

ENVIRONMENT AND RURAL DEVELOPMENT COMMITTEE

Wednesday 26 October 2005

Session 2

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ENVIRONMENT AND RURAL DEVELOPMENT COMMITTEE

26th Meeting 2005, Session 2

CONVENER

*Sarah Boyack (Edinburgh Central) (Lab)

DEPUTY CONVENER

*Mr Mark Ruskell (Mid Scotland and Fife) (Green)

COMMITTEE MEMBERS

*Mr Ted Brocklebank (Mid Scotland and Fife) (Con)

*Rob Gibson (Highlands and Islands) (SNP)

*Richard Lochhead (North East Scotland) (SNP)

*Maureen Macmillan (Highlands and Islands) (Lab)

*Mr Alasdair Morrison (Western Isles) (Lab)

*Nora Radcliffe (Gordon) (LD)

*Elaine Smith (Coatbridge and Chryston) (Lab)

COMMITTEE SUBSTITUTES

Alex Fergusson (Galloway and Upper Nithsdale) (Con)

Trish Godman (West Renfrewshire) (Lab)

Jim Mather (Highlands and Islands) (SNP)

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

Eleanor Scott (Highlands and Islands) (Green)

*attended

THE FOLLOWING GAVE EVIDENCE:

David Dalgetty (Scottish Executive Finance and Central Services Department)

Ross Finnie (Minister for Environment and Rural Development)

John Langlands (British Polythene Industries plc)

Michael Longstaffe (Smith Anderson Packaging Ltd)

Karen Mackenzie (BioBags (Scotland) Ltd)

Jim Pringle (Mackinnon and Hay Ltd)

Michael Stephen (Symphony Plastic Technologies plc)

Barry Turner (Carrier Bag Consortium)

Neil Young (Simpac Ltd)

CLERK TO THE COMMITTEE

Mark Brough

SENIOR ASSISTANT CLERK

Katherine Wright

ASSISTANT CLERK

Christine Lambourne

LOCATION

Committee Room 4

Scottish Parliament

Environment and Rural Development Committee

Wednesday 26 October 2005

[THE CONVENER *opened the meeting at 10:18*]

Interests

The Convener (Sarah Boyack): Good morning. Richard Lochhead has informed us that, due to train issues, he will get here just before 11 o'clock.

Elaine Smith has been appointed to the committee to replace Karen Gillon. The members' code of conduct states that it is good practice for members to declare interests relevant to the remit of a committee at the first meeting of the committee that they attend. As this is the first meeting of the Environment and Rural Development Committee that Elaine Smith is attending, I invite her to declare any relevant interests.

Elaine Smith (Coatbridge and Chryston) (Lab): Thank you, convener. I am pleased to join the committee.

I am a member of the Transport and General Workers Union, the Co-operative party, the General Teaching Council for Scotland and the United Nations Development Fund for Women. I also received financial support during the passage of my member's bill—which became the Breastfeeding etc (Scotland) Act 2005—from Unison, the Royal College of Midwives and Boots, the chemists, and help in kind from Mike Dailly of the Govan Law Centre. I am not sure whether all of those are relevant, but they might be.

The Convener: They will be on the record from now on. Thank you for that lengthy set of interests.

Item in Private

10:19

The Convener: I invite members to take in private item 4, which is consideration of our approach to stage 1 of the Animal Health and Welfare (Scotland) Bill. We will deal with witnesses and the structure of the process. Is that agreed?

Members indicated agreement.

The Convener: The bill was formally referred to us yesterday, so it is definitely on our agenda.

Environmental Levy on Plastic Bags (Scotland) Bill: Stage 1

10:20

The Convener: Item 2 is the main item on our agenda. Today is the third of our five planned evidence sessions at stage 1 of the Environmental Levy on Plastic Bags (Scotland) Bill. The member's bill was introduced by Mike Pringle MSP. Our role is to scrutinise the provisions and to report to the Parliament, recommending whether the general principles of the bill should be agreed to.

If members have no relevant interests to declare, we will move on.

Panel 1 consists of: Barry Turner, the chair of the carrier bag consortium; Jim Pringle, the sales manager of Mackinnon and Hay; John Langlands, the chief executive of British Polythene Industries; and Neil Young, the managing director of Simpac.

We have received written statements from all our witnesses—more than one, in some cases—and I thank them for that. It is extremely helpful to members to be able to read and reflect on your comments. We also got from Simpac some additional statistical information, which members should have had time to look at.

As we have done with our other witnesses, we will move straight to questions rather than take opening statements.

Mr Ted Brocklebank (Mid Scotland and Fife) (Con): There seems to be remarkable unanimity in the quartet before us on the approach to Mike Pringle's bill. As you know, the bill set out three objectives: to protect the environment; to assist local authorities towards meeting waste-plan targets; and to raise awareness. I think that you all claim that it will do none of those things and that, rather, it could have adverse impacts. Will you give us your reasons for taking that line?

Barry Turner (Carrier Bag Consortium): Our conclusion is based on independent studies, and on a consideration of the experience in Ireland of what happens when one product is taxed and a uniform approach to all products that might be used for a particular application is not adopted. We have drawn on studies that have been done in Ireland and elsewhere around the world and have concluded that, after such legislation is passed, there is an increase in waste going to landfill, which is something that we all seek to avoid. I can cite where the evidence comes from. We submitted it as part of our evidence, but if members want to ask questions about particular elements of it, we will be more than willing to answer them.

Mr Brocklebank: The response to that might be that you would say that because of the line of business that you are in.

Barry Turner: I would beg to differ. The CBC represents members who supply all sorts of products to the industry. The evidence that has been submitted by our members, which include people such as Neil Young, who supplies a variety of products that are in question in this discussion, provides a balanced view; it is not just drawn from information from manufacturers of polythene products. I ask Neil Young to expand on that.

Neil Young (Simpac Ltd): My company manufactures paper products. We manufacture paper sacks and have more than 60 per cent of the paper potato sacks market in the United Kingdom; we are based at a site in Hull and a site in Glasgow. Every year, we sell about 12,000 or 13,000 tonnes of paper products and about 15,000 tonnes of polythene products, from carrier bags to industrial, medical and agricultural products.

As far as we are concerned, the main problem with the bill relates to what has happened in Ireland and what we think will happen in Scotland. I question the figures in the AEA Technology Environment report, which claims that an extra 5,409 tonnes of waste will be generated as a result of the bill. Unfortunately, the company used the very minimum weight of paper to arrive at its figures. Exhibit A of my submission explains the calculation and reaches the correct conclusion about what will happen to waste. The bill will generate close to 17,000 tonnes of additional waste.

My position is clear: I am looking for what is right for Scotland. I want waste to be minimised rather than maximised—I am not really interested in anything else—and the bill will assuredly not minimise waste. The bill cannot possibly reduce waste; indeed, if the AEA Technology Environment average figures are used, an extra 15,700 tonnes of waste will be produced. Moreover, it should be remembered that that assumes that three out of 10 people who currently use plastic carrier bags will never use one again, which is simply an untenable and impossible assumption to make. We all shop and we must get our groceries or purchases home.

That is one aspect of the matter in which there has been inaccuracy. The other aspect is the bulk factor, which nobody has taken into account. I know that paper products are far bulkier than plastic products because I make both and understand what bulking does to landfill. If an extra 17,000 or 19,000 tonnes—the figure depends on the set of figures that one uses—go to landfill, an extra 170,000m³ to 180,000m³ of waste will be produced every year. That would be the consequence of the bill and would not be the only

price that the public would have to pay. If we are talking about replacing polythene products with paper products, the price of paper products would be enormously greater than the price of polythene products. Polythene carrier bags have been engineered over 30 years to be the best, most efficient and most environmentally friendly product that can be bought, which is why they are so popular.

Am I saying too much, convener?

The Convener: What you are saying is becoming an open statement, partly because Ted Brocklebank asked an open-ended question, which he knew when he asked it. I was being slightly lenient.

Neil Young: I will let somebody else in.

The Convener: We will get another couple of responses from the witnesses. Almost all the members of the committee will then want to come back on what has been said.

Jim Pringle (Mackinnon and Hay Ltd): Mackinnon and Hay Ltd is a very small company that has been on the go for a long time. I have brought with me a few examples of the low-density carrier bags that we make for a hairdresser, for chartered accountants and for glazing companies. None of those businesses will register for the levy. We have already lost a customer because of speculation about the bill.

The bags are made from recycled polythene, which we buy in the United Kingdom. We buy a lot—including our inks and polymers—in Scotland. The proposals are devastating for us. We are a small company and we simply do not know why we are being included. Mike Pringle has been to our factory and we have gone through the arguments with him. We do not think that the arguments about litter stack up. McDonald's wrappers and other things can be seen on the streets and we think that polythene is being unfairly targeted.

Neil Young touched on the landfill issue. Bags are such a small percentage of what goes to landfill that their effect is almost minimal. The proposals in the bill would create more landfill because of the bulk of the paper that would go in. The legislation would be the death knell for our company. We have come here today to fight for our jobs. Many companies that we use are obviously also concerned. Industry in Scotland is going down. I go round the industrial estates and I assure the committee that nowhere new is opening. We are having to scrap with big companies such as Macfarlane's to try to break even. It is devastating for us.

10:30

John Langlands (British Polythene Industries plc): I will keep my comments brief and to the point. We are the largest manufacturer of polythene products in Europe. We have grown that business from a Scottish base and we are headquartered in Scotland. Our total sales are about 335,000 tonnes, of which less than 0.5 per cent is carrier bags. Therefore, I do not have a vested interest in the manufacture of carrier bags. If anything, I would tend to benefit if the legislation goes ahead as there would be greater sales of bin-liners, refuse sacks and so on.

What concerns me is that the legislation is an attack on our industry, which over the years has demonstrated its ability to produce some of the most efficient, effective and environmental products. We see this as bad legislation. The stated aims of the bill will not be met because, as is shown by the report that the Scottish Executive commissioned, there would be no benefit to the environment. The bill would certainly not help to meet Scotland's targets for municipal waste entering the waste stream. There is a clear case for not supporting the bill.

The Convener: I will not give Ted Brocklebank a supplementary because his first question was far too long.

Mr Mark Ruskell (Mid Scotland and Fife) (Green): I have a question for Barry Turner. Evidence that has been presented to the committee shows that the number of jobs in the carrier bag industry has gone down since the 1980s. What are the main reasons for that decline?

Barry Turner: Does your question relate specifically to Scotland, Europe or the United Kingdom?

Mr Ruskell: To Scotland and the UK.

Barry Turner: The number of manufacturing jobs has reduced because some products are now imported owing to the advantages of importing lower-cost products from certain places in the world. I suggest that reductions have also come about because some retailers have taken measures to implement a voluntary code by challenging people when they make a one-off purchase of goods and asking them, "Do you need a bag?" That question did not used to be asked when someone went into a retail outlet, but it is asked an awful lot more these days. Those are some of the reasons why the number of jobs in the industry has reduced.

Mr Ruskell: It is interesting that you say that many plastic bags are now imported. What proportion of the plastic bags that are distributed in supermarkets are imported?

Barry Turner: A large proportion of the bags in supermarkets are imported. Some of the suppliers who are sitting at the table today—and others who are not—continue to supply supermarkets and a significant number of small and medium-sized retailers in Scotland.

Mr Ruskell: That is an interesting point. Evidence from yourselves and other organisations suggests that there would be between 300 and 700 job losses as a result of the bill. Can you break that down? How many jobs would be lost in manufacture and how many would be lost in the distribution of plastic bags?

Barry Turner: We could break the figures down, but first I point out that we did not provide those figures; they were sought independently by AEA in compiling the study. However, having studied them, we concur that about that number of jobs would be affected. AEA is correct about the number of jobs that would be affected and between 20 and 30 companies that supply plastic bags in Scotland would be affected by the legislation.

Mr Ruskell: What percentage of jobs is in manufacturing plastic bags and what percentage is in distribution?

Barry Turner: I will turn to my colleagues for that information. I imagine that about a third of jobs are in manufacture.

Neil Young: That is roughly accurate, although it is hard to say, as I do not have exact figures.

Barry Turner: We can provide the relevant information if you wish.

The Convener: There are figures on the possible effect on the industry in the extended impact assessment that we got from the Scottish Executive. The assessment mentions BPI's Greenock plant, the Simpac plant in Glasgow and other smaller manufacturers. There is information in the assessment that colleagues might like to explore in more depth. We could also get information from Barry Turner and his colleagues.

Mr Ruskell: That is useful.

John Langlands: I am not quite sure why you want the percentage split: a job is a job, no matter what it is doing. I do not understand where this is going.

In our business, sales of carrier bags are relatively small but, unfortunately, those sales are made in Scotland. We have a plant at Cowdenbeath that employs 50 people, and a significant proportion of its business is the manufacture and sale of carrier bags to various customers.

We have discussed the effect of the tax with our customers, and all of them have said that it is

more than likely that they would no longer purchase carrier bags from us. That would make the plant loss making in the short term and would threaten its long-term viability.

Mr Ruskell: I ask about distribution versus manufacture because there are distribution opportunities in the bill. For example, there will be distribution opportunities if more people start using bags for life or start buying paper bags.

Could distribution jobs be retained through distributing bags for life? If not, why could you not alter your businesses to start distributing those other types of bags? Some of you have claimed that those bags could lead to more distribution because they are thicker.

Barry Turner: Distributing a thicker, heavier, less environmentally friendly product would not result in more distribution jobs. There will be fewer bags, although there will be more volume and more weight. That is the issue, and that is why there will be more recovery to do and more landfill to consider. I accept that some distributors might be able to switch business, but we cannot assume that distributors will be able to employ exactly the same number of people once the bill has come into force. That will not be the case, because the number of plastic bags being distributed will decrease dramatically.

The issues for the industry are the weight of the bag; its volume; its distribution; the lorries on the road; and the amount of waste going to landfill. I would have thought that those issues would concern anyone with an interest in the environment.

The Convener: Thank you. I might let you ask more questions later, Mark, but other colleagues are waiting.

Mr Alasdair Morrison (Western Isles) (Lab): The four witnesses have robustly defended their industry and those employed in it. Neil Young said that the proposed legislation was bad legislation and of no benefit to the environment. How should Scotland proceed? How should we sort things out?

Neil Young: My view on this is quite simple: many countries have instigated codes of conduct and our industry would actively support such a code here. Voluntary reduction is far better for the country than forcing people to pay tax for something that they need. Success in Australia has been well documented: over two years, the number of carrier bags in circulation has been reduced by 25 per cent. We actively encourage people to put the message on their carrier bags that the bag is renewable and recyclable.

Everyone round this table may claim that bags are one-trip carrier bags, but they are not. You can

reuse your supermarket carrier bag. According to the Waste and Resources Action Programme, 80 per cent of the population reuse every carrier bag they have, so the bags are not one-trip carrier bags, and we have to encourage that more. We have to encourage the reuse of bags not just once but three, four or five times.

It is quite conceivable that that could happen, if we get the right message across, but we need Government's help. We need you guys to allocate funds to encourage us to go to the big supermarkets to get them aboard. Educating the public is what is required. People have to learn to use fewer carrier bags by reusing them. Nobody has ever said that plastic carrier bags cannot be reused.

Barry Turner: The other question concerns how we should proceed. If we are serious about tackling the amount of waste that the country generates for landfill, should we start by tackling something that accounts for 0.3 per cent of landfill? Indeed, should we introduce legislation that will increase that 0.3 per cent? Surely not; surely we should concentrate on the products that contribute a large volume of waste to landfill. If we have to focus on something, we should focus on those products and we should do so through consultation and discussion with retailers and the industry. That will allow us to tackle the problem properly.

We saw what happened when legislation was introduced in Ireland. I totally accept that carrier bag consumption in supermarkets reduced, but what no one has yet discussed is what happened to packaging elsewhere. For example, fruit is now packaged. Fruit is put into polystyrene trays and wrapped, and the packaging is three or four times heavier than the product that they were trying to eliminate.

Taxation is not the right way to go about things. All it does is to move the problem around. It distorts the situation because people find ways around it. Ireland has ended up with more waste; waste has not been reduced.

The proper way to make progress is to consult the retailers and the producers of packaging of all sorts. We have to focus first on the products that are causing real landfill problems. We should adopt the Pareto principle and start with the 80 per cent and not the 0.3 per cent.

John Langlands: The solution lies in education not legislation. I attended the Environment and Rural Development's first meeting on the issue. At that meeting, the chief executive of Friends of the Earth Scotland gave evidence. I agreed with one thing that he said which was that when he was asked whether he would start from here, he said no. Many other issues are more significant than the one we are discussing today.

Plastic is used a lot because it is a lightweight solution to many issues. It uses a lot less energy and has a lower environmental cost than most of the alternatives, including paper, aluminium and glass.

Mr Morrison: I am not closing my mind to what we may hear from other witnesses, but what I have heard today is compelling.

Rob Gibson (Highlands and Islands) (SNP): We have heard that the voluntary approach in Australia has not worked and that there are now moves towards having a more statutory arrangement. We are dealing with the problem of the big four supermarkets using large amounts of polythene. At the heart of the bill is an attempt to change people's behaviour. You are in the business of producing polythene, not changing people's behaviour, but we have to take on board the need to attempt to change that behaviour. How can you help to do that, given the evidence that we need to make a change in this area and others that concern the environment?

10:45

Barry Turner: If we want to restrict ourselves simply to the product that the bill targets, a number of things can be done to change behaviour. A number of companies have branded the bags to encourage reuse and recycling. The first point is to get the message across and to encourage people to take the required measures. Although a large percentage of people do, 20 per cent of them still do not.

Some of the supermarkets promote schemes to allow bags to be returned once they have been used. If people have no use for the bags, they can return them and the plastic can then be recycled. That could be done throughout the industry. We have suggested ideas such as those in the voluntary code that we proposed to retailers and it is on such subjects that we need to engage in dialogue. If we attack the issue together, a reduction in the use of plastic bags can be achieved.

I question why I am here today and some committee members are probably asking themselves why they are here, too. We are talking about 0.3 per cent of landfill. I would be happier if we were talking about what makes up 15 per cent or 20 per cent of landfill and about measures that we could take to reduce that to 1 per cent or 2 per cent.

There are things that we can do, but we need to take a two-pronged approach. We can tackle the problem of plastic bags, but we need to look at the broader picture of packaging and consider how to eliminate overpackaging. Others should consider doing what we have done with our packaging.

Over the years, the weight of the packaging that we supply has been reduced by 70 per cent. That needs to happen right across the piece.

Rob Gibson: The concept of making a start is why we are here and is what the bill is about. The bill does not claim to be a solution to everything. Neil Young mentioned Australia and I mentioned the fact that the Australians do not believe that the voluntary approach has succeeded there.

Neil Young: The move in Australia has happened in one state only; it is not in the whole country.

Rob Gibson: Is it in the biggest state?

Neil Young: No, it is in South Australia. There is no guarantee that the measure will become law. I have been to Australia and the general feeling is that the carrier bag tax does not work because, as happened in Ireland, more packaging is being used.

I went to Ireland on business last week and picked up five bananas in a supermarket. They were packed in a polystyrene tray with a polypropylene coating that had two paper labels on it. The weight of that packaging was the equivalent of seven carrier bags. It is madness. I hold up the packaging now to show members—this is what is used to package fruit in Ireland. It is impossible to buy loose fruit in Ireland any more. One can buy loose potatoes and one is provided with a free bag. The free bag weighs seven times the weight of the bag that we use to pack our loose potatoes. Supermarket packaging in Ireland has gone absolutely crazy. Everything in the supermarkets is now pre-packaged—one cannot buy anything that is not.

The Convener: We will follow up those points in particular when we have our evidence session on the Irish situation next week. We can store some of those comments and thoughts.

John Langlands: I have mentioned education and voluntary codes and you talked briefly about the Irish situation, about which I appreciate you will get a more detailed explanation. In Ireland, the next bit of legislation was going to be on fast-food packaging, but I understand that the Irish decided not to legislate on that and that they are now going for a voluntary code instead, which they see as the way to go in these matters.

Rob Gibson: I have a brief supplementary question for the industry representatives. What uses are there for polymers, other than making plastic bags?

Barry Turner: If we are talking about the raw material, the polymer industry uses about 2 per cent of all the refinery capacity. As long as people continue to drive cars, the by-products that the industry uses in the manufacture of polymers will

be available. If those by-products are not available for use by our industry, I do not know what will happen to them. Another use for them will have to be found. It is possible that they will be flared off, which will just put more CO₂ into the atmosphere. I am not aware what other applications could be found.

John Langlands: It is important that the committee understands that stopping the manufacture of plastic bags will make little difference to the use of oil. The production of fuel for motor cars and aeroplanes gives us our by-product. If we do not stop producing fuel for cars and aeroplanes, the by-product will still be produced. An alternative is to flare it off into the atmosphere, which will create more CO₂. A range of other products are produced. We sell 335,000 tonnes of polythene, of which less than 1,000 tonnes goes to carrier bags. The rest goes to a range of products from heavy-duty sacks to pallet protection, stretch wraps, silage stretch wraps and agricultural and horticultural film.

The Convener: I want to shift the discussion back to the substitution of poly bags with paper bags, which was raised in evidence earlier this morning by Mr Young and is also mentioned in a few of the submissions. To what extent would paper bags automatically be used and to what extent are they recyclable? Will you tell us a bit about poly bag recycling and paper bag recycling? You produce both types of bag, Mr Young. Why do you assume that all the paper bags would go into landfill and not into recycling? I presume that some of your paper bags now go into recycling.

Neil Young: Undoubtedly some of them do, as do some of my polythene bags; the public perception is that there is a difference between our ability to recycle polythene and our ability to recycle paper, but there is none. Sainsbury's and Tesco—two major supermarkets—have collection points for plastic carrier bags. Those bags go into the back-of-store waste and are recycled into refuse sacks. Every black refuse sack that people sitting around this table use has recycled polythene in it.

I have mentioned what happens with packaging in supermarkets in Ireland. From my two visits to Ireland, I estimate that 90 per cent of the major retailers have changed from plastic to paper. Examples of that include the whole Arcadia range and Next, which uses paper bags in Ireland and polythene bags in the UK. The differential in terms of weight and bulk is enormous.

The Convener: I was trying to get at the issue of paper bags going automatically to landfill. We have talked about other elements of the waste campaign in Scotland. There is a big push from local authorities to get people to recycle different parts of the waste stream. Your evidence is that

we can recycle and reuse poly bags. Surely we can recycle paper bags in the same way. Why do you assume that all paper bags will go automatically to landfill? There is an issue about attitudes, and we should use this discussion to flush out such issues. I am asking a direct question about the assumption that all paper bags automatically go to landfill.

Neil Young: I understand the argument and I accept that that does not happen. I acknowledge that some of my colleagues in the room put a huge number of tonnes of recycled paper through their plant in Scotland. However, it must also be acknowledged that John Langlands's firm, BPI, recycles a huge number of tonnes of polythene every year. My problem with the argument is that the weight of the polythene bags that the bill will affect will be a grand total of 3,500 tonnes, whereas, according to Scotland's national waste programme, 870,000 tonnes of waste paper and card go to landfill every year. If my friends in the paper industry could recycle 870,000 tonnes, I do not know where that paper would go—it would not stay in Scotland. However, they do not have the ability to recycle 870,000 tonnes of paper. Landfill at present is comprised of 26 per cent paper and card, whereas polythene makes up only 0.3 per cent.

The Convener: I am questioning the assumption that all substituted paper bags would automatically go to landfill.

Neil Young: I acknowledge that they will not and that some of them will be recycled in exactly the same way as some plastic bags will be recycled. However, having said that, there will still be 870,000 tonnes of paper in landfill this year but only 8,000 tonnes of plastic.

Barry Turner: We must consider the percentage of paper that is recycled at the moment. It is a sound plan to encourage more recycling and segregation of paper and card, because of the large volume of paper and card that sits in landfill right now. The measures that have been taken to encourage more recycling of paper and card are laudable but, at the moment, only a low percentage of the total volume is recycled and the rest sits in landfill. As Neil Young says, if we can change that, that would be fantastic—that is a laudable objective and is one way of reducing the volume of landfill. However, in my view, it is madness to attack something that makes an insignificant contribution to landfill and by so doing actually create more volume to recycle, at a time when we do not actually recycle the alternative product.

John Langlands: We accept that not all the paper bags would go to landfill, but because of the marking and advertising that goes on paper bags, they contain a lot of solvents, varnishes and inks,

which makes them more difficult to recycle. We are the largest recycler of polythene film in the UK and probably in Europe—we recycle about 75,000 tonnes of polythene film a year. If you can get it to us by whatever means, we can recycle it. The stuff that we cannot turn into refuse sacks or building film we turn into Plaswood, which we use to manufacture park benches and signs, for which we have won awards and which we sell to Scottish local authorities. That is a good use of recycled products and something that must be encouraged and developed in the community.

Nora Radcliffe (Gordon) (LD): I have two questions, the first of which is to clear up a comment in BPI's written evidence that the levy could be challenged under European Union legislation. Why did the industry not raise a challenge under EU legislation in Ireland when a levy was introduced there?

11:00

John Langlands: There is no plastic film industry in Ireland, although there is a strong paper industry, so there was no association to put the case together. The report that was produced for the Executive indicated that the bill's proposals would provide no significant environmental benefit. Therefore, we would challenge the proposed tax as a discriminatory one on polythene. We feel strongly enough about it to take it to the European Commission. There are examples in Europe of environmental taxes being imposed but being removed later at the EC's insistence. The most well known is the tax on aluminium cans in Denmark. The EC insisted that the legislation be changed.

Nora Radcliffe: That clears up that point.

The advantage for the committee of having you here is that it helps us to get a handle on the industry, on how it works and on the impact that the proposed tax might have on it. You keep emphasising what a small amount of plastic is involved in making plastic bags and what little environmental impact that has. If only a small amount of plastic is used for the bags, and given that there are probably ways of producing plastic goods other than through this apparently insignificant part of plastics output, why are you so concerned about the possible impact on the industry of the proposed tax?

Barry Turner: If I understand your question correctly, what you are saying is that the proposed tax on plastic bags should not concern the industry because they are such a small percentage of our production. My response to that for the industry is simple. We have an excellent environmental track record and if the industry is attacked in this way, you must expect a robust response from us. We

could not possibly subscribe to a bill, even though it would affect only a small percentage of total manufacture, that would effectively penalise the products that our industry supplies but not penalise possible substitute products and which would do so for no environmental gain.

The fact is that there would be no environmental gain from the bill. There was no environmental gain in Ireland from similar legislation. We have asked time and again for evidence from Ireland to support the claims that are being made, but it has not been forthcoming. The only evidence that we have seen is contradictory. For example, a University College Dublin report claims that plastic bag usage has been reduced by 94 per cent, but the levies that the Irish Government says that it is raising do not equate with the percentage of bags that are supposed to be in use. The evidence implies that plastic bag use per capita in Ireland is many times greater than that elsewhere in the world. We have asked how the levies are applied, but no information has been forthcoming.

We have also considered the import statistics for the products concerned and we can see no reduction. The imports are from many different countries, including the far east, Europe and the UK. We have also seen inconsistencies that favour the Irish position between the import statistics that the Irish Government compiles and export statistics from the UK. That indicates to us that there is an attempt to cover up the fact that the Irish legislation has not worked. We thought that it would not when it was introduced and the only conclusion that we can come to is that it has not.

We did not challenge the Irish legislation at the time because we thought that it was a mad piece of legislation that would get thrown out. However, we underestimated the powerful paper lobby in Ireland, which had considerable influence on politicians there. The result is a piece of legislation that has done nothing for the environment and which has damaged our industry. We are not prepared to see that happen again.

Nora Radcliffe: That was interesting.

On a more positive note, some of you have highlighted how the industry has moved towards being more environmentally friendly. Can you quantify or explain what you have done to make poly bags more environmentally friendly?

Barry Turner: I realise that I am doing a lot of the speaking. Perhaps John Langlands could pick up that question.

John Langlands: The committee must appreciate that the weight of polythene products has reduced significantly over the past 10 to 15 years. However, although the product that we manufacture is getting thinner and thinner, it still

retains its strength. More and more, polythene is replacing other products that make far more use of the world's resources. I forget whether this example has already been mentioned, but where Germany once used something like 400,000 tonnes of glass to put its coffee into, it now uses 4,000 tonnes of plastic. Those major developments have taken place over the years to improve the use of resources in the packaging industry.

Neil Young: I concur. The key to the matter is the efficiency of plastic, which, compared with all the other alternative materials that can be used for shopping bags, is the lightest by a mile and uses natural resources most efficiently.

John Langlands: We have also significantly improved our recycling processes. At the moment, 20 per cent of my products are made from recycled polythene.

Nora Radcliffe: Of the plastic that can be recycled, how much do you use?

John Langlands: If you can get me the scrap, I can recycle it.

Nora Radcliffe: So what is the potential increase in your market? In other words, what percentage of existing polythene can be recycled?

John Langlands: Not all polythene can be recycled into bags, because some of it is not allowed to come into direct contact with food. However, we could increase our recycling capacity by another 50 to 100 per cent.

Nora Radcliffe: So you are recycling only a small amount of the product at the moment.

John Langlands: Because our products come into direct contact with food, they cannot contain any recycled element from a waste stream that is made up of a mixture of different products and therefore could be contaminated.

Barry Turner: The same constraint applies to all alternative products. There is very stringent legislation on what may come into contact with food because of the risk of contamination.

John Langlands: We have to consider aspects such as colouring. For example, we like black products, because that is what we can manufacture. Obviously, because the material is already tainted with various colours, black is a great colour as far as we are concerned.

The Convener: Three colleagues on my right want to ask supplementary questions, and Maureen Macmillan and Elaine Smith have not asked any questions yet. We are running about 10 minutes over on this item, so I ask them to keep their questions relatively brief. After all, as we will speak to other representatives from the plastics industry, we do not need to ask these witnesses every question.

Does Maureen Macmillan still want to ask a question?

Maureen Macmillan (Highlands and Islands)

(Lab): Yes, because the witnesses have not mentioned the possibilities of biodegradable plastic bags. The Co-operative Group, which gave evidence to us a few weeks ago, has gone down that road. You have mentioned using thin, recyclable plastic, but could you also use biodegradable plastic?

Neil Young: We do not want to encourage that alternative. Indeed, the United Kingdom Government has stated that it does not want to encourage the use of such plastics simply because 90 per cent of the product is oil. When the material degrades, that oil is lost forever.

We are much more interested in reusing and renewing the product, making it into something else and not losing it forever. Such an approach is more environmentally sensible. That is our position on the environmental aspects of degradable plastics.

John Langlands: The basic hierarchy in this respect is reduce, reuse and recycle. The major concern is that if degradable bags get into the waste stream they will inhibit or reduce our recycling effectiveness.

Barry Turner: Another concern is that people might think that, just because the product biodegrades, they do not have to attempt to reuse or recycle it. They think that they can simply throw it away. Such an approach does not encourage people to recycle or reuse and runs counter to what we regard as good environmental practice.

Elaine Smith: Mr Langlands, you said that you felt that the proposed tax was discriminatory. I presume that you mean that the proposal should be that all disposable bags should be taxed.

John Langlands: The issue is that the tax, as stated, discriminates against polythene bags and does not treat paper bags and other kind of bags in the same way. That is why we think that there will not be a level playing field. I think that European legislation has been fairly strong in that regard. Further, the packaging waste directives that are issued by Europe also ask people to avoid being discriminatory. There are a number of issues from the angle of competition and the European packaging waste directives.

Elaine Smith: I am interested in the equality proofing of the proposed legislation, particularly with regard to its gender impact. Your submission says:

"On this issue, the Policy Memorandum notes that the levy 'could affect those on a low income slightly more than it does other groups'. We would contend that those on low income will be affected considerably more than other groups".

Could you expand on that? I am concerned about the possibility that the proposed tax could hit poorer people, particularly women who do not have the luxury of having Chelsea tractors to throw their shopping into.

John Langlands: Our view is certainly that the tax will have a greater impact on the elderly, the less well-off and the infirm because they do not have the benefit of being able to take a car to a supermarket and will have to take their products home by bus or on foot. That will no doubt result in their paying a higher proportion of the sum that is raised by the tax.

Elaine Smith: Is there any evidence that those are the groups of people in Ireland who have to pay for plastic bags?

John Langlands: I can only repeat what my colleagues have said: we have been unable to obtain any evidence from Ireland.

Elaine Smith: Perhaps we can take that up.

Mr Young, you also touched on the issue in your submission and noted that some shoppers were buying packs of 25 carriers, using what they needed and throwing the rest away. Is that more cost effective for shoppers? Do you have evidence that that is happening?

Neil Young: I would not say that they threw them away. In Ireland, the packaging that is for sale has changed. They now sell woven and non-woven polypropylene bags, but they also sell packs of 25 carrier bags, packs of dog-litter bags and packs of shopping bags. On one or two occasions when I was at the check-out in Ireland, customers had picked up those packs, put them through the cash register and then put their shopping in three or four of the bags. That seemed to me to defeat the purpose of the legislation, as none of those bags was subject to the tax.

Mr Ruskell: My question is for Barry Turner. You said that the number of employees in the industry has decreased in the past few decades, not only because of imports but because of the voluntary initiatives that were being pursued by retailers. However, all the witnesses have said that we should support voluntary initiatives. Is there not a contradiction there?

Barry Turner: Why is there a contradiction? Our industry has striven to reduce the gauge of the bags that we sell in order to reduce the environmental impact. Earlier, you heard evidence about the steps that we took to do that. If we were concerned only with selling tonnes of film, we would not have bothered to do that. The fact that the supermarkets implement what should be regarded as best practice does not concern us; we would encourage that.

Mr Ruskell: Therefore, the voluntary initiatives that you are talking about are those that are taken by the manufacturers to reduce the weight of the bags rather than being to do with reducing the number of bags that are issued at the check-out.

Barry Turner: No, I did not say that.

Mr Ruskell: Why has the number of employees in your industry gone down in recent decades, in that case?

Barry Turner: If there are fewer bags in circulation, the number of employees in the industry will go down. You seem to be implying that we therefore do not want supermarkets to implement good practice. However, I am simply saying to you that we support that good practice. We have tabled good practice for the industry and have engaged the retailers in that best practice.

Mr Ruskell: If we reject the bill and go down a purely voluntary route, would there still be job losses in your industry, as there have been over the past 20 years?

Barry Turner: There might be some job losses, but I would expect this committee to focus on measures that would help to tackle the serious landfill problems rather than waste any more time on what we consider to be ill-conceived legislation.

The Convener: We have asked you a lot of questions and I thank you for being prepared to answer them. I suspend the meeting to allow our panels of witnesses to change over.

11:16

Meeting suspended.

11:18

On resuming—

The Convener: On our second panel, we have Michael Longstaffe, who is the managing director of Smith Anderson Packaging Ltd, Michael Stephen, who is the legislative adviser to the board of Symphony Plastic Technologies plc, and Karen Mackenzie, who is the director of BioBags (Scotland) Ltd. I thank our witnesses for giving us written submissions, which have helped us to form our views and to decide on questions. Again, we will move straight to questions, rather than hear opening statements.

Maureen Macmillan: The people on the first panel were fairly scathing about biodegradable plastic bags and feel that they have no place in the environment. I see from Karen Mackenzie's submission that her view is totally different, which one would expect, given that her company is called BioBags. Why, in detail, do you think that the way forward is to use biodegradable bags,

rather than the plastic bags that we currently use or paper bags that we might use more of?

Karen Mackenzie (BioBags (Scotland) Ltd): I note that you made the same mistake as most people make when you mixed up biodegradable bags with degradable bags. That perception has been a major problem in the industry; authorities, Governments and professional organisations have done much hard work to try to clarify the situation. It is not necessary to go so far. We have a European norm—EN13432—which is the harmonised standard for compostable products. That standard provides proof that an item is compostable, causes no harm and degrades totally. Nature can degrade starch and cellulose, for example, but has no ability to degrade plastic.

Some of the arguments that Symphony Plastic Technologies has used have not been corrected. The Co-op's website talks about "biodegradability" and Symphony's submission talks about "compostability". What has been said is basically untrue and there is plenty of evidence to support that; I can provide a raft of references from organisations. I will not go into the arguments, but the previous panel said that biodegradable bags are not an environmental option because no recycling takes place, which is a piece of nonsense. I am sorry to keep saying such things, but I become angry.

The extended impact assessment report did not mention composting as an option, although the country is working hard to increase composting, which is a serious way to reduce the amount of biodegradable waste that goes to landfill. The assumption that paper will go to landfill is also nonsense. If compostable goods are recycled, they become compost. The so-called waste is actually the resource, in the same way that plastic that is recycled is a resource. We have a problem with the definition of waste in Scottish legislation—another issue that I wish the committee would take up. If we use compostable goods, no loss will take place—we will have total recyclability. That will have additional environmental advantages, which were not brought up in the report.

We are not just talking about the number of bags that will be replaced. If moisture-permeable biodegradable bags were used, all the plastic packaging and polystyrene that is used for fruits could be avoided and would be unnecessary. The proof of food packaging is that fresh produce keeps longer in it—we are talking about days becoming weeks—so that waste is reduced. Any waste could be composted at home or under a local authority scheme, more and more of which exist. People could also do what is done in other countries, where biodegradable carrier bags are used to take compostable waste to pick-up systems. The additional environmental advantage

is that washing, which involves hot-water detergent work and biologically active discharge into waterways, would be avoided. If such bags were used across the board for food production and food waste, a net gain would occur. The environmental impact assessment report admits that end use influences the environmental impact, but it does not go into the matter, so compostable bags have been ignored and the committee has been given no information about them. Other issues that contribute to the overall environmental impact have also been ignored.

Maureen Macmillan: That is useful. Are such bags manufactured in Scotland? If not, where are they manufactured?

Karen Mackenzie: I believe that such bags are manufactured in England. We represent only one supplier, which is in Norway.

The Convener: Does Mr Stephen want to speak?

Michael Stephen (Symphony Plastic Technologies plc): Yes. I must respond to some of what the committee has heard from my colleague Karen Mackenzie. First, I think that she and I agree that degradable plastic bags are a much better bet than conventional plastic bags, because conventional plastic bags lie around in the environment for 15, 20 or 30 years, whereas if degradable plastic bags get into the environment, they degrade and disappear in a short time and leave no harmful residues.

The gentlemen who gave evidence previously raised three issues. The first was that using degradable plastic bags that are made from oil is a bad idea, because oil is a finite resource and will be lost for ever. We deal with that at paragraphs 19 and 20 of our submission, where we say that that

"is a fallacy, because if people want to incinerate with energy recovery, or mechanically recycle them, or compost them, or re-use them, or landfill them, then they can. The key point is what happens to the plastic which is not collected, and gets into the environment as litter? It is far better for it to degrade than to lie around in the environment for decades, blocking watercourses, and disfiguring the countryside.

In any event it is not 'lost' - it degrades to cell biomass, which becomes part of the 'land carbon sink' fertilising the soil for plant growth."

The second point that was made by a gentleman in the previous session was that degradable plastic is inconsistent with the principle of reduce, reuse and recycle. We deal with that at paragraph 13 of our written evidence, where we say that that is not so, because

"Plastic waste, whether degradable or not, can be *reduced*, and this Bill is one way of doing it. Oxo-biodegradable carrier bags can be *re-used* during their useful life, and are often employed as bin liners after being used to bring the shopping home."

The final point that the previous panel made was about more careless disposal. That is dealt with at paragraph 12 of our written evidence.

I have some serious differences with Karen Mackenzie. Our written evidence explains the very important differences between the two types of degradable plastic. We make oxo-biodegradable plastic; BioBags (Scotland) Ltd makes hydro-degradable or starch-based plastic. There is some confusion about that, which could lead to serious errors in policy making, so I need to make the following points.

Contrary to what Karen Mackenzie says, both oxo-biodegradable and hydro-degradable plastics are biodegradable. Sitting behind me is Professor Gerald Scott, professor emeritus of polymer science at Aston University, who can answer any technical questions that might arise. Both types of plastic are biodegradable. In both cases, they start to degrade with a chemical process. In our product, that process is oxidation and in BioBags's product it is hydrolysis. At the next stage, they are both consumed by bacteria and fungi and become nothing more than water, CO₂ and biomass.

The second major point of disagreement is about whether both types are compostable, which is dealt with at paragraphs 15 to 18 of our evidence. I would go further and say that oxo-biodegradable plastic—our product—makes better compost because the carbon remains in the compost. In BioBags's product, the carbon is driven off during composting into CO₂ and into the atmosphere, which we do not need. Oxo-biodegradable plastic composts faster than straw or leaves, and it does not cause problems in the recycling plant.

My most serious objection is to the frankly scandalous allegation that Karen Mackenzie just made that we are somehow breaking European law by describing oxo-biodegradable plastic as compostable. Oxo-biodegradable plastic does not satisfy the tests that have been laid down by European standard EN13432 for the simple reason that that standard was written before oxo-biodegradable plastic became generally available; it is not designed to test oxo-biodegradable plastic. It is not necessary for a plastic to pass EN13432 before it can be described as compostable because annex Z of EN13432 makes it clear that the tests that are laid down in the standard are only one way of proving whether the plastic satisfies the waste packaging directive. It is not therefore necessary to show that the plastic passes EN13432 in order for it to pass the European packaging-waste directive requirements. EN13432 applies only to composting of packaging; it does not apply to degradation of plastic in a field or a river.

From what we have heard this morning, it is

quite clear that if the bill is passed, paper bags will have to be included in the levy, as well as plastic bags. Otherwise, you will reduce the volume of plastic bags that are going to waste but vastly increase the number of paper bags that are going to waste.

11:30

Michael Longstaffe (Smith Anderson Packaging Ltd): I will attempt to redress the balance and to calm the debate down a little. At the start of the discussion, reference was made to recyclability, on which we would like to make a significant point. A great deal has been said about the recycling systems for polythene and paper and it is clear that I have a direct interest in the use of paper. We have a highly visible and, I hope, well-utilised recycling system in Scotland for consumers and users of paper bags. After the paper bags have been used, they can all be placed in blue wheelie bins for collection. That waste is then taken from sites around Scotland. In the main, it is collected by us in Leslie, Glenrothes, where it is converted back into paper, which is used to produce more paper bags. Recyclability is certainly an issue on which I would take issue with my friends, Michael Stephen and Karen Mackenzie. The issue is more about what is recyclable than about what is biodegradable.

The Convener: Does that answer your question adequately, Maureen?

Maureen Macmillan: I have been given more than enough information; the discussion has been highly informative.

Michael Stephen: Oxo-biodegradable bags are properly recyclable, whereas hydro-biodegradable bags are not.

The Convener: We will come back to that.

Karen Mackenzie: I totally disagree with what Michael Stephen said about me agreeing with him, because I do not; he is obviously not a biologist.

The Convener: To be honest, it is refreshing for us to have a panel whose members do not agree 100 per cent.

Michael Stephen: I refer to Professor Gerald Scott.

Karen Mackenzie: I have references to a professor, too, as well as references to other experts.

The Convener: We have both sets of written evidence in front of us, which is useful. We will try to tease out points of agreement and disagreement throughout today's evidence taking.

Mr Brocklebank: I have a few questions for Mr Longstaffe. They are probably more relevant to

what we talked about with the first panel, but they relate to what Mr Longstaffe said. During our first evidence-taking session, there was much mention of the sheer volume of extra landfill that would be caused by the use of paper products. I am no scientist, but would not that paper material disappear from landfill? Is that not a basic quality of the paper that is taken to landfill?

Michael Longstaffe: There are two basic issues on that, which relate to substitution. It is often conveniently forgotten that if we reduce the number of bags that the supermarkets use by 95 per cent, we will be dealing with the 5 per cent that is left. It is frustrating for all of us that some of the evidence—especially from Ireland—is anecdotal, but there is well-documented experience that shows that, for paper, substitution is not a major issue. That experience is not specific to the Irish situation. Rather bizarrely, we do not think that paper will benefit hugely from the bill. There will be a moderate increase in the number of paper bags that are used, for obvious reasons, but there is a huge amount of misinformation on substitution. It seems to get forgotten that the bill would result in a huge reduction in the number of extra tonnes of waste and in the number of lorry journeys that are made. If all the figures are reduced by 95 per cent, they become significantly less of an issue.

Mr Brocklebank: There is another point that I want to raise, which I had wanted to raise with Mr Young. As it relates specifically to your products, it is perhaps relevant to put it to you. In his submission, Mr Young states that it is beyond him how McDonald's—I believe you supply to them—

“gets away with using recycled paper bags when their French fries are clearly in direct contact with the brown bag”.

He believes that that may represent a breach of the hygiene regulations.

Michael Longstaffe: That is an interesting point. It is interesting that many people get involved in the websites and the research. I had my collar felt by McDonald's a few days ago. About 25 per cent of our company's total turnover comes from supplying McDonald's with recycled paper bags that are produced in Scotland by a Scottish workforce, utilising Scottish waste. All the bags—including the very small fries bags—that are in direct contact with hot food are made to the standards that are required by European legislation. European legislation demands of us that recycled paper be clearly tested. As Neil Young said, we have to provide samples of all the papers that we produce. We have to abide by that legislation. All the recycled papers that we produce come from audited sources and we can clarify beyond any reasonable doubt that those papers can cope with direct food contact. Papers are produced that are not appropriate for direct

food contact, but they would not be used to produce paper bags for food.

The Convener: You are quite happy to make that clear for the record.

Michael Longstaffe: I am absolutely happy to do that. Every type of paper that is tested costs us between £1,000 and £1,500. The test is thorough and is carried out on any grade of paper that we want to put in contact with food. There is not an issue, as far as we are concerned.

Michael Stephen: Our product is also safe for food contact—that has been tested. The UK Soil Association buys our products and sells them to organic growers, who put organic food in direct contact with them. The Soil Association would not buy our products if it was not safe to put food in them or if they left in the soil the nasty fragments of polymers that we are always being told about.

Karen Mackenzie: That issue has been dealt with.

Mr Ruskell: My next question is also on the environmental impact. The AEA Technology Environment report mentions concerns about greenhouse gas emissions, particularly from paper bags that compost in the environment and release methane. What are your concerns about that analysis?

Michael Longstaffe: As we say in our submission, we have concerns about the AEA report. I will not go into those concerns in depth because they are clearly pointed out in our submission but, in summary, some of the information in the report is inaccurate. The problem is that AEA's calculations magnify that inaccuracy, so it goes from what could have been a small error to a fundamentally significant tonnage.

The AEA report and environmental compliance are matters that we have to consider along with the litter issue, but we must also consider the environmental impact and people's perception of paper manufacture. Further to the report, huge booming statements have been made that paper is environmentally less friendly than polythene, which is frankly absurd.

I will comment on the degradability of our product when it goes to landfill, although we would prefer to say that it is recycled, in the main. Paper is a cellulose-based product. It degrades quickly so it produces methane quickly. When a tree falls in a forest, it begins to break down. It is made of cellulose so, lo and behold, it produces methane. I am not suggesting that paper products do not produce greenhouse gases when they degrade, but the important point is how long that takes. Polythene does not degrade at speed. Oxo-biodegradable products may degrade faster, but

that will accelerate the emission of greenhouse gases.

Further to the AEA report, the industry analysed the report that was prepared for Carrefour. That report suggests that, over 100 years, products will degrade with the results that have been shown in research from the past 20 to 30 years. However, if we extend the analysis, we see that in the long term, degradation of all the other polymer molecules in plastics will lead to the same effect of greenhouse gases. It is just a question of timing. I hope that that answers the question.

Mr Ruskell: That begins to answer the question. I ask the other two witnesses about the greenhouse gas emission impact of their products.

Michael Stephen: I am glad that you asked that question. As Mr Longstaffe said, paper produces methane as it degrades. Hydro-biodegradable plastic bags also produce methane as they degrade. The AEA report reminds us that methane is 23 times more potent than carbon dioxide as a global warming contributor. I am happy to say that our product, oxo-biodegradable plastic, does not emit methane under any conditions, even if it is put in a landfill site. If it goes deep into landfill, where there is no air, it becomes inert and does not do anything. It does not produce methane.

Mr Ruskell: What about other greenhouse gases such as CO₂?

Michael Stephen: All materials produce CO₂. That is inevitable—it is one of the processes of nature. However, the key problem for global warming is methane, because it is 23 times more potent than CO₂.

Karen Mackenzie: The other witnesses keep mixing things up by using the word “degrading”. Only anaerobic degradation—degradation without oxygen—produces methane. That is what happens at landfill sites. We have been talking about increasing the volume and weight of material that is sent to landfill, but we are supposed to reduce that in Scotland by 25 per cent in the next few years and by 50 per cent by 2013. We should be taking material away from landfill, rather than sending it to landfill. If we compost it, we produce CO₂, water and humus, which can be used in agriculture on the land, as it helps the soil. There is huge potential for using the resource in that way. Aerobic degradation through composting does not produce methane.

Another issue is not mentioned in the AEA report. There is an EU directive on landfill that requires methane and other gases to be managed and used for heat. I am afraid that Scotland is a bit behind in that area, as it is on other issues. I have with me a simple little diagram to remind us that, whenever we talk about recycling something, we must consider the life-cycle analysis and total

impact of that process, including use, production and all other factors. The life-cycle analysis can be found on the website of Novamont, which produces Mater-Bi. I do not know whether members can see the diagram properly, but there is a big line that indicates global warming potential. Most methane is emitted by paper, followed by polyethylene and Mater-Bi. You can look up the diagram.

Mr Ruskell: If I have the science right, the process depends on composting. If we do composting well and aerobically, we will not get greenhouse gas emissions. If we do not, there is potential for methane emissions.

Karen Mackenzie: Yes. Composting is aerobic. All biodegradable materials are subject to anaerobic degradation and gasification.

Michael Longstaffe: Would not it be better to recycle than to compost?

Karen Mackenzie: We should recycle paper, but not biodegradable putrescible waste. The best place for that to go is to compost.

Michael Stephen: Both paper and oxo-biodegradable material can be recycled. Hydro-biodegradable material cannot be recycled.

Karen Mackenzie: It is recyclable through composting.

Michael Stephen: I have checked the point about anaerobic or aerobic degradation. My scientific advice is that hydro-biodegradable plastic will produce methane as it degrades, either under aerobic or under anaerobic conditions. However, it produces methane faster and in greater quantities in anaerobic conditions. Oxo-biodegradable plastic produces no methane.

The Convener: After this evidence-taking session, we can mull over what you have all said and go back to some of the written evidence that we have received. This has been a useful session. It does not matter to us that you disagree with one another on different points. We will have to make a judgment on how the issues pan out. It strikes me that we should go back to the waste hierarchy of reuse, recycle, recover. In our report we need to decide on the optimum that we want from the process and to think through issues of public information.

Michael Longstaffe: We have discussed whether it is possible for materials to be recycled. The point is that paper is recycled. Polythene is not currently recycled as polythene vest-style bags. There are some voluntary schemes by the supermarkets, but as you heard from the local authorities, there are no systems for recycling vest bags.

The Convener: Someone offered earlier to recycle the bags for money if people would get them to him.

Michael Longstaffe: That is the whole point—we have the same scenario.

Michael Stephen: If it is oxo you do not need a special process—it can go in the normal plastic waste stream; if it is hydro it cannot.

Karen Mackenzie: You keep calling it hydro, but if it is hydro it is not plastic, or polyethylene.

Michael Stephen: It is.

Karen Mackenzie: Your bag is not biodegradable.

Michael Stephen: Yes, it is.

The Convener: Right; just a moment. We will move on.

11:45

Elaine Smith: This is all fascinating, and I am sure that we will pore over it. However, I wonder whether we can get back to the bill proposal and our consideration of the evidence. How much scope the committee has to amend the bill will depend on the extent to which any amendments would be seen as changing the nature of the bill. The evidence from BioBags is that it supports the proposed levy but that it wants an exemption for compostable carrier bags. Symphony is not saying whether it supports the levy but it is saying that if there is to be a tax, non-biodegradable plastic bags and paper bags should be taxed at a higher rate. Symphony would introduce different rates of tax, whereas BioBags would introduce an exemption. I am interested in both those points of view; we will have to consider them when we decide whether amendments are necessary. If we are to have different tax rates, should the tax cover different kinds of paper bags, as well as bin-liners and other kinds of plastic bags?

Michael Stephen: If you are serious about reducing waste you must include paper bags as well as plastic bags. We heard compelling evidence this morning that otherwise all you would be doing is substituting paper waste for plastic waste. Paper waste produces methane and plastic waste does not. We would be happy with an exemption for all forms of biodegradable plastic, both hydro-biodegradable and oxo-biodegradable. The reason why we have not proposed that is that we recognise that one of the purposes of the bill is to reduce the overall quantity of plastic bags that are dispensed. For your purposes, it is no good if the same quantity of plastic bags is produced, even though they are all degradable rather than conventional. There would be a benefit, because the degradable ones would degrade if they got into

the environment. However, because the object of the bill is to reduce total numbers, we have proposed a lower rate rather than an exemption.

The fact that one of the objects of the bill is to produce revenue for environmental purposes is another reason why we have not proposed total exemption. We do not think that that would cause a problem, and we are mainly concerned with the big supermarkets, which are the main distributors of plastic bags. Their till software would have to be adjusted to cope with the tax. It would be no problem to adjust it for a two-rate tax rather than a one-rate tax.

Karen Mackenzie: If we want to talk about differentials, a higher tax should be charged for oxo-biodegradable bags. I can supply evidence to the committee that they are more dangerous because they turn into smaller and smaller bits, which get into the environment.

Michael Stephen: Nonsense.

Karen Mackenzie: I do not know whether the committee has considered evidence about the marine environment, but where there is plastic debris, the size at which oxo-degradable molecules become available to micro-organisms is too small to be seen under a microscope.

Elaine Smith: Apart from the obvious reason that you would sell more, why should your bags be exempt?

Karen Mackenzie: I have tried not selling biodegradable carrier bags, but I have been asked for them. I want people to use reusable bags and other alternatives. I want a change from dependence on the disposable—and that goes for everything. A few members of the committee have been teachers and will know that someone learns not by understanding the theory, but by doing. If we force people to change their behaviour, their attitudes will change. We will not change their behaviour by changing their attitudes first; we have to change their behaviour. A 20 per cent reduction in the use of plastic bags in Australia is not terribly impressive compared with a 90 per cent reduction almost immediately.

Elaine Smith: Would not putting a levy on bio-bags help with that?

Karen Mackenzie: The Scottish councils try to order biodegradable plastic bags for their libraries. I ask them why they do not use jute bags. I do not sell jute bags; neither have jute bags been evaluated in the extended impact assessment. A Scottish company produces most of the jute bags in this country, but their environmental effect, compared with that of plastic bags for life, has not been evaluated. There is lots of potential for other jobs, and there are possibilities for charities to use their own jute bags.

Nevertheless, many small suppliers of local food, organic produce, plants, and so on have to use disposable bags because people often do not bring bags in which to put their purchases. Biodegradable bags are better because they are moisture permeable. By using biodegradable bags, those suppliers can reduce packaging and add to their environmental image, and it fits in with their philosophy. It is a small number of bags, but it is meaningful for things such as farmers markets. If such bags are exempted, the retailers can sell biodegradable bags at the same price as plastic bags that would incur the levy. They can also use them for advertising, whether it is for organic produce, farmers markets or local produce. Biodegradable bags are a better solution for certain things, and I would encourage their use for those things. It is a very small market.

Basically, I do not want to sell carrier bags. I want to sell small, thin liners that are designed to use minimal raw material to get rid of food waste for composting and to reduce a lot of other environmental effects, such as those caused by washing detergents, and so on.

Elaine Smith: Let us be clear. Your submission states that you will

“try to show why an exemption to the levy for compostable carrier bags could encourage a reduction of other plastic packaging”.

That is what you are promoting. It is still not clear to me, though. Does that not just mean that more compostable carrier bags would be used?

Karen Mackenzie: I would hope not. I would hope that compostable packaging for such things as fast food would be encouraged. However, it should be made very clear what is compostable and what is not. At the moment, even the Soil Association has a problem in understanding what is good and bad for the sustainability that we want. We need to get away from a disposable mindset.

I grew up in a poor family in Glasgow. We used net bags, and I do not see why we cannot go back to using those. I have to make a point about carrier bags and the so-called poorer people. If these gentlemen to my right have shopped in Lidl and Asda, as I have, they will know that it is not easy to carry thin paper bags to a bus. I look a bit superior with my big, reusable Sainsbury's bag, into which I can put 10 carrier bags of shopping. It is a lot easier to get on and off buses and it is a lot easier to use. I come from Govan, and I object to the implications of certain statements that have been made.

Michael Stephen: Other countries have already used fiscal means to encourage a switch to using degradable bags. That is mentioned in paragraphs 31 to 33 of our written submission. Scotland would not be the first country to do that, if you chose to

do that here. Ireland did not choose to do it, and an opportunity was missed.

Karen Mackenzie: Something that has not been mentioned is the fact that Germany has now introduced a tax rebate for using compostable material. Instead of charging for the use of plastic bags, a tax reduction is made for the use of compostable material. That is going to encourage the use of compostable material in the fast-food packaging industry, which causes a bigger litter problem. Also, France has banned all polyethylene carrier bags; however, we think that that is a bit extreme, as it is a big jump to go from all to zero. Those things are not in the AEA report; I do not know whether that is because the report is too old to include them. The first measure was taken in Germany in May, and the second measure was taken in France just a couple of weeks ago.

Michael Stephen: France has not banned biodegradable bags.

Karen Mackenzie: No.

Michael Longstaffe: Returning to your original question, I add the caveat that, from our perspective, the bill would suffer difficulties if it included products such as paper, which is recycled successfully. There would be a problem in forcing a levy on something that is extensively recycled. However, there is no problem because the bill does not place a levy on paper bags.

The Convener: I put to you a thought that arises from that. When we spoke to the retailers last week, one or two of them said that they were already thinking of switching to paper bags simply to avoid the hassle or the disruption to their sales approach. They would have a named paper bag that would advertise their company. What is your view on that switch, which retailers would be prepared to make and which would be counterproductive to the aims of the bill? One approach would be to include paper bags in the bill to discourage them from doing that; another approach would be not to pass the bill. You produce both types of bag. What is your view?

Michael Longstaffe: There are two points to make. First, substitution has already happened. If you go to Princes Street, you will find paper bags used in most of the department stores. Most of the arguments for substitution on the basis of volume are allied to the larger fashion retail outlets that sell much heavier goods. If you walk down Princes Street, you will be provided with a paper bag—if you want one—by every outlet. That substitution has happened; it has not been forced to happen by the bill.

Secondly, the bill is about reducing litter and changing people's behaviour by putting a possession into their hands rather than something that is given. I am trying to be careful in what I say.

A plastic bag is not something that people disrespect, but it is something that they do not value because they have not bought it—that is the issue. I bring you back to the fact that this is an anti-litter bill.

The Convener: Okay. I think that has exhausted the committee's questions. I thank you all very much. That was quite a lively session. It was useful for us to be able to test out different issues, especially as we have heard from a range of witnesses over the past few weeks. The committee will consider all the evidence that we have received over the past few weeks and today. If there is anything else that any of you wants to send to us, subsequent to our discussions this morning, we will be happy to look at it. We have received extra submissions in the past, although there is obviously an issue about how much paper you want to send us. That is an invitation; choose how you want to use that offer.

Michael Stephen: We will e-mail it.

The Convener: You can e-mail us stuff. Absolutely. Thank you very much.

That is the end of our consideration of the bill this morning. We will continue our consideration at our next meeting, with a videoconference with organisations from Ireland. All the sessions that we have had up to now have provided us with extra questions, which we will put to those witnesses.

We will take a short break to allow Ross Finnie to arrive. He is waiting in his office for this evidence session to finish.

11:58

Meeting suspended.

12:04

On resuming—

Budget Process 2006-07

The Convener: Item 3 is the budget process 2007. This year, the budget scrutiny process is shorter than usual, as this is not a spending review year. and therefore we did not have a stage 1 process in the spring. We got the Executive's budget proposals, which were published in September. That updates the Executive's plans that were set out in the spending review of 2004 and in the draft budget 2005-06. The committee agreed that it would seek oral evidence on the draft budget from the Minister for Environment and Rural Development. To enable that discussion, we have the draft budget 2006-07, a Scottish Parliament information centre paper, a guidance paper from the Finance Committee, and a briefing paper from the Minister for Environment and Rural Development. We have sufficient paperwork to have examined ahead of our scrutiny of the minister this morning. We also have the relevant extracts from the draft budget and the efficiency technical notes, which were a new item to cross our desks this year.

I welcome Ross Finnie, the Minister for Environment and Rural Development. With him is David Dalgetty, whose title has disappeared off the edge of his nameplate. Perhaps the minister would like to introduce him.

David Dalgetty (Scottish Executive Finance and Central Services Department): Scottish Executive Finance will do.

The Convener: Thank you. I invite the minister to make his opening remarks and introduce the budget.

The Minister for Environment and Rural Development (Ross Finnie): Thank you, convener. It sounds as if you have something of an information overload. Perhaps as a helpful introduction I could, given my professional background, talk for about an hour and a half about statements of standard accounting practice.

The Convener: Perhaps for five minutes.

Ross Finnie: Indeed. I used to think that SAP stood for statements of standard accounting practice, but I have since learnt that SAP is a sheep annual premium. That has been quite a serious change to my professional background.

I appreciate that you have a great deal of information and that you will want to question me about it. Therefore, I will say a few brief words of introduction. You refer to the briefing that I sent to you on 13 October; I hope that you found it helpful.

I was slightly nervous that it was not perhaps quite as helpful about the general question of targets and the linked issue of the Executive's overarching objectives as it might have been. However, we might tease that out.

To be blunt, I had a slight difficulty in discerning from the terms of your request precisely how best to assist. It was not reluctance on my part. I was a little unclear whether the committee was simply seeking assurance that arrangements exist to agree what we might call subordinate targets for the spending under scrutiny or whether the committee might wish to extend its formal scrutiny of our performance against key targets for spending in spending review 2004, as set out in the budget. Does the committee wish to consider our performance against a range of much more detailed subordinate targets that have been agreed for delivery agents such as Scottish Water, the Scottish Environment Protection Agency and Scottish Natural Heritage?

I hope that I was able to assure you that the framework to agree such subordinate targets and to monitor performance against them is in place. By other means, the Parliament is informed of the performance of non-departmental public bodies—NDPBs—and Executive agencies against targets that have been set for them. I assume that it is not the committee's intention to consider such detailed matters as part of the formal draft budget process. However, I await your views on how we take that forward. I am willing, as always, to accommodate the requirements of the committee.

I know that the committee is interested in the general relationship between portfolio spending and the Executive's overarching objectives. The draft budget identifies the contributions that portfolio spending is making to the three themes of growing the economy, closing the opportunity gap, and sustainable development.

Of course, it is not just a question of setting up a few expenditure lines; it is about how we approach our business across the board. Sustainable development is managed, in a sense, by the direction of my department. However, it is a cross-cutting theme that goes right across the Executive; it permeates all that we do. We found the application of those principles to be particularly useful. I hope that we can demonstrate that through the principles that we are applying to our marine strategy and fisheries strategy. That is a question of outcomes as opposed to financial performance. I hope that I can give you some comfort on that.

For today, it might be helpful if I identify some of the main programmes that we are developing in order to apply sustainable development—air quality, waste management, protection from flooding, the sea fisheries strategy, and the

revision of the forestry strategy come to mind. I hope that we will be able to take those forward. Having made those few introductory remarks, I am happy to take your questions.

The Convener: Thank you, minister. We were interested in following up some of last year's scrutiny of the budget. We have said consistently that we find it difficult to track progress on targets and where money goes year on year. We want to pursue those key issues. When we spoke earlier in the year we said that we were keen to track what had happened to the water money—that was raised at our committee meeting in January—and we were keen to know what was happening later in the year on rural development spending. I remember last year's discussion on parking moneys, which was partly because of issues to do with the reform of the common agricultural policy in Europe; it was not clear exactly where money was going. I had hoped that we had made it clear that we were looking for a range of things.

On top of that, we have the Parliament-wide scrutiny of the efficiency measures that are being pursued, in this case in the areas under your control. We are interested to see the efficiency paper that has been produced this time.

Those are our general objectives. We want to ensure that we have scrutinised some of the big spenders in your budget headings. To what extent we will do so in the time available today is another matter. I kick over to colleagues to see what issues they wish to pursue, given your opening remarks.

Ross Finnie: I understand that fully. Unfortunately, we are in a straitjacket in that the Finance Committee states the point at which we look at actuals and the point at which we look at budgets. To be blunt, I have no doubt that this process, which shows budgets for the past few years, is very interesting, but you are really asking about the outcomes. On the format, I am not privy to what goes on in the Finance Committee, but I agree that you would probably have found the process different had you seen the budget going forward and how spending turned out. Unfortunately, that is not the way that the information is presented. That is not a cop out; it is where we are.

The Convener: None of us feels that the process is perfect, but we have the job of trying to scrutinise—

Ross Finnie: Indeed. I understand. I just did not want to indicate—

The Convener: It is just that you raised a few issues and said that you did not know what we were after.

Ross Finnie: I am grateful for the clarification. I was just saying that I am sympathetic. I am in the straitjacket of how the Finance Committee shows the budget figures.

Rob Gibson: My question is about the Scottish Water budget. You show an increase in allocation of 10 per cent this year to reverse the downward trend of recent years in Scottish Water's net new borrowing. Do you think that the current budget allocations and borrowing requirements will be sufficient to support Scottish Water's planned investment programme at the end of quality and standards II and the beginning of Q and S III?

Ross Finnie: Yes. In the process, we expect Scottish Water to draw up its own revenue budget, but of course that is influenced hugely by the extent to which it is engaged in delivering the substantial capital programme. We are committed to keeping Scottish Water in public ownership. Nevertheless, it operates as a monopoly and so it is important that the Water Industry Commission for Scotland scrutinises its performance in terms of economic efficiency to ensure that the consumer, whether domestic or industrial, gets value. Through the process of iterating the figures and presenting a budget to you, I am satisfied that the relevant factors have been scrutinised properly by the board of Scottish Water and the Water Industry Commission.

12:15

Rob Gibson: Are you confident that the scrutiny that the Water Industry Commission has applied—which attempts to benchmark costs against practice in England and Wales—is relevant to the current situation in Scotland? Industry has said that the constraints on development that are imposed by the lack of water and waste water infrastructure are major causes of frustration.

Ross Finnie: No benchmarking exercise is an attempt at replication and I do not think that the Water Industry Commission is saying that things must be absolutely as they are in North West Water or Northumbrian Water. The commission considers how to approach certain expenditure and control headings and obviously takes into account the different circumstances that obtain in different parts of Scotland. Some bodies will be more comparable than others—those that deliver water in our major cities, for example, will be more comparable than those that deliver water in remoter rural areas. However, I am satisfied that the commission does not take a dogged view on such matters. It has a professional job to carry out and I am sure that it carries out that job.

Rob Gibson: If that is the case, do you seriously think that the real-terms increases in borrowing requirements are sufficient to meet the

real needs of Scottish Water to deliver a programme for which the country is crying out?

Ross Finnie: Yes. There must be a process and your question is not so much about the figures as about the process as a whole. It is important that ministers should set objectives on behalf of the Parliament for consumers on key criteria such as water quality, sewerage delivery and public health. It is then up to Scottish Water to draw up its business plan for delivering the objectives that the Parliament has set. As that body is a monopoly, it is for the Water Industry Commission to apply performance comparability tests. I do not mean that there should be rigid tests and that Scottish Water's performance must be the same as that of another body, but a reasonable view must be taken about measuring performance in the interests of the domestic and public consumer.

I am satisfied that the figures that are before members relating to that process are a perfectly reasonable projection of the resources that will be adequate for Scottish Water to deliver its objectives. As members know, there is currently a dispute involving Scottish Water that two sets of experts must come together to try to resolve, but I am satisfied that we have made adequate provision for Scottish Water to meet the objectives that have been set on the basis of the information that has been before me.

Rob Gibson: We shall see whether you have done so.

The Convener: Okay. That topic has had a good going over.

Mr Ruskell: The budget leads into the first phase of Q and S III. What are your priorities in the budget for Q and S III? What projects and outcomes do you want to deliver through the budget?

Ross Finnie: We have not sought to tell Scottish Water precisely which project in a range of projects it should address first. As you know, we have set objectives for it and we have clearly changed the profile of priorities in order to deal with the supply of new housing, particularly in rural Scotland. That has become a major issue and was part of the huge amount of consultation that was conducted to set the objectives. As you know, a range of statutory objectives had to be met to improve the quality of drinking water and to deal with sewage outfall. We added the issue of nuisance arising from odour, on which we have a clear objective. We have set Scottish Water objectives and indicated the key priorities, but we are not about to micromanage the company.

Mr Ruskell: I listened to the ministerial statement earlier this year so I am aware of the general priorities but, specifically in terms of the budget, what do you want to be front-loaded? You

mentioned housing development. Is that a priority within the budget from Q and S III?

Ross Finnie: If across a five-year period Scottish Water is to deliver on all those priorities—in particular, the top three, which relate to housing, water quality and sewage—it must be able to have live civil engineering projects both for which it is still seeking planning permission and for which there is planning permission and contracts have been laid. That is undoubtedly the most complex aspect of Scottish Water's management. It is not possible to say that in the first year Scottish Water will have nothing other than housing development to deal with, because that would mean that it could not deliver across a five-year period. We have clearly indicated what the top three issues are, but it would not be sensible for us to try to micromanage what is done in a given year.

Mr Ruskell: When Lewis Macdonald came to the committee to discuss the draft budget, we questioned him about the fact that funding for the organic aid scheme was apparently dropping from £8 million to about £2 million. He stated:

“a range of figures will be revised once we get to the final stage of the budget process, when we will be able to assess what we need to deliver on the different priorities.”—[*Official Report, Environment and Rural Development Committee*, 27 October 2004; c 1350.]

You usefully provided us with illustrative figures for land management contracts, environmentally sensitive areas and some other schemes, but you have not yet given us figures on how the organic aid scheme budget will change over time. Why is that the case, given that you have provided us with figures for the other schemes?

Ross Finnie: That touches on one of the slight difficulties that arise from showing only budget figures and not actual figures, to which the convener referred at the outset. The expenditure never reached £8 million. We had beliefs about changing the nature of the scheme, so the figure was subsequently downgraded part way through the year in which it first appeared. What we now see is the figures as they were presented to the Parliament in the original budget. The figure then came down from £5 million to £2 million.

The answer to your question is that it seems to me that a combination of factors is in play. The tailing-off in the premium obtained for organic produce—which is deeply to be regretted but is a fact at the moment—is not encouraging more farmers to come into the scheme. If there was an upturn, I would have to consider the combination of what I have in the rural stewardship scheme and a figure that more accurately reflects the uptake of the organic aid scheme.

Mr Ruskell: That is clearly a factor. The other factor is the payment rates that are payable under

the OAS and through any stewardship scheme that would run for farmers who have already converted to organic. A higher payment rate for organic farmers, such as applies in England, would restrict the number of farmers who would be able to build into the scheme through the restricted budget—

Ross Finnie: The only movement would be with the rural stewardship scheme money.

Mr Ruskell: Is there not a danger that, if the payment rates go up but the budget remains the same, you will effectively place organic farming into a niche box? You are consolidating the position of farmers who are already organic but you are not allowing a greater number of farmers to come into a scheme that pays them for the delivery of public goods.

Ross Finnie: I am not doing that: we have been nowhere near having even to consider adjusting the budget, far less turning down any scheme. If I were to get advice from officials that there had been an upturn in take-up, I would have to consider and take advice on what flexibility there was. We would consider the line through which we commit funds under the rural stewardship scheme. The budget is finite. I do not have any more money from the Finance and Central Services Department. Our allocation of the money between the various headings in table 9.07 reflects our best estimate, based on the demand that there has been in the system for some time for organic aid, although that has changed.

Mr Ruskell: There is concern about competition arising between the different schemes. Because we do not have a final figure for the OAS, it is not clear to us whether there will be a squeeze on organic farming and competition between the other schemes. In essence, are you saying that you believe that there will be enough money in the pot to deliver your targets on organic farming and to get the required conversion rates for arable land and improved grassland?

Ross Finnie: Yes.

Mr Ruskell: If the OAS and rural stewardship scheme payment rates go up, will there still be enough money in the pot to meet the targets?

Ross Finnie: Obviously, the budgets are based on the rates as they are.

Mr Ruskell: But if the rates went up, would there be enough money in the pot?

Ross Finnie: As I said, if we were considering a change of the rates, the most sensible approach would be to think about shifting resources from the rural stewardship scheme into the organic aid scheme. The question is legitimate. On the basis of the objectives and rates that we have set, the budget is adequate to meet the purpose. We can

have a perfectly legitimate debate about whether we need to adjust the rates but, with the present rates, the provision in the budget can meet the objectives that we have set.

The Convener: I have a follow-up question about whether that budget is actually used. You will be aware of the press claims at the weekend that not enough farmers participate in the organic aid scheme and that there is a question mark over whether the Executive's target on the amount of land that is farmed organically will be met. You might not want to answer that now, but instead write to us. The issue comes back to the initial point about setting a budget and then monitoring it against outcomes. We are in a slightly awkward position this year because we do not have the outcomes to measure that. That relates to Mark Ruskell's question about what happens next. We have a set budget and rates; the question is how that will impact on the farming community, whether farmers can take up the scheme and whether the rates are good enough.

Ross Finnie: I will certainly write to the committee on the issue, which would be sensible.

The Convener: We would appreciate that, because we have raised the issue before.

Ross Finnie: We currently support about 68,000 hectares of organic land and around 15,000 or 16,000 hectares are under conversion. I am still reasonably confident on the matter, but the figures do not show movements into and out of the scheme. There has been a lot of movement among hill farmers. If you recall, that was a less contentious issue, as the ground that was being used qualified for organic certification anyway. If it would be helpful, I would be happy to provide more detail in writing on the movement in the organic aid scheme, the current number of hectares that are in the scheme and how that relates to the targets.

Mr Ruskell: It would be useful to know whether you intend to introduce higher payment rates, which would clearly affect the balance between the different schemes and the overall organic aid budget.

Ross Finnie: I am always happy to provide as much information as possible but, with all due respect, that is a separate issue. If, having got the information, you are not satisfied that we will meet the targets, it is legitimate for you to invite me to change the rates.

The Convener: Let us do it that way round. Once you give us the information, we will process it and come back to you.

Ross Finnie: That would be helpful.

12:30

Mr Brocklebank: I would like to switch the minister's attention to the topic of fisheries, about which we have had enlightening and occasionally even amicable exchanges in the past. My question is in no sense confrontational; it is for information. According to my information, spending on fisheries over the six-year period will drop by around 23 per cent. What are the reasons for that?

Ross Finnie: Which table are you looking at?

Mr Brocklebank: It is table 9.01 in the "Draft Budget 2006-07".

Ross Finnie: When looking at that line of figures, one has to take account of the fact that in 2002-03 we had the fisheries decommissioning scheme and that in 2005-06 there are to be one-off provisions for aircraft and vessels. Exceptional expenditure is included in those figures, which we have to smooth out across the piece.

Mr Brocklebank: Does the £80.6 million for fisheries in 2005-06 take into account fisheries protection vessels?

Ross Finnie: Yes.

Mr Brocklebank: Nonetheless, if we go right through the figures to 2007-08, we see that the final figure is £60.6 million compared with £69.6 million six years earlier. That is a considerable drop in real terms. Are the figures simply a reflection of the fact that the fleet has downsized over that period?

Ross Finnie: That might be the case. As you know, fisheries is not a wholly supported sector, although, as it is a regulated sector, it requires state aid clearance. Therefore, assistance to that industry is channelled through the financial instrument for fisheries guidance. That budget has not expanded at a European level; it has contracted.

David Dalgetty: By far the largest elements of the standing fisheries line from year to year is the provision for the Fisheries Research Services and the Scottish Fisheries Protection Agency. Those two agencies take up the bulk of the spending in any year. As the minister said, unlike agriculture, the fisheries sector is not the beneficiary of significant support. The main support has come from the FIGG awards under the European Union fisheries structural fund.

In the 2004 spending review, the decision was taken to reduce the budget for the FIGG scheme from about £10 million to £8 million, so from 2006-07 a couple of million quid is coming off a year and that money has been reallocated to other priorities. That was done on the basis of the historic demand under the scheme, which was consistently below the budget level, and to take into account the fact that the United Kingdom and

Scotland will, we assume, receive a rather smaller share of the new fisheries budget as we move forward under the new structural fund arrangements.

The budget has been practically static if one excludes all the exceptional measures, save for the reduction of £2 million a year in relation to the grants under the FIG scheme.

Mr Brocklebank: The overall figure declines by £17 million over the six years. That is about 23 per cent down over the period according to my sums.

Ross Finnie: Which table are you looking at?

Mr Brocklebank: I am dealing with two documents—one is the briefing from the Scottish Parliament information centre, which considers fisheries spending, and the other is table 9.01 on the categories of spending.

Ross Finnie: Table 9.09 is useful because it gives some of the breakdown, which helps to explain further what Mr Dalgetty has just said. It shows the breakdown between the Fisheries Research Services, the Scottish Fisheries Protection Agency, the agency capital charges, the fisheries grants and the other categories. Those capital charges are as they were accounted for in 2002-03. Have you found the table, Ted?

Mr Brocklebank: I am getting there.

Ross Finnie: Your question on the aggregate is legitimate. However, table 9.09 gives a breakdown that shows that the figures for the Fisheries Research Services are not flat and that the figures for the Scottish Fisheries Protection Agency also have capital elements. Note 1 states:

"The Plans for 2002-03 showed what was then unallocated provision for non cash capital depreciation".

The figure for that has slightly distorted the aggregate figure to which you referred, which is the move from roughly £70 million to about £61 million over the six years.

David Dalgetty: The financial year 2002-03 is not a fair baseline.

Mr Brocklebank: Okay.

Richard Lochhead (North East Scotland) (SNP): I was going to kick off on fishing, but I will just pick up from where Ted Brocklebank left off. I presume, if I am reading table 9.09 correctly, that the "Other" line addresses aspects such as support for marketing activities and for increasing the fishing fleet's profitability. I cannot see where else the funding for such schemes would come from, other than perhaps from European grants. The "Other" figures show a long-term decline, down to only £178,000 in 2007-08.

The big challenge that faces our fishing communities is increasing profitability in difficult

times; clearly, they will require investment support to do that. The minister will be aware that there has been much campaigning to get more money for marketing, particularly for bigger stocks such as haddock and shellfish, and for improving, for example, on-board facilities on vessels to increase the quality of the product. You have said many times that the big challenge is to increase the industry's profitability, but where will the support come from? Will it come from the "Other" line, which goes down to £178,000? Is that not a bit of a drop in the ocean, given what is required to help our fishing industry back to profitability?

Ross Finnie: No. There are two sources for the expenditure to which you referred. There is the general issue about moneys that are directed from the industry itself, particularly through the Sea Fish Industry Authority. You will be as familiar as I am with the work that Seafish is doing. You referred to one of its projects, which is the reasonably successful haddock marketing plan.

Moneys to improve quality and the end-product must come through FIG, which will become the European fisheries fund. That will be direct support for the industry and it will need to be cleared as part of the European fund, so we will perhaps see better use of the moneys. As Mr Dalgetty said, we have been disappointed because we have had many difficulties not with Seafish, but with getting the industry as a whole to propose schemes to utilise all our FIG allocation. I am more hopeful that Seafish's progressive plans will mean that we will get applications that will meet the allocations that are shown in the line above "Other" in table 9.09. I am not sure to what the "Other" line refers, but £178,000 will not buy much support. We are talking about using the larger grants scheme to facilitate that.

Richard Lochhead: I am sure that we will have future exchanges on these issues, because the fish processors and the catching sector say that implementing the recently announced Seafish strategy will require resources. However, there does not seem to be much flexibility in the budget lines in table 9.09.

Can you update us on what is happening with the continuing negotiations over the European budget? How will the outcome of the current controversial negotiations in Europe over budgets influence your various budget headings?

Ross Finnie: Our budget is caught, I suppose, in a number of ways. Elements of European structural funding fall particularly within some of the rural schemes, in which they are linked to the allocation of funding to the Highlands and Islands. For that reason—rather than any wish on our part to discriminate—the lowland funds are described separately to allow us to distinguish between

schemes that are funded internally and those that are funded externally.

In that context, the issue of the recalculation of structural funding arises. Although no significant moves have come from the negotiations, we are clearly concerned to secure the best possible deal for the Highlands and Islands, which is the area in Scotland that undoubtedly benefits from the current intermediate arrangements. I have no update that I can give the committee on the progress of the negotiations, but I know that they have been protracted. It is thought that the Highlands and Islands might qualify as something, but I cannot remember the phrase to describe it.

David Dalgetty: I think that they will qualify under another form of transitional area.

Ross Finnie: There is a phrase for it, but I cannot remember the phrase.

Rob Gibson: I think that it is a “statistically affected area”.

Ross Finnie: That is the phrase. I am grateful to you. It does not quite trip off the tongue. What was it again?

The Convener: The phrase will be recorded in the *Official Report*.

Ross Finnie: I can see the shorthand writers panicking.

Richard Lochhead: The phrase that Rob Gibson used was “statistically affected area”.

Ross Finnie: Anyway, we will not go there. The discussion on those issues has not yet progressed because substantial arguments are still to be had, but we are affected by those discussions.

Our other major element of European funding is direct funding through the CAP. That funding is affected by different factors. I understand that, in effect, the European agriculture budget has now been fixed for the period between 2007 and—

David Dalgetty: Between 2007 and 2013.

Ross Finnie: The Berlin ceiling was fixed in 2003. The only problem that we might have is that the 2003 CAP reform included a specific provision that, in the event of a budget line being breached, there would be no argument about whether it should be reduced. Instead, the Commission now has powers to initiate a reduction in European expenditure proportionately across the member states to ensure that the budget does not breach the Berlin ceiling.

Richard Lochhead: I have two brief questions further to that point. First, have you discussed the issue with the Minister for Finance and Public Service Reform? If the outcome of European budgets does not go in Scotland's favour, it is

clear that there will be greater demand on some of the budget headings.

Ross Finnie: Absolutely. The Minister for Finance and Public Service Reform is in regular contact with all ministers, especially those for whose portfolios the settlement of structural funding is an issue. My officials and I attend discussions on structural funding, so we are intimately involved in all those issues. We are conscious of the potential impact on our budget of any change in those arrangements.

Richard Lochhead: Finally, I have a brief question on support for flood prevention. I appreciate that, for obvious reasons, the budget for such funding has increased. Given climate change and recent extreme weather events in Scotland and elsewhere, what flexibility exists to increase that funding drastically if the need arises? There are various campaigns throughout Scotland for flood prevention schemes.

Ross Finnie: Certainly, if such a problem were to arise before a new spending review, we would have to move funds from one heading to another.

With SEPA's liaison, we have been encouraging local authorities to try to get a better handle on local projects by developing them to a stage at which a number can be put on them. It is understandable that local authorities might want to say simply that they need a flood prevention scheme, but it is much more helpful to us when we are allocating finance if schemes have been worked up to the point at which a financial number can be attached to them. For prioritising the most vulnerable parts of Scotland in which flooding is most likely to occur, it has been very helpful that local authorities co-operate with SEPA in that way to access funding under that budget line.

However, if schemes required to be brought forward dramatically before the next spending review, we would have to consider moving expenditure from one budget heading into another.

12:45

Elaine Smith: The SPICe paper shows that, by the end of the period 2002-08, planned spending on water will have declined by 40 per cent while planned spending on environment protection will have increased by 386 per cent. Moreover, in 2006-07, you appear to be increasing spending, particularly on flood prevention, by about £19 million. Can you provide more detail on the flood protection proposals that local authorities should be considering? After all, in my constituency, the flooding problem has been caused partly by the condition of the infrastructure, which makes it a matter for Scottish Water. In one area, the problem was solved by Scottish Water replacing pipework and so on. Is there any leeway within the

funding for replacing pipework and improving the infrastructure?

Ross Finnie: As you point out, there are several elements to take into account. Survey work that was done as part of Scottish Water's capital expenditure programme has revealed new pressure points that are giving rise to flooding and its budget contains an allocation for addressing those areas.

The issue is complex. Frequently, problems can arise because, for example, a new build development several miles away has put some very pleasant housing on a piece of ground that was used to soak up a lot of water. Of course, water is then diverted into the main sewer and people two or three miles away suddenly find themselves affected by flooding. There is no quick fix for such problems; I would have to check the specific circumstances in your constituency but, in general, Scottish Water's budget contains provision to deal with such problems.

Local authorities are specifically looking at serious problems in their areas affecting housing and other services, some of which are linked with Scottish Water, and, with SEPA, are drawing up plans to deal with them. The budget line that you referred to addresses that matter.

We hope that those two provisions will allow us to deal progressively with some of the worst problems. I think that we have some figures for the number of houses for which the risk of flooding has been reduced.

David Dalgetty: In the earlier briefing that the minister gave the committee, he indicated that although we thought that we might have some difficulty in meeting the earlier 2002 target for reducing the number of properties that were at risk of flooding, we were sure that we would catch up and achieve the 2004 target.

Elaine Smith: Could some of the £19 million increase in 2006-07 and the funding that is identified thereafter be used to replace infrastructure if it helped to tackle an on-going flooding problem?

Ross Finnie: That is theoretically possible, but it would be subject to Scottish Water's capital allocations in a particular locality. In that respect, we come back to the question that Mark Ruskell rightly asked at the outset about how Scottish Water will manage aspects such as housing development, flooding and other pressing matters in its various projects.

Elaine Smith: I am curious to know how closely you work with other Executive departments and public services on

"funding greenspace in deprived communities",

which is mentioned in the budget under closing the opportunity gap. It is a laudable aim, but in some communities green spaces are being used for PPP projects. I believe that a report on that was published recently. How does that tie in with your aim to fund green spaces?

Ross Finnie: It does not. I am disappointed about some of those projects. I work closely on the matter with Malcolm Chisholm and his department. We do not try to second-guess projects and create separate routes for dealing with them. We all want to consider the recent report because, in certain areas, there are concerns about the use of land that was originally designated as open space and should serve that purpose. It is not our intention to fund any arrangement that obviates that. We liaise with Malcolm Chisholm's department on anything that we do in relation to open space development.

Nora Radcliffe: I have three questions. First, in table 9.05, the figures for the water environment seem to take a nosedive. Will you explain the reason for that?

The Convener: The figure goes down from £1.479 million in 2004-05 to £792,000 in 2005-06.

David Dalgetty: I apologise for the fact that that obvious reduction is not sufficiently explained in the document. Had I taken more care over it, I would have found out the explanation. I would be grateful for an opportunity to provide the committee with information on that.

The Convener: We will let you do that. The figures for 2003-04 and 2005-06 are similar, but there is a blip in 2004-05. Something obviously happens in 2004-05 that pushes up the budget. It would be helpful if you would provide further information on that.

David Dalgetty: We will give you a detailed note on that.

Nora Radcliffe: With the radical reform of the CAP and its impact on agriculture, the committee is concerned that there is a need—which is perhaps difficult to meet—for advice and information for farmers and others in the agriculture and agriculture-dependent industries. SPICe has identified a trend whereby funding for agricultural science seems to decline gradually, in real terms. Are you confident that there is enough funding to meet the need for more advice and support for farmers, who are coping with a difficult financial landscape as a result of the CAP reforms?

Ross Finnie: There are two separate answers to that. Not all advice on the CAP and farmers' business decisions is funded from the budget. Increasingly, farmers are not just using the traditional route of the Scottish Agricultural College—although that continues to be the

predominant source of advice—but are drawing on other, private sources. They have perhaps done so in anticipation of the development of the CAP and as a response to the need for a greater source of business advice that was identified in the agricultural strategy.

Recently, I attended an accounting seminar on the complexities of the agriculture business. A dramatic increase has been reported in farmers' use of such services. We are not aware of individual farmers finding that there is a lack—*[Interruption.]* I apologise.

The Convener: That will be £10 for the charity box.

Ross Finnie: On the question of funding for agricultural science, we are trying to get the organisations within each heading into a position in which they can sustain themselves. That has meant that they have had to develop much closer relationships with some of our mainstream universities. As a consequence, that has reduced some of our financial requirements and made them more sustainable. Some of them are small and lack critical mass in certain specifics—not just people but sciences as well. The drive towards them having better relationships with universities while retaining their independence has an impact on finance but a greater impact on sustaining the service that they provide.

Nora Radcliffe: Table 9.05 shows that more is being spent on noise and air-quality action. I am glad about that, because noise is one of the pollutants of which there is not much awareness. Light pollution is similar. Noise and light pollution have an impact on people and we are perhaps not doing enough to tackle those problems. That is more of a comment than a question.

The Convener: A few minutes ago, Elaine Smith talked about a flooding issue. You will be aware of a couple of schemes that have been delayed through the planning process, one of which is in my constituency. I am concerned that, if it takes a long time to pursue a flood prevention scheme, that will have an impact on residents and businesses. There is also an issue about costs because, as inflation accrues, a project becomes more expensive. Further, through the planning process, the Executive can amend the council's original scheme, which could mean that the end scheme is likely to be more expensive. Presumably, the increased budget allocation will accommodate schemes that become more expensive because of the delay in timescale or because the Executive has suggested that the scheme be amended.

Ross Finnie: I could not give a precise answer without knowing more about the details—

The Convener: I am talking at the level of principle to avoid getting involved with individual cases.

Ross Finnie: The principle is that, in increasing the budget, we have recognised the fact that the number of applications and the need for them has increased dramatically and that, if the schemes are to do the job that they are supposed to do, they will have to be complex and will require additional resources. As we hold most of the necessary funds, the allocation of that resource is a matter for discussion between local authorities and the Executive. I can think of examples—although I cannot bring to mind an example in your constituency—in which the consequence of increased complexity and timing has resulted in an increased grant award. I would be reluctant to say that that would happen in every case, of course.

The Convener: In the case that I am talking about, there have been delays due to the planning system. There have also been added complexities because the Executive has amended the final scheme, which will make it more expensive. I assume that the Executive will allocate extra resources to meet the increased cost of the project. I would be happy to write to you with further details.

Ross Finnie: As I say, such assistance is part of our intention but, without knowing further details, I would be reluctant to say that that would happen in the case that you are talking about.

The Convener: I will write to you on that point.

In table 9.01 on page 136, we can see that the budget of the Forestry Commission almost doubles whereas that of Forest Enterprise Scotland almost halves. What is the reason for the switch?

Ross Finnie: If I remember rightly, that relates to a switch of capital. I think that the capital provisions were changed for the sake of consistency. There was a reallocation of expenditure.

The Convener: Is the switch to do with new policy requirements—

Ross Finnie: No, it is a technical fix.

David Dalgetty: The matter is explained in the notes in the budget document. The issue is to do with costs of capital charge and switches between the two budgets.

The Convener: There is a suggestion in table 9.10 that the Forestry Commission's budget is increasing as a result of issues relating to policy, regulation and administration. I would like to tease out what those issues are, because I note that Forest Enterprise is losing money.

Ross Finnie: The switch is technical, but there are other issues, such as the Forestry Commission's woods in and around towns initiative; that is a policy issue in relation to which we have increased spending.

13:00

The Convener: Is the £3.4 million for policy, regulation and administration mostly to do with countryside around towns?

Ross Finnie: The significant increase in the Forestry Commission's policy, regulation and administration line between 2006-07 and 2007-08 is to do with the woods in and around towns initiative.

The Convener: Thanks. If we had another half hour we could ask you more questions, but I will stop us now as that is probably enough for everybody for today.

Do members agree to discuss the drafting of our report in private until we are in a position to produce it for the consideration of the Parliament?

Members *indicated agreement.*

The Convener: We will take agenda item 4, on stage 1 of the Animal Health and Welfare (Scotland) Bill, in private.

13:02

Meeting continued in private until 13:03.

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