is the trade union representing SAC staff; Dr Mark Hocart, a member of staff at the college's Edinburgh campus; Charlotte Gilfillan, a student representative from the Craibstone campus; and Peter Chapman, who is representing the save Craibstone campaign. I thank you all for coming. We will not take opening statements from you but will move straight to questions from committee members.

Karen Gillon: I have a question for Charlotte Gilfillan, as she is involved with the students. The Deloitte & Touche report assumes that the students who currently choose to study at Craibstone or Auchincruive would choose to study in Edinburgh—a choice that they do not currently make. Has any research been carried out with students to establish whether that view is correct—that students would move to Edinburgh if the Aberdeen option were not available to them?

Charlotte Gilfillan (Student Representative (Craibstone Campus)): My colleagues at Auchincruive and I have carried out a great deal of canvassing of students, who tell us that they are not willing to move to Edinburgh because of the greater expense of living in Edinburgh compared with living in Aberdeen or Ayr. Many students are recruited locally because they work at home on farms at weekends and sometimes during the week. For many students at Aberdeen and Auchincruive, moving to Edinburgh is not an option.

Maureen Macmillan (Highlands and Islands) (Lab): I want to ask Steve Tweed about research. One of the arguments for centralising is that it would create a critical mass of research in one place. That is said to be a good thing, because it would enable close interlinking. However, in your submission you question whether centralisation is the best way forward. Why do you think that the critical mass does not have to be in one place?

Steve Tweed (Prospect Scotland): There are two aspects to that question. When we speak to members who work in research, consultancy and education at the SAC, we are told that, in the Scottish system, having the three disciplines together at local level is beneficial, because it allows cross-fertilisation of ideas—people can speak to and learn from one another. Research and consultancy staff believe that close working with other disciplines at local level gives consultants an edge over competitors in the marketplace. That could be lost. The Deloitte & Touche report does not mention or take into account the benefits of cross-fertilisation. It is possible that the consultancy arm of the college could be damaged by the centralisation of research.

The source material for some world-renowned areas of research at Craibstone is obtained locally.

If research is centralised at Edinburgh, that source material will not be available locally, but will have to be acquired from further away. There will also be more competition for source material from other research institutes, which will be a cost factor. It does not make sense to move research at Craibstone to an Edinburgh setting.

Maureen Macmillan: How do the three different campuses keep in touch with one another at the moment? If they were all on the same campus, would there not be more interaction between the different research bodies?

Steve Tweed: There might be more interaction between the research bodies, but staff are encouraged to communicate with one another in any case. Centralisation on one site might enhance communication between researchers, but interaction with education and close interaction with veterinary and consultancy services at a local level would be lost. That could have a negative impact on the work that consultants do in the field and on their share of the market.

Alex Johnstone: I return to the point that Karen Gillon made a moment or two ago, when she challenged assumptions about what student numbers would be if the proposed changes went ahead. I want to pursue that issue in more detail. What would be the likely effect of the changes on intake to the further education courses that are currently provided? Would the intake be hit disproportionately if Auchincruive and Craibstone were lost? Would it be possible for Edinburgh to offer an alternative service? My question is directed at all the witnesses, not just Charlotte Gilfillan.

Charlotte Gilfillan: Edinburgh currently offers 25 per cent of all the courses that are offered by the SAC. That is not a larger proportion than the other campuses. The idea is that the proposal will result in new courses being brought to Edinburgh to accommodate the potential 1,500 full-time equivalent students that the SAC wants to retain. However, I think that the SAC will not get the number of students that it would like because of the reasons that I mentioned, such as local recruitment and the cost of living. The financial aspects of the Deloitte & Touche report show that there would be a loss of about £15 million over 20 years with a 20 per cent loss in the number of students. How can those kinds of losses put the SAC in a better financial situation?

Roseanna Cunningham: I have a question for Dr Hocart. Under the heading "Problems of fragmentation", the fourth and fifth paragraphs of his submission talk about the difficulties of providing teaching in a small class environment and of the deficiencies that that involves. Let us leave to one side the question whether people agree with him on that. His seventh paragraph goes on to state:

"Developments in e-learning, distance learning and 'electronic classrooms', will enable SAC to deliver education and training over a wider geographical range than is currently the case."

It seems to me that the submission makes two contradictory statements. Either small classes are good for learning or they are not. They cannot be both at the same time or just when it suits you.

Dr Mark Hocart (Scottish Agricultural College Edinburgh): I take your point. If you assume that the same student cohort is being delivered education in those ways, the statements will look contradictory.

We have low student numbers in the college in all centres. Student numbers have been falling fairly consistently for several years. That is part of the problem in maintaining an effective educational environment for all our students. As you can imagine, classrooms of just four or five students will have poorer interaction among the students. The breadth of experience and the ability to ask questions will also be less. If a student misses a class, it will be perfectly obvious that the student is missing the class. Those are the negative aspects of small class sizes for full-time students who are studying at a campus.

Students who are involved in distance learning will perhaps do so as part of part-time study or they might study particular modules rather than full courses. They might be involved in coming together to interact in particular groups, as happens at the moment for our organic farming distance learning package. Those students are given the software that enables them to interact with each other electronically, but that is a new style of learning that does not suit everybody. We need to recognise that, if we want to continue providing good-quality education, we need to do so within our financial means.

Roseanna Cunningham: You are making a value judgment, as if those were two sides of the same coin. That might suit you, but you are really saying two quite different things.

Dr Hocart: Our distance learning packages are generally there to support our younger students alongside the tuition and support that they receive on campus. However, they will not necessarily suit a school leaver who is trying to study at a distance through one of our advisory offices, for example. What I am saying is that we need diversity of provision to suit the diversity of needs across the whole of Scotland.

Nora Radcliffe (Gordon) (LD): Part of the SAC's package involves selling assets in one part of the country in order to reinvest in another place. I am bothered about the disposal of assets and I wonder how expensive or sensible it is to replicate such assets somewhere else. I would like Mr

Chapman to tell us about the SAC's existing assets at Craibstone, which would have to be replicated elsewhere. How quickly could that be done and how sensible would it be to do so?

Dr Hocart's paper mentions

"strong and productive research links with the Moredun Research Institute, the Roslin Institute, the SABRIs, SASA and BioSS."

I ask him to compare the physical distance between those institutions, the Edinburgh-based SAC at King's Buildings and the Bush estate with the physical distance from Craibstone to the world-class research institutes in the north-east. How much does he think physical proximity is really brought to bear, given the world of electronic communication?

10:15

Peter Chapman (Save Craibstone Campaign):

From the start, we must realise that all of the income assumptions and most of the expenditure assumptions in the Deloitte & Touche report were made by the SAC. That is also true for the assumptions about the capital values of the sites. I believe that those assumptions need to be challenged, especially the capital assumptions, which had a large bearing on the outcome of the report. Given the state of the property market in Edinburgh, the valuation of £4 million for the site at King's Buildings is, to me, nonsense. Obviously, that valuation skews the argument in favour of the Edinburgh site considerably. If the valuation of the King's Buildings site had been realistic—I believe that it should have been considerably more than £4 million—that would have had an effect on the outcome of the report.

Craibstone was disadvantaged by being seen as the most valuable site because it meant that selling it was good news for the SAC's board. However, I contend that, unlike the King's Buildings site, Craibstone was overvalued, given the state of the property market in Aberdeen, the surplus of land suitable for building there and the fact that Craibstone is zoned only for institutional and educational purposes. I do not believe that the valuation of £9.5 million for Craibstone is realisable. Given the considerable investment in the excellent facilities at Craibstone, to sell the site for less than its worth and to reinvest in the overheated Edinburgh market is, to me, nonsense. The SAC will never get the facilities that it has at Craibstone at a new build in the Edinburgh area.

To solve a problem of overcapacity by building new buildings is nonsense, but that is only one of the many nonsensical ideas in the Deloitte & Touche report. I could highlight many more.

To answer the specific question, I do not believe that the report stands up to scrutiny.

Nora Radcliffe: For the benefit of people who are not familiar with Craibstone, will you expand on the assets that would be lost and that would have to be replicated elsewhere if the site were sold?

Peter Chapman: The Ferguson building, which was built recently to a high standard, is a first-class building for students and administration purposes. The existence of halls of residence at Craibstone and Auchincruive severely undermines the Deloitte & Touche report's case because of the high cost of accommodation in Edinburgh. Students will have to come to Edinburgh, where no halls are provided specifically for agriculture students. Such students will have to find their own accommodation in the overheated marketplace in Edinburgh, although many of them cannot afford the high prices.

We would be losing an excellent infrastructure, and people would have to go into the Edinburgh property market, which is very difficult. The fact that there are almost double the number of students at Craibstone and almost three times the number at Auchincruive compared with the number at Edinburgh tells a story. We have been told that, due to the uncertainty, recruitment for 2003 is down by about 30 per cent at both Auchincruive and Aberdeen. The level of recruitment in Edinburgh is static. That, too, tells a story.

The SAC board's assumption that it will not lose any students by taking all of them to one centre is nonsense. There are two ways to balance the books: costs can be taken out or income can be increased. The SAC has assumed that it can take out some costs by running down Craibstone and Auchincruive, and that there will be no resultant loss of income. I would say that that is unacceptable. It goes against normal reasoning and it is not what will happen. There will be a considerable deficit in income from education and research and development because of the decision to concentrate on one site. That is not reflected anywhere in the Deloitte & Touche report. The proposal is not financially supportable.

I can envisage a worst-case scenario in which the SAC withdraws from education altogether in five years' time because students will not come to Edinburgh. In the meantime, Auchincruive and Craibstone will have been run down. Is that acceptable to the Scottish people and to the Scottish Parliament? I think not.

The Convener: Maureen Macmillan is next.

Nora Radcliffe: I think that Dr Hocart wanted to respond to the question that I put to him.

Dr Hocart: I will respond if I might, convener. Ms Radcliffe asked about the links with the research institutes in the north and in the east.

She mentioned the physical distances involved, and how those relate to fostering collaborative links. In the previous financial year, the SAC had 124 projects involving collaborative links with external institutions, valued at a total of about £16 million. Sixty-five of the projects were led by staff from the east of Scotland. Twenty-four of those 65 projects had links with research institutes in the east. Three of them involved partnerships in the Aberdeen area. Of the 33 projects that had a lead from the north—from the SAC in Craibstone—only three were with partners in the Aberdeen area; six were with partners in the east.

Most of our research links within Scotland are already in the east region, although the majority of our partners are located throughout the United Kingdom and overseas. We are an international research institution. The issue is not so much the physical distance; rather it is concentration and the critical mass that develops in fostering a rural research and biotechnology push for a particular region. The south-east of Scotland is recognised as being one of the lead areas in the UK for that sort of research. The Edinburgh centre for rural research has 24 rural research institutes associated with it.

Nora Radcliffe: Where are those 24 institutes based?

Dr Hocart: They are based in the south-east region of Scotland.

Nora Radcliffe: All of them?

Dr Hocart: Yes.

The Convener: I call Maureen Macmillan.

Maureen Macmillan: Did Nora Radcliffe wish to ask a further supplementary?

Nora Radcliffe: I want to press Dr Hocart a little further on this. I can see that there is a critical mass of a certain type of research in and around Midlothian, but there is a critical mass of a different type of research in and around the north-east. That is based on factors such as different climate, different farming practices and different types of agriculture. Is not there merit in keeping apples with apples and pears with pears, and in keeping things in the places where they can flourish best?

Dr Hocart: I quite agree with that. There is no intention of simply focusing SAC's research on the interests of the south-east. The national trials will continue. The veterinary laboratories that are spread around Scotland will continue. The advisory services, which have an input into topics that are relevant to research, will continue across Scotland.

We do not intend to pull education out of the north-east or the south-west. Teaching up to

higher national level will continue, provided that there is a market. Research has most impact on degree-level teaching. As has been stated, there has to be cross-fertilisation of ideas to allow knowledge transfer of research through education. That will allow the next generation of land-based entrepreneurs to benefit from the research that the taxpayer is paying for.

The Convener: I want to move on now. Everyone behind Nora Radcliffe is trying to catch my eye.

Maureen Macmillan: Does Dr Hocart feel that centralising everything will do no damage at all? Steve Tweed said that the consultancy arm could be damaged by centralisation because source material would not be available in Edinburgh. Will there be no damage, will the damage be minimal, or is it eeksie-peeksie?

Dr Hocart: The whole process is painful. Irrespective of what Deloitte & Touche came up with, because of the need for restructuring there would have been pain anyway. That has to be acknowledged. We have to ensure that the best parts of the business are fostered and maintained. If they are transferred, we have to ensure that the information exchange is maintained. We have just gone through a restructuring into functional divisions and a key question that arose in moving from discipline-based departments to activity-based departments—research, education or advisory departments—was how to ensure that knowledge was transferred. It is part of our management plan for our infrastructure to ensure that we continue to bring educators, advisors and researchers together to allow an exchange of information and knowledge in both directions.

Peter Chapman: Dr Hocart mentioned the management plan. One of the big, long-term problems of SAC is the lack of management, or poor management. Any organisation that runs for a length of time with four times the amount of accommodation that it needs for students, as SAC has done, is obviously poorly managed. Any organisation that takes its recruitment officer out of Aberdeen, gives her early retirement and does not propose to replace her, is poorly managed. That certainly set the cat among the pigeons for Craibstone. Dr Hocart said that courses would still run in Aberdeen if there was a need, but if there is no recruitment officer there probably will not be a need. Craibstone is already being run down. Key jobs are already going from Aberdeen to Edinburgh. Centralised management in Edinburgh is doing Craibstone and Auchincruive no good whatsoever. Local people at both campuses have proposed many initiatives but they do not get the opportunity to put them in place. They are stifled.

The SAC's top management is all based in Edinburgh and I firmly believe that management

has got the answer that it wished for. Management skewed the report—and continues to do so—to get precisely that answer. The recruitment officer in Aberdeen was given early retirement and there are no plans to put someone in that post. That shows fundamentally what is going on at SAC. The industry can be downsized or it can be encouraged to grow. As I said, staff at Craibstone have proposed many initiatives but they are not being taken up.

Mr Rob Gibson (Highlands and Islands) (SNP): Two points arise from the first part of the inquiry. On educational value, Dr Hocart says that the farms of the Bush estate are the largest of the SAC's farming operations and that they provide a cross-section of farming types in Scotland. He would agree with me and the rest of the committee that climate, soil type and so on have to be considered because of the great variety that exists in Scotland. Training and education have to cover that variety for students.

The second point is that the peculiar structure of the SAC, compared with that of its partner colleges and universities, puts it at a disadvantage, because many more physical assets are required to allow in-depth education in agriculture to take place. Would you like to comment on the fact that having the number of sites that you have is integral to delivering that kind of education?

10:30

Dr Hocart: You are right to say that students learning about agriculture and the rural economy need exposure to such diversity, but we do not need to own it. As well as using our own farms, we use commercial farms and other land-based organisations. A medical school does not own a set of patients just for its training purposes; it uses real patients. We have to recognise that we might need farms for research purposes and for part of our core business of generating income, but our students need access to farms and on-farm training. We might own those farms or we might deliver the training through work experience or by using commercial farms throughout, and beyond, Scotland. It is important that our students get a wider dimension.

You asked about the need for physical assets. We need physical assets, but we have an excess of them at the moment, so we do not use them fully. We are spending too much of our income supporting and maintaining assets that we cannot use fully just to keep them going. That is poor value for money. It means that we deliver less well than we could, not just in education but in the college's other functions.

Mr Gibson: I have a follow-up point. You said that the Bush estate covers all the main farming

enterprise types. That does not include the well-established organic farm at Craibstone, which you cannot replicate easily and which you could not necessarily buy into. You have an asset of some standing at present—it is the kind of asset that you would think about selling in order to realise capital.

Dr Hocart: The organic sector is important for farming and for education. We teach our students organic farming at all three centres. We take them on to organic farms and teach them about the principles of organic farming. I understand that the Deloitte & Touche plan for restructuring includes the purchase of an organic farm in central Scotland to assist with that.

Peter Chapman: The idea is a nonsense. Why sell a property in Aberdeen that, 10 years down the line, is well-established and doing an excellent job and then replicate it somewhere else? That is the economics of madness.

Eleanor Scott (Highlands and Islands) (Green): I want to ask Dr Hocart about something that he and other speakers have said. Mr Chapman said that he could foresee the SAC coming out of education in the future. Charlotte Gilfillan said in her paper that the college undertakes limited advertising of the courses that it runs. Dr Hocart mentioned a decline in student numbers. For how long have the numbers been declining? What steps has the SAC taken to reverse that decline? Does Dr Hocart foresee the SAC still being involved in education in 10 or 20 years? Is it part of our vision for the future?

Dr Hocart: Thank you for that question, which is key to the review. The decline in rural-based education has been going on for the past 30 years—I can say that because I had rural-based education. Part of the reason for that is that fewer people work in the rural sector. Those that do have to be more specialised and more prepared; they have to be better business managers as well as being farmers, horticulturalists or whatever.

You asked what steps the SAC had taken to try to reverse the trend. One of the steps was to diversify courses. The number of students in the agriculture courses has remained pretty stable for the past 10 years at about 230 to 280 overall. There has been no growth in the number of students in agriculture and there is unlikely to be growth in the number of students studying agriculture alone. In the past, the college has produced a range of other courses. Unfortunately, it has proliferated courses without doing effective research and without keeping up to date with changes. For example, we had great success in the west with the leisure and tourism suite of courses, but competitors have picked up on that and recruitment for those courses has declined.

We need to be better focused on keeping up to date and keeping ahead of the game. It does not make sense to do that at three different campuses and to run courses across different campuses, where we split our cohort of students. It makes sense when huge numbers of students come, but if we do not have the student numbers, we have to rationalise and focus so that we can continue to deliver the quality of courses that the students and Scotland need.

You asked whether there was a future for the SAC in education. I believe that there is. Of the campuses that are available, the Midlothian and King's Buildings option stands the best chance, if properly marketed—I take that point on board entirely—to pull in students from a wide geographical range. The predecessor to the SAC in the east, the Edinburgh school of agriculture, had between 370 and 480 students spread over only six course years—four degree years for agriculture and two higher national diploma years. There is a future for the SAC in education, but unless we take clear decisions now, I doubt whether we will have one.

Eleanor Scott: Will you comment on the accusation that might be levelled at the college, that the fact that the courses were not up to date was a function not of the devolved campus structure, but of poor management? It was nothing to do with where courses were located, but with who was organising them.

Dr Hocart: One of the big problems was that, in the mid-1990s, as student numbers inclined and we put on a lot of the new courses, it was feared that student numbers would be capped. There was then an embargo on new course developments, because we did not want to exceed the cap and have the then Scottish Office impose penalties.

That cessation of development of new courses has been part of the problem. It is a stop-go view of where we are taking our education. Splitting the college over three campuses does not help to secure decisions and get new initiatives off the ground.

The Convener: I would like to try to allow in one or two members who have sat patiently and quietly, although they have certainly been indicating to me. We have three sets of witnesses, so I will not try to get all members in on this slot, because some will have another shot. Adam Ingram and Rhona Brankin have been desperate to get in for ages. If the others who are desperate to get in do not manage to do so during this round of questioning, I will ensure that they are first to get in next time.

Mr Adam Ingram (South of Scotland) (SNP): Clearly, the main thrust of the Deloitte & Touche report is that the SAC must rationalise because it

is carrying far too many overheads. The report talks about there being four times as much educational infrastructure, property and accommodation, for example, as is required. It is clear that that situation has not arisen overnight. Why has the SAC not tried to rationalise its accommodation before now? Why has it not done that on each of the three sites?

I am particularly concerned about the situation in Auchincruive, where there has been a ban on the development of the estate. The dean of faculty has been refused permission to develop the property that was on the estate and was being underused. Why cannot we consider a three-campus solution that is based on rationalisation of each campus?

Steve Tweed: Prospect has certainly been making that suggestion for some time, for reasons that have been stated relating to the need for delivery at a local level and the need to attract the type of students that the SAC wants to attract. Such considerations are important and Prospect has pushed the matter with the SAC's management. I will have to leave it to someone from the SAC's management team to say why such a solution has not been considered.

There have been difficulties in making our proposals. Dr Hocart talked about there being no intention of pulling out of education at Craibstone and Auchincruive, but there have been reports in the newspapers and from Ian Ivory, who is the SAC's new chairperson, that two of the three campuses will close in the next four years. A contradictory message is going out, which does not help to attract students to the two campuses outside Edinburgh. If there are negative media reports, students will not be attracted to a college that they believe will close in two or three years' time.

We would like the SAC to acknowledge the need to deliver education, research and consultancy at a local level and to consider redeveloping and rationalising the sites. The SAC has already started to rationalise the education that is being delivered through a modularisation approach to address some of the issues that Dr Hocart mentioned, but it is not being marketed to attract the students that the SAC wants to attract. Prospect agrees that there is a need to rationalise the sites to deliver education on three campuses through the new modularisation of courses in order to attract the type of students that the SAC has attracted over the years.

Rhona Brankin (Midlothian) (Lab): I have questions for Dr Hocart. I have been heartened that we are beginning to explode myths relating to Edinburgh and Midlothian not being rural. The 150 farmers in Midlothian and the members of the Bush estate's biggest rural consortium would be rather surprised by such ideas.

Dr Hocart, will you tell us more about the importance of farming in the Lothians? Will you speak about the SAC from a Scottish-wide perspective, which it is important to take? For example, will you say something about the importance of the Scottish Executive's policy in respect of "A Smart, Successful Scotland", which draws attention to the importance of bioscience clusters, and about the importance of Midlothian's already having a world-class bioscience cluster? Will you say a little about the international importance of a national centre of excellence in Scotland that is based in Edinburgh at the Bush estate?

Dr Hocart: On farming's importance in the Lothians, indicators of agricultural activity show that there is more agricultural activity in the Lothians than in either the north part or the west part of Scotland. More people are employed in agricultural activity in the east than in the west or the north, and the money that is contributed to the national economy from there is greater than from the west or the north. It is nonsense to say that there is no agriculture in the east and the south-east and that agricultural activity and activity in the rural sector in general is important only for the rest of Scotland.

Rhona Brankin is right to say that we need to take a national view of Scotland as a whole. It is unfortunate, but almost inevitable, I suppose, that the debate has become focused on regional differences. It has set colleague against colleague and centre against centre.

We have spent the past 13 years endeavouring to work together effectively. We have done that to a considerable extent, but it has not always worked and the seams occasionally show. This process has not been very helpful to that.

I have enormous respect for my colleagues at the other centres. I have worked with them and I do not like to be put in the position of having to be antagonistic simply to defend my colleagues' position against the accusations and misinformation that have not aided the debate at all.

We must have a Scotland-wide perspective and think about what all Scotland needs. Achieving success for Scotland requires concentrated excellence and recognition that if we are going to continue to punch above our weight nationally, we need to focus on the excellence of our people and infrastructure.

Creating a national centre of excellence for the SAC will make us more—not less—effective for the whole of Scotland. As I said earlier, wasting income on keeping unnecessary infrastructure going distracts us and detracts from creating excellence throughout the country.

Initiatives for bioscience and a bioscience cluster in Scotland were mentioned. It is important to acknowledge that Scotland is an international leader in bioscience—that is also about the rural sector and applying biological solutions to real-life problems. Scotland is a world-class player in that market and the SAC is part of that grouping. If we want to continue to be an effective contributor, we must use our income more effectively.

10:45

The Convener: Richard Lochhead has a question, following which I will allow Peter Chapman to answer both his question and that of Rhona Brankin.

Richard Lochhead (North East Scotland) (SNP): I thank the convener for allowing me to contribute. My question is for Peter Chapman because he is an active farmer and we are talking about an agricultural college; it is useful to hear the farmers' perspective because, along with the students, they are consumers of the college.

Given that many of your colleagues—perhaps including yourself and others who work on farms in Aberdeenshire and the north-east—went to the college, what is their response to its possible closure and its relocation to Edinburgh? Unlike in Aberdeenshire, employment on farms in council wards around Edinburgh does not exceed 20 per cent of local employment levels.

Peter Chapman: There is no doubt that closure is viewed with dismay in farming circles in Aberdeenshire. There is no argument that there are important agricultural places around Edinburgh; nobody disputes that. However, there are also important bits of agriculture around Aberdeen. The area is probably the centre of the Scottish pig and poultry industries; cattle and sheep are also very important.

I fully accept that we need to take a view of all of Scotland. The save Craibstone campaign is in no way suggesting that the Bush estate should be closed down and the research and development work that is done there moved to Aberdeen. We accept that Bush should remain.

It is fine to say that there is a bioscience cluster around Edinburgh, but there is a similar cluster around Aberdeen: the Macaulay Institute, the Rowett Research Institute and the Food Standards Agency are all there. A big chunk of the Scottish agricultural industry lies around Aberdeen. The case for concentrating everything on one site has not been made. There is room for Craibstone and the Bush.

We suggest that the King's Buildings campus be closed down because we believe that that is the least successful in attracting students. We also

believe that the Deloitte & Touche report vastly undervalues it.

Rationalisation is important and everybody acknowledges that. The save Craibstone campaign fully acknowledges that if Craibstone is to be retained, it must be financially viable; that has never been disputed.

In many respects, the Deloitte & Touche report focused on options for the SAC that represent various combinations of the status quo. The SAC should consider how it might reshape its campuses to do the job that the agricultural industry needs it to do while being viable in the long run.

Previous questions addressed the vast overcapacity in the system. As I said earlier, any organisation that has run for years and years, as SAC has done, needs to take a serious look at its management style and structure. The rationalisation of the estate should have been on-going over all those years.

Let us find ways of using the buildings by offering a decent length of lease to people who might be attracted to taking them on. It is obvious that local staff have the local knowledge, expertise and the ability to see the way forward—let us use them to enable the college buildings to be managed effectively. If, at the end of the day, some of the buildings are at the end of their lifespan and need a lot of money to keep them up to standard, let us knock them down.

For God's sake, we need to get things in balance. No one is suggesting that SAC should run with the present overcapacity. I do not understand why the SAC board allowed that to happen over the years. If management had taken the right decisions years ago, we would not be in the crisis situation that we are in today. Many of the things that need to be done would have been done and today we would have had a viable SAC that was looking forward to the future with confidence.

The college can fill its student places if those places are properly sold and marketed. There is a demand for places out there, but that demand needs to be organised geographically. We should retain a regional base for the students: our proposed scenario is to keep Auchincruive and Craibstone and to sell the King's Buildings campus. If the King's Buildings campus were sold, that would capitalise on an easily sold asset within the centre of Edinburgh. In that way we would move forward.

The Convener: I thank the first set of witnesses for answering, or attempting to answer, a wide range of questions. Your contributions were very helpful to the committee. I also thank the witnesses for their written submissions, which members of the committee found interesting.

I suspend the committee for a couple of minutes to allow our second group of witnesses to come in.

10:52

Meeting suspended.

10:58

On resuming—

The Convener: I understand that we are ready, and I do not want to leave our next four witnesses sitting here for ever. I apologise for that lengthy "two-minute" break.

As I said to the first group of witnesses, we are glad that you are able to attend today's meeting. Thank you for your written evidence; members have been able to read it in advance, which has been extremely helpful.

To enable us to hear from all the witnesses and to ensure that a full range of views is put to us, I will not invite witnesses to make opening statements. If you were present for the previous evidence-taking session, you will know that every one can expect to have a few questions fly in their direction.

As before, we will begin by taking questions from members of the committee. We will then hear from other members who are present today.

Alex Johnstone: I have a question for William Campbell. How important is dairy farming to the economy of Ayrshire and the south-west?

Willie Campbell (National Farmers Union of Scotland (Ayrshire)): As I am sure members are aware, dairy farming is particularly important to the south-west. The south-west is a high rainfall area, has a temperate climate and can grow a lot of grass, which we must convert into marketable product. Dairy farming is extremely important to us. The SAC has been instrumental in allowing us to develop and to remain competitive in that sector. We look forward to a long relationship in the future with the SAC in the west of Scotland, to allow us to continue through these stringent and turbulent financial times in dairying. One reason why alarm bells are ringing is that we want the current level of support from the SAC to be maintained in order to allow the dairy sector to continue. I am not talking only about dairy farming, but about everything that goes with it. As members are aware, the multiplier effect in dairying is much greater than in any other sector.

Alex Johnstone: How important in research terms has Auchincruive been over the past century for the dairy farming industry in Scotland and the rest of the world?

11:00

Willie Campbell: That is a very good question. Over the past century, dairy farming has probably relied for its development more on Auchincruive than on any other institution in Europe. Auchincruive is located in the heartland of dairying in Scotland; it lies within the home county of Ayrshire cattle and much has been done there. Until now, Auchincruive has been akin to a family dairy farm—it has been typical in many ways. For that reason, the lessons that can be learned there are probably greater than those that can be learned anywhere else. At Auchincruive, we see how man management can be put to good use, how to utilise grass well and how to cope with the environmental limitations that are placed on us. Just as important is the fact that although Auchincruive is a very good farm it is by no means the best. It is therefore more typical of dairy farming in Scotland than is any other example.

Alex Johnstone: Would it be fair to say that Auchincruive is a world-renowned centre of excellence in research into dairy farming?

Willie Campbell: That would be a very fair comment. Auchincruive's links with the Hannah Research Institute just across the road from it have been very useful. There has been joined-up thinking not just in producing milk, but in processing it. We want those links to continue.

Alex Johnstone: I take this opportunity to declare an interest, as the keeper of a herd of Ayrshire cows in the extreme north-east of Scotland.

I have a question for Brian Pack. As a man who has experienced the industry in both the south-west and the north-east, will you compare the environments in those two areas—not only in the dairy industry, which might not be the ideal comparator, but in the farming industry in general? Are the differences between the areas extreme enough to justify a completely different attitude towards research in the two centres?

Brian Pack (ANM Group Ltd): I believe that they are. My accent gives away where I was born and grew up, but I have been in the north-east for a long time. The west and the north-east are very different areas, and one must change one's systems accordingly. The west has a much milder and wetter climate than the north-east, which is colder and has lower rainfall. The farming systems in the west and north-east reflect the climate and soil conditions in those areas.

Alex Johnstone: Is it fair to say that Craibstone has become a world-renowned centre of excellence in research in its field?

Brian Pack: There is no doubt that tremendous work has been done there over the piece. As the

previous panel of witnesses suggested, over the past few years Craibstone has suffered from a bias towards Edinburgh. Craibstone today is not the same institution that it was five or six years ago, but I believe firmly that what it was could be recreated. It is dangerous to make comparisons based on the current situation, as is being suggested. At the moment, a strong management team based in Edinburgh has created an Edinburgh bias. However, I believe that that situation could easily be reversed.

Alex Johnstone: Earlier in the meeting, Dr Hocart expressed the hope that the proposed changes might create a centre of excellence in Edinburgh that might be greater than the sum of the current parts. However, given the excellent record of both Craibstone and Auchincruive, would not closing the campuses and moving the work across Scotland to such a centre be a high-risk strategy? Furthermore, would such a strategy put at risk the historical abilities of the two components?

Brian Pack: I agree entirely. We must broaden the debate about the centre of excellence and its various connections. I see no good strategic or commercial reason for centring all research in one place—in fact, I believe the reverse. If there is a really strong centre of research in Edinburgh, it can continue with its links. As we have heard, a really strong bioscience link already exists and I believe such a vital part of a smart, successful Scotland must be encouraged.

Equally, the north-east has very strong links with the food chain through a cluster of excellence that includes the Rowett Research Institute, the Macaulay Institute, the marine laboratory in Aberdeen, the headquarters of the Food Standards Agency Scotland, the University of Aberdeen, the Robert Gordon University and so on. The folk in those centres work together in a cluster that is important for Scotland, and it would be wrong for us to damage that arrangement.

That brings us back to the real point of the debate, which is the question of where education should be centred. I believe that an organisation could efficiently manage three research centres that have critical mass in their own right and alliances in their particular areas instead of destroying such an arrangement through centralisation. Moreover, that approach would mean having to rebuild facilities, which seems crazy. If good facilities and people already exist, we should build on them and their alliances.

As I point out in my submission, I agree that one centre of excellence for education would allow the SAC to move forward and I believe that it should be located in the north-east. We can argue about the level of agriculture in the Lothians as opposed to the north-east and Ayrshire; however, the reality

is that Edinburgh is a very urban city that is experiencing tremendous growth and economic prosperity. Indeed, the Parliament has created a lot of that growth and prosperity. On the other hand, Aberdeen is a city that has many more rural connections, which itself has real advantages. For example, the folk who are based in Aberdeen are able to live much easier in the surrounding agricultural areas and to be part of those communities. I do not believe that that is possible in Edinburgh and that is the argument for ensuring that education is based in such a setting. I will reveal my bias by pointing out that the nearest auction mart to Edinburgh is at St Boswells, whereas the nearest to Aberdeen is at Thainstone, which is 14 miles away and next to Craibstone. The fact is that such marts are present where farmers are happy to gather.

The Convener: I am not going to let you have another follow-up question, Alex. You have had a good explanation from the witness.

Alex Johnstone: I am happy with that.

Maureen Macmillan: I wanted to ask the witnesses from Ayrshire about Dr Hocart's earlier comment on the possibility that higher national level students could continue at college if the need existed. However, it was also pointed out that Craibstone no longer has a recruitment officer. What is the situation in Ayrshire? Might taking on HN-level students at Auchincruive be a way forward?

Willie Campbell: Obviously, we welcome any step that will keep Auchincruive as a viable centre, but I think that we need not necessarily limit ourselves to that suggestion.

The SAC's management has overlooked a number of opportunities to reduce the cost of education and to make it more comprehensive across the three centres. As has been stated several times this morning, there are electronic means of communication and video links. As the representative of the Milk Development Council in Scotland, I have held seminars and meetings at six centres simultaneously. Most of those were SAC centres, which already have the facilities in place. Small groups of students throughout Scotland can receive the same courses close to their places of work and close to the family farms. We can get cost savings into the system while maintaining the same level of education. I do not think that there is a great need to drive all of the students to one place.

I am not here to knock the SAC; I hope to save the SAC, but I do not believe that the Deloitte & Touche report is the way ahead. We will not see upwards of 1,100 students from rural Scotland—remember that those students come from some of the lowest income families in Scotland—going to

live in the centre that has the highest living costs in the country. They will just not do that. We will lose the tremendous talent that has given our industry the dynamism that has driven Scottish people round the globe to lead industries in other places. We are in danger of losing that.

By keeping the three centres and allowing them to link up, whether by video link or whatever, we could achieve a great deal more, but we need to think outside the box slightly. It has been stated that we are seeing a falling away in the numbers of agricultural students. That is because we have less need for people and more need for capital. However, more people are living in rural society than ever before and many of those people have a desperate desire to learn about agriculture and rural society. If we can think outside the box and get courses that suit those people, we could have three centres of excellence in Scotland, which is what I would like to see.

We must not throw the baby out with the bath water. It might be that the SAC cannot run all the centres, but those three centres are still the places in which teaching should be done and the centres need to link up with other organisations in order to achieve that. I welcome a move towards the retention of the higher national diploma, but we do not need to limit ourselves to that. We can do a whole lot more by providing a more comprehensive education for rural Scotland.

Mr Gibson: Will the panel members comment on the fact that agricultural education is delivered in a different form from that which is used for related sciences in universities, further education colleges and the like? Is the private company model part of the problem that faces us? As funding has been driven down towards Scottish Higher Education Funding Council levels, cognisance has not been taken of the extra costs that are involved in the physical assets at Auchincruive, Craibstone and Bush, where the agricultural education that is required by the Scottish model is delivered. If the Government believes in the Scottish model, it must surely examine the structure of the SAC and consider changing it to, for example, an agency rather than a private company.

Brian Pack: That is a vital point. The great danger is that we consider only the cost of things and not their value. The Deloitte & Touche report is heavy on costs but low on value. The product that is produced by the Scottish system and the knowledge transfer that it enables involve a higher cost than the conventional educational model, but I believe that that cost is well justified. We should also consider allowing the SAC more money to do the job that it needs to do.

For those who are not so aware of it, the Scottish system involves research and

development, teaching and consultancy being in the same organisation in order to ensure that there is crossover and true knowledge transfer. I believe that the proposed solution will not help to achieve that model because the research and education facilities will be at separate sites—even though both will be in Edinburgh, they will be distant from one another. Coffee breaks and other such interactions between folk are the key to knowledge transfer. I agree that the SAC must have a larger budget to continue to achieve what it does, but I also agree that the structure of the organisation must enable it to do so.

11:15

Willie Campbell: The point is valid. We must take on board the higher costs that are involved in training people to the standards that are required to allow them to manage and work in rural Scotland. It costs more to train a doctor than it does to train a lawyer, but we do not send student doctors to law school. We must accept that different courses require different amounts of money.

It is probably worth pointing out that, under the existing SAC system, which I commend, it is difficult to discern exactly what the educational costs are. We have a collegiate system whereby researchers and advisers are brought in to train and teach students. That system gives students a good grounding in life outside the college. Somebody mentioned that we need to take students to the inner cities to allow them to meet the rest of society, but that is not correct; we can bring some of the rest of society to the students and allow them to be trained by people from different fields. However, the system means that it is difficult exactly to discern the educational cost.

The existing centres have multifunctional staff, which we must try to maintain. I am a former student of Auchincruive; the grounding I received there was absolutely superb. The blend of people from the commercial and educational sides of the industry and those who practise on the farm in the campus cannot be paralleled. I have seen examples of agricultural education from throughout Europe, but I have yet to see a better one. I am proud of the SAC—the nation should also be proud of it. We should put resources into the college to ensure that we maintain it.

Nora Radcliffe: Will the panel comment on whether there is something fundamentally wrong with trying to deliver and manage from one centre the different strands of services that the SAC delivers at present in diverse areas in Scotland?

Brian Pack: One could argue that it is illogical to suggest that centralisation is the key, but we must consider all aspects of the issue. Restructuring

and rationalisation are important, which means inevitably that there will be a substantial reduction in the SAC's physical resources. That suggests that we must look for a one-centre solution, but it must have outposts. Outreach work is important—the advisory and veterinary services must be spread throughout Scotland—but the education aspect must reach a critical mass. I believe that one of the causes of the low number of students is the SAC's inability to concentrate its effort. A lot of effort has been dissipated.

Karen Gillon: My question is really for myself. From today's comments, I get the feeling that everyone wants to defend their own wee patch and to have the college in their area. I understand that; I would do exactly the same if my area were involved. Is it an option to have partnerships with other education providers in Ayrshire or Aberdeen in order to keep the education base as well as the research and advice facilities in those areas?

Willie Campbell: There are opportunities for partnerships and we must commend the SAC for its work on that idea, even though it has had limited success. The work must continue, although we all appreciate that every educational institution is under severe financial pressure. The SAC has enormous resources that could be used by others. I do not see why that cannot be considered; it would be good if it could be.

It was said that everyone seems to be looking after their own wee corner. That is not the angle that I take. I am from a farming background and I actively farm. I want to protect the future of farming and the rural economy in Scotland. We cannot do that from our own wee corners; we have to make progress together. If we are to have a viable rural economy, the entire infrastructure must be kept in place. If the SAC falls by the wayside, as I fear that it may do if it pursues the Deloitte & Touche options, agriculture across Scotland will suffer. I am taking an overall point of view. Having three centres is important for the entire rural economy.

Karen Gillon: That is not financially viable. We cannot look at things in isolation. Everybody is saying that the three-centre approach is possible but nobody is coming up with ideas on how to rationalise the properties or how to use the three centres more effectively so that we can maintain them. We are in a difficult financial position. Everybody wants to keep the three centres, but the only answer that anybody has come up with is that the Government should provide more money. However, we are talking about a private company and another set of solutions is required.

Willie Campbell: We have to acknowledge that educating the people who will operate in rural Scotland in the future is expensive. Rural Scotland is extremely important to us all.

I am reluctant to accept that the present set-up cannot pay. I do not think that anyone would say that there have not been continuing losses over a long period. Those losses have accumulated and we have reached crisis point, which would not have happened had we addressed the problems years ago.

The proposals in the Deloitte & Touche report will not be without costs. Correct me if I am wrong, but the costs of the redundancies that will result from the proposals will have to be met by the Scottish Executive Environment and Rural Affairs Department. Those costs will be extremely large. Instead of getting rid of our expertise and talent, I would far rather that we invested that money to keep people in place. We have to be more dynamic. We have to think outside the box and consider the opportunities that we can offer to people in the rural economy. That would be a far better solution and that is what I am pushing for. It is not just about keeping one centre; we have to consider all the options before we throw the baby out with the bath water.

Karen Gillon: I agree with all that, but why should it be done by a private company?

Councillor Andy Hill (South Ayrshire Council): We have to consider the question of rationalisation and we have to consider things in the round. I do not think that anybody has done that. We have to consider how we can sell off some of the estates at Craibstone and Auchincruive to meet some of the costs. That may help with the future running costs. There was nothing about that in the Deloitte & Touche report, but it should be considered. After all, in local government we have to consider all the options before we come to a conclusion.

Brian Pack: It was suggested that everyone wants to continue with the three centres, but I take issue with that. The arguments for rationalisation are clear. We have to rationalise. There will have to be a debate in wider society about how that should happen and where the centre should be. Rather than simply assuming that the centre should be in Edinburgh, where most things are, we should debate that. In addition, it is important that we have new creative ways of including local people in agricultural education.

I have a tremendous fear that the process, as Charlotte Gilfillan suggested, will result in the number of SAC students falling to such a level that the college is not viable. The greatest potential problem with setting off down a course of rationalisation is not actually achieving that objective because too much income disappears. I believe that the SAC might be heading down that path. The SAC must get its costs down, but it must keep its income. That is not easy for any business.

The college must find a more creative way of involving agriculture students, particularly the further education students, so as to ensure that they stay and that they progress through the system. The SAC has been particularly successful in bringing in certificate students and in turning them out with a degree. That is important for access to education. I am concerned that the first part of the ladder might be taken away through centralisation.

It is vital that the SAC has a centre of excellence on one site, which folk can visit. I argue unashamedly that that centre should be located in the north-east, for all sorts of socioeconomic reasons. That is where society has to interact with the process.

Jeremy Purvis (Tweeddale, Ettrick and Lauderdale) (LD): I apologise on behalf of Mike Pringle MSP. He wanted to be here this morning, but is unable to attend.

I query, in passing, the basis on which William Campbell is giving evidence this morning. I am not sure whether he represents the National Farmers Union of Scotland. If he does, has he consulted Lothian and Borders NFUS on his evidence?

Leading on from the comments that Brian Pack has just made, and on the subject of the affluence of the Lothians, I was struck by Midlothian Council's written evidence, which described the

"low wage/low skill economy ... high part-time employment"

and "high youth unemployment" there, as well as the fall in growth in the area in 2002. I would like to bring in John Allan to touch on the impact that the rationalisation might have on Midlothian, bearing in mind its 100-year relationship with the SAC and its predecessors there, and on how Scotland would benefit from it as a whole.

The Convener: I understand that Mr Campbell is representing Ayrshire NFUS. There was a question about whether there had been consultation with the NFUS in the Lothians.

Willie Campbell: Yes, there has been consultation. I would like to point out that the SAC briefing says that the NFUS initially welcomed the publication of the report. It went further than that, and said that the SAC had the support of the NFUS. That is not necessarily the case. We said that we welcomed the publication of the report, but that is entirely different from welcoming all that is within the report. The NFUS is painfully aware of the situation in which the SAC finds itself. We welcome decisions being made, but we want them to be the right decisions. We did not give our endorsement in the way that has been suggested.

There has been a lot of dialogue in the various areas of the NFUS. The Lothians will be less concerned than others, as the people there might

find themselves in the fortunate position that everything is on their doorstep. If you were to talk to individual farmers, however, you would find something different. Like me, they are concerned about the future of the SAC. The feeling in Ayrshire is one of outrage and disgust that a long-standing institution—

The Convener: Could you wind up a wee bit? We were just after a brief clarification.

Willie Campbell: To conclude, I would say that there is outrage and disgust among the members of the Ayrshire NFUS.

The Convener: I think that we have picked that up. Thank you very much.

11:30

John Allan (Midlothian Council): There has been a lot of debate this morning about a focus on Edinburgh and on the fact that Edinburgh is a big city with an overheating economy. One aspect of our submission is that Midlothian is not Edinburgh, and has distinctly different characteristics from Edinburgh.

Midlothian is a predominantly rural area. Its population is only about 80,000, and its largest town, Penicuik, has a population of between 17,500 and 18,000. For many decades, the Midlothian economy was one of heavy engineering and coal mining. However, those industries have declined rapidly in Midlothian, as they have in the rest of Scotland. We are attempting to rebuild our economy and there is no doubt that we benefit from being on the edge of Edinburgh. One reason for Midlothian's official unemployment rate being relatively low is that we rely heavily on jobs in Edinburgh. Such jobs involve a high level of inward commuting. One of the council's policies is to reduce that level by making the local economy more sustainable. The biotechnology and life sciences sector has been developing for several years. Members will note from our written submission that before such things as science parks became fashionable, scientific institutes had been established in Midlothian for years.

We are trying to take into account the Executive's smart, successful Scotland objectives. We are working with Scottish Enterprise and Scottish Enterprise Edinburgh and Lothian to build on the partial success of the biotechnology and life sciences industry in Midlothian. I use the phrase "partial success" because, although progress has been made, jobs have been created and growth prospects are higher than in other sectors, there have been setbacks for that sector. For example, PPL Therapeutics plc, which is based in Midlothian, announced substantial job losses last week.

We remain concerned about aspects of the Midlothian economy, such as high youth unemployment, low skill levels, pockets of deprivation and sectors with low wages. Going beyond the travel-to-work area unemployment statistics and analysing the local situation shows that our economy is extremely fragile and that we have a long way to go to diversify and build for the future.

The point that I want to emphasise is that Midlothian is not a part of Edinburgh. I admit that there are pockets of overheating, but the area that we are dealing with is distinctly different. I make no apologies for being parochial and talking about the Midlothian economy, which is partly dependent on the success of the rationalisation of the SAC. Perhaps more important, the rationalisation might take jobs out of Midlothian. Our council would certainly be concerned about that.

I put my parochial hat aside for a moment to consider the issue from a wider perspective. We regard the SAC's rationalisation as contributing to the wider Scottish objectives of the Parliament and Scottish Enterprise.

Mrs Nanette Milne (North East Scotland) (Con): I would be interested to hear Brian Pack's comments on what has just been said. My view is that Edinburgh's relation to Midlothian is similar to Aberdeen's relation to its rural hinterland.

Brian Pack: John Allan clearly identified the dilemma that Midlothian faces. Quite a chunk of the proposed solution is based in Edinburgh in the King's Buildings site. It has been suggested that the SAC headquarters might move, but that would be dependent on such factors as the release of cash. I think that it will be a long time before the headquarters move to Midlothian, because there are enormous problems in releasing cash from Craibstone and Auchincruive and it would be dangerous to move further into borrowed money. The key suggestion for Midlothian is that the SAC should stay there. The bioscience park, the relationships and the growth all exist in Midlothian and are important for that area.

Any business can manage a substantial subsidiary part at a distance, as long as it is substantial. That is not part of the equation.

Various issues face Aberdeenshire, not least of which is the big reduction in the fishing sector. The oil industry is always iffy. It is clear that the food industry is a key part of Aberdeen and Aberdeenshire. As I am part of the food industry, it worries me that we will lose a key part of our cluster. Once clusters start to be destroyed, they diminish pretty fast.

An equal consideration is the injection of money. Aberdeen and Aberdeenshire local economic forum has produced a paper that estimates a loss

of about £6 million to the economy. More important, looked at the other way, the economy could gain £10 million or £12 million, which would be significant for Aberdeen and Aberdeenshire.

The Convener: I am going to draw the evidence to a close. A couple of members want to speak, but I would prefer them to ask questions when we have the third set of witnesses.

Rhona Brankin: I would like clarification, because it is not clear that Mr Campbell is not representing the NFUS. No other NFUS branch was asked to give evidence to the committee.

The Convener: We undertook a process of asking all members to suggest people whom we should invite. I understand that the NFUS declined to give us a written submission. It is clear in our papers that Mr Campbell represents the Ayrshire NFUS branch, and we teased out that point earlier.

Rhona Brankin: No other branch of the NFUS was asked.

The Convener: We asked members to invite people. That allowed members to suggest key stakeholders in their areas from whom members felt we should take evidence.

Rhona Brankin: The committee did not make invitations.

The Convener: We could have invited hordes of people. We tried to make the numbers manageable, to allow each geographical area to have its say and to have a range of stakeholders, whether they were business people, students, people from the local community or people contacting us through local councils. Inviting witnesses is not a perfect science, but we gave it our best stab, given that we have only two and a half hours for taking evidence. I hope that that clarification helped.

I thank all the witnesses for their written submissions and their answers to our questions. We will have two minutes of downtime while we invite our third set of witnesses to come in.

11:37

Meeting suspended.

11:41

On resuming—

The Convener: I am conscious that the witnesses have been sitting at the back of the chamber listening to the discussion. As I have said to each set of witnesses, I am grateful for the written submissions that have been supplied to the committee, as they have meant that we have been able to read and digest the information in our own time. Whether that will help the committee is

another matter—we have to try to process so much information.

The purpose of this session is to enable members of the committee and other members of the Parliament to ask some of the questions that occur to them, having read the submissions and listened to responses to previous questions. As before, we will not ask for initial statements. As the witnesses will have noticed from previous sessions, it is for the witness to judge what to say in answer to our questions. That said, I hope that they will draw on their submissions.

I am conscious that we wish to keep to time and so, without further ado, I will open up the meeting to questions from members.

Maureen Macmillan: I hope that it is okay for me to ask two or three quite different questions and raise points that I have picked up from the submissions and previous evidence. The first is about the valuation of King's Buildings. Concern has been expressed that, although the buildings at Craibstone were valued highly, a low valuation was put on King's Buildings.

What is the state of King's Buildings? The building is not that modern and I wonder how it works for students, particularly in relation to disabled access—I heard that there could be problems if disabled students needed to access lecture theatres. If the SAC withdraws to Edinburgh and Midlothian, what does it want to build on the Edinburgh campus?

We have heard about clusters of excellence and about the need for a critical mass of research. What will we lose if all the SAC facilities are concentrated in Edinburgh and Midlothian? Will the college's consultancy arm be damaged by centralisation? Someone said earlier that source material would not be available in Edinburgh.

What is the prospect of HN-level students continuing at the Craibstone and Auchincruive campuses? Can a link be made with another education provider?

The Convener: That included three broad topics and at least six questions.

Maureen Macmillan: I am sorry.

The Convener: I ask the witnesses to work through the list by fielding the questions among themselves.

11:45

Professor Bill McKelvey (Scottish Agricultural College): I counted five questions—we will try to answer them all.

I will let Douglas Wynn talk about the valuation of King's Buildings, as he authored the report. King's Buildings is not a modern building; it

requires significant upgrading. The Disability Discrimination Act 1995 places significant requirements on us and those costs are included in all the options that we considered.

I want to respond to the point about the loss of effectiveness of the college's consultancy arm and the relationship between consultancy and research. Essentially, the SAC's research base is an applied research base; it is not a blue-sky or a basic research base. One of our most effective research programmes is our veterinary science programme. Although that is based across Scotland, it is run from Edinburgh and Inverness, not from any of the peripheral campuses.

Our advisory offices are involved in research on areas such as environmental compliance, as are our veterinary laboratories. Although the research is driven primarily by the campuses, it goes on across the country.

Earlier, Mark Hocart gave statistics on the relative activities in our current research. I remind the committee that, last financial year, we had 124 collaborative projects, which were worth about £16 million across the SAC. Of that total, 65 were worth £9.5 million and were based in Edinburgh; 33 were worth £3 million and were based in Aberdeen; and 23 were worth £2.5 million and were based in Auchincruive.

The figures give the committee a relative balance of where the research is based at the moment and of why we believe that we should concentrate research on the Edinburgh and Midlothian site. That is the optimum option for the college and would result in less disruption of our existing key staff, who are our big research winners.

I ask the committee to remember that, where necessary, research is carried out on a local basis. We have just spent upwards of £1 million in Dumfries on our dairy research centre, putting our dairy research bang in the middle of the dairy industry—Dumfries has two thirds of the dairy cattle in Scotland.

We will retain our upland unit beside Oban. We will also retain our local crop trialling in Aberdeen. That last point answers the concerns of a number of local people in the Aberdeen area. There are different soil types and climates and, under the plans that we have proposed, we will retain research on local climate areas.

Douglas Wynn will talk about the valuations that were put on the various properties.

Douglas Wynn (Deloitte & Touche): Deloitte & Touche is delighted to have the first opportunity in the four months since the reports were published to enter into discussion and answer some of the questions that have been raised about our report.

Contrary to what was said earlier, the valuations in our report, which are based on the spreadsheets that are to be found in volume 2, were not given to us by the SAC. The valuations were the subject of the independent advice that we received from a professional property firm that was quite independent of D & T and the SAC.

It was said that the valuation of King's Buildings is low and that the valuation adversely affects the options appraisal. I repeat that the valuations are made by a professional firm. They take on board the fact that the SAC owns 80 per cent and not 100 per cent of the building and that the University of Edinburgh has a right of pre-emption.

If members read the full report, they will see all the other valuations, which are contained in the appendix to the full phase 2 report—that has been on the SAC website for four months. The appendix states clearly the derivation of the valuations.

Professor McKelvey: Mention was made at the start of the meeting of the availability of the financial data in respect of volume 2. My chairman wrote to the convener, offering to make the information available to the committee. We have no objection to the committee having the report, but I would like the report to be treated confidentially, as it contains information that is of a confidential nature in relation to staff and business projection.

The volume 2 report, which has caused interest this morning, has been made available to the union—indeed, Prospect has had a copy since the report was published. SEERAD officials, including its economists and building people, have also considered the report in great detail. We have no reason to believe that SEERAD has any concerns over the financial detail in that volume. We are happy to make volume 2 available to the committee on a confidential basis.

The Convener: That is a helpful point of clarification. My understanding is that we had asked for that document and were told that we could not get it. I say to the committee that, if we are to receive confidential information, we will have to treat it as such. Any leakage of that information or breach of confidentiality would effectively be a breach of the "Code of Conduct for Members of the Scottish Parliament". If the committee is happy to receive that information, we will do so on that basis.

Professor McKelvey: We have the volume here. We are happy to leave it with the clerks after the meeting.

The Convener: That is fine. It was offered to me alone as convener, but I was not prepared to take it on that basis.

Douglas Wynn: It would be prudent to have a tame accountant on hand. The volume is not particularly readable.

The Convener: That is precisely why I did not want to be the fount of all wisdom on the matter.

Are members happy to receive the report? Do they think that it would be helpful? We want to send the right message in terms of transparency and willingness, but we would have to treat the document as confidential—the proviso is that the code of conduct comes into play if a member does not treat the volume with due confidence. Are members happy to abide by that?

Members indicated agreement.

Karen Gillon: I have a few questions on finance. Is any of the land that the SAC proposes to sell held in trust? We have information that it is. One of the letters that we received says that the delay is costing £300,000 per month, but the SAC's finance director said on 10 June:

"we will exceed our budget and will be much closer to breaking even than we have been for several years".

How do you square those two circles?

How many members of senior management does the SAC intend to lose in the restructuring? Obviously, a number of education staff are being moved or shed. You have lost 551 staff from Auchincruive in the past five years. Why is that figure so high? It seems disproportionate to your staff losses at the other sites.

I am interested in the figures on page 5 of your submission, particularly those in table 1 on hired employment per 1,000 hectares. Edinburgh does much better out of that presentation than the other two sites, because much of its work is academic and much of the work at the other sites is agricultural and covers a much wider area. The table therefore seems a weird way in which to present figures, particularly as it skews them against the more rural parts of your campuses.

Professor McKelvey: I will deal with some of the historical aspects. In the mid-1990s, we had a total staff of around 1,500. That figure has progressively decreased to about 900. The staff have been lost predominantly from the academic centres. The field service staff have remained; indeed, their numbers have increased over that period. The number of staff involved in the front-line services to remote areas, veterinary practitioners and farmers has also increased.

A number of the figures will be complicated by the fact that some services have been outsourced. For example, South Ayrshire Council now looks after a fair bit of the cleaning and maintenance at the Auchincruive estate.

You mentioned the inferred anomaly of the £300,000 per month. That is based on the fact

that, in the report, the cheapest option is compared with the status quo. The status quo amounts to £4.3 million or £4.4 million per annum more than the cheapest option. If we divide that by 12, we come up with a figure of more than £300,000 per month.

That figure compares where we could be with where we are now—we have recovered the financial position at the SAC. I must congratulate my staff and senior management team on a tremendous effort over the past two years. The process has largely involved cutting costs.

We have been able to maintain most of the income over the period, although it has fallen slightly. The fact that we have taken the best part of £2.5 million per annum out of the cost base of the SAC in the past two years means that, this year, we have recovered to a break-even situation. However, the Deloitte & Touche report makes it clear that that position is not sustainable, as it has been achieved by cutting back severely on maintenance and other recurrent costs. Such cuts are affecting the infrastructure of our buildings on all the campuses, not only of those on one campus in particular.

Douglas Wynn: We have seen the minute of advice on trusts and our understanding is that there is no prohibition of disposal of assets. There are ways in which the spirit of the trust can be recognised and the SAC can still go forward in reconfiguring its assets.

Professor McKelvey: I ask Alasdair Laing to deal with the question on the senior management team.

Alasdair Laing (Scottish Agricultural College): The senior management team, the members of which have changed relatively recently, has the full confidence of the board. Progress cannot be made instantly. In making the changes that were necessary to put in place the present senior management team, the board went through a fairly lengthy process. We have full confidence in the team's ability to carry through the present exercise.

Karen Gillon: You have no plans to restructure your senior management; you intend to restructure only your lower-level staff.

Alasdair Laing: At present, we have no plans to restructure the executive management team.

Karen Gillon: That is interesting.

Professor McKelvey: As has been mentioned, the restructuring that we have just gone through has meant that we have moved from a discipline-based divisional structure—involving, for example, environmentalists, vets and crops—to a three-division structure. As a result, the number of members of the senior management team has

been reduced from around 13 or 14 people to seven people in the past year, so there has been a considerable reduction in the size of the senior management team.

Nora Radcliffe: I return to the 124 projects that you mentioned and their allocations. Much of the recovery package that has been proposed depends on moving things to the Midlothian cluster of excellence, which is based largely on biotechnology. I put it to you that, in Aberdeen, the cluster of excellence is based on land use and the food chain. How confident are you that you can transfer successfully that smaller, but highly significant, part of your research efforts from where it belongs rationally to somewhere where it would lack the support of a surrounding cluster? What would happen to your package as a whole if key research staff who wanted to stay within that cluster were haemorrhaged to another organisation?

Professor McKelvey: That is a good question, to which we have given an enormous amount of thought. If I can reduce the question to more basic terms, we are talking about environmental research and animal research. The vast majority of our animal researchers are based in Edinburgh; we have only one team in Aberdeen, which is dealing with developmental biology. The Aberdeen team co-operates largely with the University of Nottingham and the Roslin Institute in Edinburgh—they are the team's main collaborative organisations. To keep that team in Aberdeen, we are facing a spend of about £1 million to £1.2 million to rekit the animal accommodation there. The fact that most of that accommodation is already available in Edinburgh is one of the main drivers for our wish to relocate that team to Edinburgh. The issue is about cost and about collaboration with the Roslin Institute, the University of Edinburgh and the University of Nottingham.

In relation to environmental research, you are quite right. The Macaulay Institute—formerly the Macaulay Land Use Research Institute—is a centre of excellence. We do not have a strong presence in environmental research in Aberdeen. We are talking to the Macaulay Institute about relocating our environmental research staff, who are involved especially in the social aspects of environmental research, to the Macaulay Institute, rather than moving them to Edinburgh. That would seem to make sense. Those discussions are ongoing.

Nora Radcliffe: I want to move on to other aspects of the package, such as the assumptions on which it is based and the question of what will happen if those assumptions are not correct. If you sell off all the assets that you propose to sell off and the plan does not work out as you intend—for

example, if you do not get the student and research transfer—are you likely to find yourselves several years down the track in a similar situation but with no assets left to sell?

12:00

Professor McKelvey: I will answer that first, and then Douglas Wynn will comment. Yes, of course there is a danger, but there is a danger in choosing any single site. If we were to choose Craibstone as the single site, I do not know anyone who could guarantee that all the students would suddenly transfer to Aberdeen. Similarly, no one can look 10 years into the future and guarantee that all students will go to Auchincruive.

It is a matter of what we can afford to do within our budgets. We face a 25 per cent cut in our education budget over the next three years with no restructuring support, so in three years' time, we will have a budget that is 25 per cent less than this year's budget. We have no alternative but to restructure our education. We can argue all day about whether the right site is in the north, the west or the east, but we must choose one—we have no alternative. What was the second part of your question?

Nora Radcliffe: What will happen if, having shed assets, you are in the same situation in the future, but have not put yourselves in a viable position?

Douglas Wynn: The SAC has a duty to achieve best value for money with the public moneys that it spends. The present configuration is not only wasteful but unsustainable. If things go on as they are, there will be no SAC. In fact, the problems with the education campus configuration and with the overload of estate will endanger the survival of the whole. The whole of the SAC goes well beyond education.

The report does not present some ill-thought-out move from a stable current reality to a hypothetical future state. It is helpful that, whatever else might have been said in the debate—some of it wise, some not so wise—at least there is general acceptance that there has to be rationalisation and the majority accepts that that should be rationalisation to one educational campus. That does not mean that all the advisory, veterinary and other services of the SAC are being drawn into that particular centre. A great deal of the current operations of the SAC will still be out there and will be unaffected by the report. The major changes will be in education. The consolidation of research at Bush is taking place anyway in incremental day-to-day decisions, because it makes sense.

The question of what happens in the future if the SAC is restructured is one that will have to be faced in the light of the outcome of this debate and

the eventual decisions that will be taken. Others apart from the SAC board have a hand in that, but at least the intention—and, I believe, the effect—of our report is to make the best use of the SAC's current assets.

Mr Gibson: I am interested in the way in which you do local economic impact assessments for each of the areas concerned. I am also interested in the basis of the local agricultural economic impact analysis, as broken down in table 1, and in the value of certain crops being far greater on larger farms.

It strikes me that underlying your business plan is a focus on agribusiness, but that goes in the opposite direction to public policy, which aims to provide rural land management education. There will be greater emphasis on that in the future when the Government examines land in Scotland. Are those two aims mutually exclusive in your business plan? It strikes me that most of the measures that have been suggested for efficiency relate to work at the high-tech end, and to agribusiness in the large grain-bearing areas of the country. That skews the argument about what is required of the SAC.

Professor McKelvey: If I understand your question correctly, there are two aspects to the issue: the agricultural economy and the impact of jobs on the local economy around the various campuses. The second aspect was not part of Deloitte & Touche's remit, which is publicly available on our website. Questions have been asked about the remit, but it can be accessed by anyone who wants to see it.

The figures for the agricultural economy are based on the latest SEERAD census figures for agricultural activity. The table is included for no purpose other than to indicate that the campus around which there is the highest level of agricultural activity is Edinburgh, followed by Ayr and then Grampian. In producing those figures, the economists took Craibstone to include Tayside. That gives Aberdeen more weighting than it would have received had Tayside been included with Edinburgh.

Mr Gibson: What economic activity was measured?

Professor McKelvey: The number of employees per 1,000 hectares was measured. I can give you the full paper, if you wish.

Mr Gibson: So the figures deal with the agribusiness end of the sector and do not relate to much of Scotland's agricultural base, which is concerned with environmental land management for the future.

Professor McKelvey: In all the agricultural businesses with which we deal, emphasis is

shifting towards agri-environmental issues. The figures that are cited in the report are included simply to give members an idea of the employment that is currently associated with agriculture around each of the campuses.

The Convener: Three committee members have indicated that they would like to ask questions. John Home Robertson has sent me a note saying that he has a constituency engagement so, as he has not had an opportunity to question any of the previous witnesses, I will allow him to ask a brief question first. I reassure Brian Adam that he is also on my list.

Mr John Home Robertson (East Lothian) (Lab): I would like to raise another education-related issue. I happen to be a former Auchincruive student, but that was a long time ago. More recently, my son started his studies at Craibstone and went on to gain his HND at the SAC in Edinburgh. In that sense, I am partial.

What is more relevant is that the debate reminds me of the serious difficulties with the finances of the SAC when I was at the Scottish Executive Rural Affairs Department four years ago. It seems to have taken an inordinate amount of time to bring these matters to a head, which must have cost the taxpayer a great deal of money. I understand that Ross Finnie asked the SAC to commission the consultants' report, that the job was done and that the SAC board has considered and accepted the report's conclusions. It is open to politicians to second-guess that process, but second-guessing by politicians tends to cost money. How much would it cost if either the Minister for Environment and Rural Development or Parliament asked you to retain a second or third centre for the SAC? That is the crucial question.

Professor McKelvey: The minister has asked us to answer precisely that question. Deloitte & Touche is carrying out a third phase of the study for us at the moment; it is examining the possibility of retaining specific facilities in Craibstone and Ayr. Douglas Wynn will provide further details of the study.

Douglas Wynn: Professor McKelvey is correct. We are currently engaged in that task, to a tight reporting timetable.

I will stress two points that I regard as important. First, we are trying to place identifiable costs on additional retentions at the two campuses from which we originally suggested moving out more activities. We have never suggested that the campuses should be closed completely. The identifiable costs will not be the end of the matter. The more activities that are left and which are separated by 100 miles of road and more, the fewer the efficiency gains that the SAC will be able to obtain in the future. The impact on net present

values will be calculated, but wider efficiency issues are involved.

My second point, which is important, is that the SAC is not only an object of policy, in that it has to comply with Executive policy on sustainable development, but an instrument of policy. One of its major responsibilities is to the Highlands and Islands—to remoter areas, hill-farming areas and crofting areas. That point has been lost in the discussion on local loyalties and economic impacts around the existing nodes of activity.

If someone were to plan an economic, reconfigured institution to deliver specialist education throughout Scotland, they would follow the model of the Open University in Scotland, the university of the Highlands and Islands model of blended learning or the model that is used by Heriot-Watt University in outreach in the Borders. They would use digital learning, as the Executive envisages it in its many policy statements on the matter. They would collaborate through the Learning and Teaching Support Network. They would achieve outreach using physical assets in localities as appropriate, which would be tailored to local demand and supported by digital outreach. That is precisely the model that is suggested for the future—its worth is proved in the examples that I have given. It can deliver an effective and holistic agricultural education to the whole of Scotland, including the vulnerable areas that have so far been ignored in much of the debate.

Mr Home Robertson: Is your objective conclusion that the best value for money and the best quality of education would be delivered on the basis of your recommendations?

Douglas Wynn: Of course it is—otherwise we would not have made the recommendations. We are under no illusion—we are not making ourselves popular in certain circles by making our recommendations. Our apprehensions have been well borne out.

Mr Home Robertson: If somebody were to give you political direction to retain one or more of the other sites, we would be talking about substantial extra cost for the taxpayer.

Douglas Wynn: Yes. That point is precisely quantified in a table in the phase 2 report.

Alex Johnstone: Peter Chapman suggested this morning that the SAC could be out of education in five years. Do you think that it will take that long?

Professor McKelvey: I would like to contradict something that Peter Chapman said—his sources are not quite up to speed. He said that we will not be replacing a student recruitment officer in Aberdeen. That is entirely wrong; that officer has been replaced, although Peter Chapman did not seem to be aware of that.

I will let Alasdair Laing speak on behalf of the non-executive directors, but I can say that the board is absolutely and unanimously committed to delivering agricultural and rural education to Scotland.

Alasdair Laing: I can do little more than back up what Bill McKelvey said. We have a complete commitment to rural education. We regard the process that we are going through at the moment as the best way of enabling us to supply that education in the future.

Alex Johnstone: We heard a description, both a moment ago and earlier, of how such education could be achieved through some sort of high-tech correspondence course. Have you been seeking partners within the regions who could provide the assistance on the ground? Who would those partners be, with particular regard to Ayrshire and Aberdeenshire?

Professor McKelvey: We have talked extensively to such partners. We are in regular dialogue with other land-based colleges within the further education sector, such as Barony College, Oatridge Agricultural College and Elmwood College. We have spoken extensively to the University of Paisley in relation to our position in the west and we have an extremely good relationship with that university—as recently as lunch time yesterday, I spoke to its principal on his plans for developments in Ayr. If the funding were available for us to develop a joint campus in Ayr, neither organisation would object to working together for the benefit of both organisations and the Ayrshire community. I understand that the University of Paisley does not want to come to Auchincruive. That is for that organisation to decide. Clearly we would welcome the university to Auchincruive with open arms but, for the moment, it has decided that it would be better to redevelop in the town of Ayr.

As far as the north-east is concerned, we have been talking to Banff and Buchan College, Aberdeen College and the University of Aberdeen for a long time. One of our main problems at the moment is that when we talk to potential partners, we need to be able to tell them what our structure will be in the future and what we will deliver in those areas. While the current political process is on-going, partners are not really able to sit down with us and come to an agreement. However, I have no doubt that once we settle on the outcome of the Deloitte & Touche process, we will be able to develop those partnerships.

It is important that the committee remember the difference between the funding mechanisms of the SAC and those of the rest of the higher and further education sector in Scotland. Ours is the only body that is not funded through the funding councils. Clearly, that creates a number of

tensions with those bodies, because we are funded at a higher level. Part of the process that we are now going through has been kicked off because SEERAD wanted to bring our funding on to a level playing field with the other providers. Once that happens and our costs are similar to theirs, it will be much easier to develop partnerships.

12:15

Alex Johnstone: Many of your projections are based on an assumption about the number of students whom you will have coming to Edinburgh. Given the evolving nature of higher education in Scotland in recent years and the predatory nature of certain universities and the way in which they attack with their courses, if you develop partnerships such as those that you talked about, is there a danger that you might create a competitor who would ultimately squeeze you out of the market?

Douglas Wynn: There are many dangers and chances ahead for the SAC.

I did not recognise your description of a high-tech correspondence course and it did not tally with the Executive's advice on best practice for e-learning. Deloitte & Touche's view has always been that the SAC should comply with the general principles of the Executive's policies on best value and e-learning environments. Advice on best practice is available through the Learning and Teaching Support Network and, as I have said, there are living examples.

The intention is that resources should be used effectively. Staff and fixed assets should be used to deliver a varied blended-learning environment that will be exciting and interesting. The research that has been done on blended-learning environments shows that they can be effective. We are not talking about exclusive outreach; we are talking about a mix of on-campus, outreach and supported learning. That mix can be extremely attractive and has been so in a number of iterations.

There is an important point to be made about the projections of student numbers. There is no certainty about student recruitment, even under the college's present configuration. The current debate about the SAC has been waged for some time; much of it has been ill informed and some parts of it have been parodies of the arguments. That might put students off the SAC, even if there is no change.

However, we are looking to the future and trying to gain as firm a model as we can of what that future will look like. Our projections are in the spreadsheets in volume 2 of the Deloitte & Touche report. There is a great deal of detail in those

spreadsheets and the figures are based on the continuation of the present number of full-time-equivalent students, not on an increase. We believe that an attractive, blended-learning provision for the whole of Scotland can attract students from other areas where the colleges are under-recruiting at the moment.

It is notoriously difficult to make projections of student numbers. The funding councils in Scotland used to ask stable higher education institutions to project for four years—the previous full academic year, the current year and the next two years. Because of the unreliability of those projections, the Scottish Higher Education Funding Council and the Scottish Further Education Council have now agreed that it is reasonable to ask stable institutions—not those going through a convulsion, as the SAC is—to make projections over two years. Such projections would cover the current year and the following year. It would be unreasonable to ask the SAC to make projections over a longer period, especially in current circumstances.

Roseanna Cunningham: I want to pick up on a point that Professor McKelvey made in response to Alex Johnstone. It concerns the fact that the SAC's delivery of education is perceived to be the main problem—as can be seen in paragraphs 6.1 and 6.2 of the SAC's submission to the committee and in the comments in the Deloitte & Touche report. How much of the present process has been precipitated by the expected future reductions in SEERAD funding, and how much has been precipitated by the psychology of a private company wanting to maximise the benefits of the profit-making part of its enterprise, which is more than 60 per cent of the whole? If the SAC were not facing reductions in SEERAD funding, what would it be doing?

The centralisation of the education function runs counter to the Scottish Executive's dispersal policy. Has the SAC considered the possibility that the minister, through SEERAD, will try to insist on the dispersal of the education function?

Professor McKelvey: You asked a range of questions. We were notified about 18 months ago that SEERAD wanted to move towards funding council norms for education—by which I mean the normal budget for a science-related subject in another higher education organisation. In December, there was a further reduction—which we were not expecting—in the projections for education funding for the SAC. We had expected SEERAD cuts to take effect in perhaps three or four years' time. However, I received a letter in December—while Deloitte & Touche was writing its report—to say that the initial cut would take effect in 2003-04 and that further cuts would take effect in the following two years. The cuts totalled

around 23 per cent of our existing funding base. The funding cuts have led to some precipitation of the process but the process would have been in hand in any case, over a period of time.

Roseanna Cunningham: What is the balance? Did the education funding cuts precipitate the process or would you be involved in the process anyway, regardless of the cuts? If you would be involved in the process anyway, how does that fit with the dispersal policy, given that part of your funding comes from Government?

Professor McKelvey: We would be putting the rationalisation process in place in any case. There is no doubt in my mind about that. I have worked in the organisation for the best part of a dozen years and it is clear to everyone in the organisation that the process should have happened a dozen years ago. The outcome of the Williams report has hung over the SAC for 12 years or more. It has held back the development of significant parts of the business, because of the overheads structure that we have carried. SEERAD support for the SAC is now critical. We have been able to carry our infrastructure—albeit with significant losses in our business—for a number of years, but we can no longer carry on in that way. I firmly believe that the majority of staff support rationalisation because they regard it as the sensible way forward for the organisation.

Alasdair Laing: I would like to give you the board's perspective. A board, whether of a private company or of a public institution, has a duty to seek value for money. Nobody would suggest that we should not do that. We therefore have to consider how we can deliver our education function. If we can deliver it more efficiently, or as efficiently for less money, we have to consider doing that.

As a matter of interest, I also question the assumption that has been made in previous submissions that rural education needs to be more expensive than any other form of education.

Karen Gillon: On that last point, if the SAC were a public body, it would be required to operate under the best-value regime. Best value is not always the cheapest option but the option that delivers best value for the public purse. In some of what has been said, there has been a confusion between what is cheap and what is best value.

I am slightly worried by the economic assessment figures because they do not take into account the economic impact on the wider community. The economic impact of foot-and-mouth disease was far greater than its impact on the farming community. The figures that are presented in the SAC submission are misleading in their presentation of the economic impact of the proposals on the wider communities of Ayrshire and Grampian.

Professor McKelvey: Let me correct that. We have not presented any figures on the economic impact for the labour market around the campuses. The pack in front of you contains, I believe, a study from an organisation called EKOS Ltd, which carried out an independent study on the Auchincruive campus. I criticise that study because it assumes the complete obliteration of, and removal of all staff and all activity from, Auchincruive, which has never been our intention. Our intention has been to retain significant residual activity at both sites. That activity might not actually take place on the Auchincruive campus, but we would certainly have significant numbers of staff in Ayrshire who would be involved in consultancy activities and in working with local enterprise companies. Our economists, environmental protection staff and so on will still be there. That economic impact report is, to say the least, misleading.

Karen Gillon: Given the SAC's key role in supporting agriculture and the rural economy, is it not remiss of an organisation that receives 40 per cent of its funding from the public purse to produce a report such as the Deloitte & Touche report without a decent, calculated economic impact assessment of the changes?

The Convener: Before we get an answer to that question, I understand that a submission that we received from a member of staff suggests that the minister has asked the SAC to revisit its initial proposals. We understand that the minister has picked up on the need to retain as many jobs as possible in local communities and on the need to meet local stakeholder requirements for research and development and for specific educational provision. In a sense, the minister has kicked back the SAC's proposals. All members have teased out the issue that the SAC is a private company that receives 40 per cent of its money from the Executive. Over time, the Executive has been broadly cutting back on that money and has now kicked the issue back to the SAC, which must come up with a proposal that has a less adverse local impact. Is that a correct understanding of where we are at now?

Professor McKelvey: Yes.

The Convener: Has the SAC been given specific financial details of how much more the Executive would be prepared to pay for a proposal that would buy a less adverse local impact? Are you now trying to get into that kind of calculation?

Professor McKelvey: Yes. The phase 3 study will consider additional retention of specific educational and research provision on the two sites in Aberdeen and Ayr. That is what the Deloitte & Touch phase 3 study is about, and it is what the minister has requested. We will provide the minister with that report in mid-July.

Douglas Wynn: A number of points arise from that. First, we in Deloitte & Touche are conscious that the board has a clear fiduciary and legal duty to maintain the SAC. In the past, that has not been a foregone conclusion. The SAC has to be maintained and the directors have a responsibility to shape the college for the future.

Secondly, on the wider point, if the SAC had been fully in the private sector, it would long since have rationalised its provision. In researching my report, I found strong similarities between the present debate and the debate that took place at the time of the Williams report of 1989. Many of the issues about local economic impact were rehearsed then.

A third point is that Deloitte & Touche has carried out many options appraisals for the Executive, higher education institutions, local authorities and non-departmental public bodies. In those exercises we have used the same essential methodology, and in none of them have we considered the wider economic impact. In the commissioning of this options appraisal phase we discussed at length with the SAC whether it was appropriate to consider the wider economic impacts. It was concluded that we should focus on the issues that are the responsibility of the SAC, to make the SAC fit for purpose, according to its mission as agreed by ministers.

As Professor McKelvey rightly says, the local economic impact assessment that has been done in Ayrshire seems to us to be flawed. Deloitte & Touche is asked to consider the additional cost to the organisation of specified additional retentions. I say again to members that the cost of that will not just be the on-budget cost. If more are retained locally, it will impact on the future efficiency of the organisation, over and above the budget impacts.

12:30

Karen Gillon: You said something—I am not clear exactly what—about “by ministers”. You cannot have it both ways—you cannot be a private company and do what you like as a private company and then say, “Oh, we’re doing this because we’ve been told to by ministers.” Why are we giving money to what is in essence a private company? We need to continue to consider whether, in terms of education and research, that money could be better spent within another model.

Professor McKelvey: The debate is teasing out the fairly unique structure of the SAC. However, I remind members that the Scottish Office set up that structure in the early 1990s and it is one that we have inherited and we have to work with. When I mentioned requests by ministers—

Karen Gillon: My question was for Douglas Wynn.

Douglas Wynn: I said that the SAC has to comply with the policy of the Executive. That seems to me to be right. First of all, the SAC is subject to law. It is a private company, but in a sense that is rather pejorative. It is a charitable company, which is not unusual as a vehicle for such things. What is unusual is the SAC’s relationship with the Executive through SEERAD. All the other 60-odd higher and further education institutions in Scotland are funded through the Scottish funding councils. That model has a level of expenditure that is subject specific, but it also makes them liable to policies and procedures that are well understood. The relationship through SEERAD is productive in many ways. It ties education into the environmental policies of the Executive, and much more clearly into agricultural advice. However, it means that we sometimes wonder whether SEERAD is fully up to speed on issues, such as a sensible basis for student projections, that the funding councils have at their fingertips. It may be useful for that relationship to be considered further, and perhaps for SEERAD to be more open to SHEFC advice on some of the key issues.

Karen Gillon: Is the SAC up to speed on projections for student numbers? There are genuine concerns that many of the 1,500 students will not make the transition from rural-based colleges to Edinburgh. Such projections are—

Douglas Wynn: Let me make a factual correction. We have never said that the planning of the finances of the SAC should be based on 1,500 students. That is made clear in our deposition, as well as in the report in many places. Our spreadsheets are based on a continuation of present student full-time equivalents, which are a mix of SEERAD-funded students, who are the majority, and a large and growing commercial training sector.

The Convener: I ask Brian Adam to make his question briefish, which I know might be difficult.

Brian Adam (Aberdeen North) (SNP): Douglas Wynn said that the SAC could be an instrument of policy for the Executive. How does he square that with the fact that his proposals run counter to the policy on the dispersal of jobs? The point about uncertainties over student numbers has been made fairly regularly this morning and those uncertainties are likely to have a negative impact on the Executive’s policy on widening access to further and higher education.

Will Douglas Wynn comment on the capital asset movements? Why does it make sense to sell the organic farm at Craibstone and then to buy another one somewhere else? In light of the difficulties between the SAC’s predecessor organisation and the University of Aberdeen, which led to the major public expenditure on the

Ferguson building out at Craibstone because of a disagreement between partners, would concerns not be caused by a move to the King's Buildings site, which is 80 per cent owned by the SAC and 20 per cent owned by the University of Edinburgh?

Douglas Wynn: I will begin our response, but I am sure that Professor McKelvey will respond, too. It is not abundantly clear how far the Executive's dispersal policy, which applies to NDPBs, should apply to the SAC. I remind the committee that the SAC's directors have a fiduciary duty to ensure that the institution operates efficiently. If the dispersal policy were to bind the SAC unambiguously, the clear statement in the policy that dispersal must be conditioned by the organisation's efficiency would apply. When read carefully, the dispersal policy is not as open and shut as some critics of consolidation at Midlothian Bush and Edinburgh King's Buildings have made it out to be.

The basic access problem is that the SAC has delivered its education—which is 19 per cent of its activity—at three nodes. The access that has been provided for potential students from the Highlands and Islands, the Uists, Skye and even other areas in the mid-west has not been as well thought through as it might have been. Provision is nodal and we expect a thoroughgoing implementation of all-Scotland, blended-learning delivery to assist access throughout Scotland.

Professor McKelvey: I am glad that Brian Adam talked about widening access, which is an interesting point. A statistic that members might like to go away with relates not to the number of students on campus, but to the number of students with whom we have contact in rural communities. More than 2,500 students are on our books for distance learning and part-time learning activities. Members will know of the success of the centre that we have just established at Thainstone—I am sorry that Brian Pack did not mention that. We are in a partnership with Brian Pack's organisation and with Scottish Enterprise Grampian in an outreach learning centre that is based in the mart at Thainstone. It has been open for only six weeks and already 60 students have signed up. That is the wider access that we want for the future in rural communities, through marts and other agricultural organisations. We now have the technology to do that.

Deloitte & Touche's report suggests establishing an alternative organic farm in central Scotland and takes the full costings of that into account. The Scottish Organic Producers Association and the Soil Association, which are the two main representative bodies, told the SAC that they wanted us to establish that resource in the centre of Scotland. They do not feel that the north-east is the proper site for it. We must listen to the main

stakeholders, and that is what they tell us they want.

Brian Adam: What about my point about the mixed ownership of King's Buildings in Edinburgh and the history of the partnership arrangement with the University of Aberdeen that fell on hard times and which resulted in SEERAD having to pay for the bulk of the new Ferguson buildings?

Professor McKelvey: I will correct that misinformation. SEERAD did not pay for any of the Ferguson building, which was built on borrowings that the SAC took out as a commercial company. I cannot comment on the falling-out between the University of Aberdeen and the SAC, which was before my time. I am not aware of the details.

Brian Adam: If the SAC were in a close financial arrangement with a partner and that partnership broke down, could that not lead to instability, which is one of the current fundamental problems?

Professor McKelvey: The situation at King's Buildings is different, because it does not involve a partnership. We have control of the building and we own 80 per cent of it. All that exists at King's Buildings is a pre-emptive right to buy that vests in the University of Edinburgh should we decide to sell the building, but the university might not exercise that right.

The Convener: I thank the witnesses, who have just about worn out the audience, and all their staff for the helpful background information that they gave us. I will draw this evidence-taking session to a close, as we must leave the chamber by 1 o'clock. I want to give the committee some minutes to reflect and to think about progress. I suspend the meeting for a couple of minutes to let people move around.

12:41

Meeting suspended.

12:46

On resuming—

The Convener: I call the committee back to order. I asked few questions during that discussion because I wanted to absorb the key issues. There are a lot of outstanding issues that we will want to raise with the Minister for Environment and Rural Development and his officials at the Scottish Executive, but there are also issues that we will want to follow up with the SAC.

Given that a decision will be made in the middle of July on receipt of the third phase of the Deloitte & Touche report, which we have not seen and will not see before we meet in September, we will want to be sure that our concerns are in front of

the Executive and the SAC before any decisions are taken. We received a press statement from the SAC a couple of weeks ago, which stated that it would not make a decision before 15 July—or until we had taken evidence—but that it was still intending to take a decision thereafter. An opportunity for us to influence any decision will be provided over the next couple of weeks.

I suggest that I write a letter on behalf of the committee, but I will discuss the contents of that letter with the committee after I have read the *Official Report* of today's meeting. I will circulate a draft letter and consult committee members. Are members happy with that course of action?

Members *indicated agreement.*

The Convener: The committee is closed until September.

Meeting closed at 12:48.

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