

ENVIRONMENT AND RURAL DEVELOPMENT COMMITTEE

Wednesday 8 October 2003
(Morning)

Session 2

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ENVIRONMENT AND RURAL DEVELOPMENT COMMITTEE

8th Meeting 2003, Session 2

CONVENER

*Sarah Boyack (Edinburgh Central) (Lab)

DEPUTY CONVENER

*Eleanor Scott (Highlands and Islands) (Green)

COMMITTEE MEMBERS

*Roseanna Cunningham (Perth) (SNP)

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

*Karen Gillon (Clydesdale) (Lab)

*Alex Johnstone (North East Scotland) (Con)

*Maureen Macmillan (Highlands and Islands) (Lab)

*Mr Alasdair Morrison (Western Isles) (Lab)

Nora Radcliffe (Gordon) (LD)

COMMITTEE SUBSTITUTES

Alex Fergusson (Galloway and Upper Nithsdale) (Con)

Janis Hughes (Glasgow Rutherglen) (Lab)

Jim Mather (Highlands and Islands) (SNP)

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

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

*attended

THE FOLLOWING GAVE EVIDENCE:

David Dalgetty (Scottish Executive Finance and Central Services Department)

Ross Finnie (Minister for Environment and Rural Development)

Kevin Philpott (Scottish Executive Environment and Rural Affairs Department)

David Rogers (Scottish Executive Environment and Rural Affairs Department)

Simon Stockwell (Scottish Executive Environment and Rural Affairs Department)

CLERK TO THE COMMITTEE

Tracey Hawe

SENIOR ASSISTANT CLERK

Mark Brough

ASSISTANT CLERK

Catherine Johnstone

Roz Wheeler

LOCATION

Committee Room 1

Scottish Parliament

Environment and Rural Development Committee

Wednesday 8 October 2003

(Morning)

[THE CONVENER opened the meeting at 10:00]

Item in Private

The Convener (Sarah Boyack): If colleagues are ready, let us get on. I have received apologies from Nora Radcliffe, but not from other committee members. I knew that Karen Gillon was going to be absent for part of the meeting, but I thought that she was going to be here at the start. I log her apologies for part of the meeting. I remind everyone to turn off their mobile phones.

I recommend to members that we take in private item 4, which is consideration of a paper on the Nature Conservation (Scotland) Bill. We need to make decisions about the structure of our inquiries and who to invite to the committee as witnesses. We do not usually deal with such issues in public. Is that agreed?

Members indicated agreement.

Subordinate Legislation

Air Quality Limit Values (Scotland) Regulations 2003 (SSI 2003/428)

Smoke Control Area (Exempt Fireplaces) (Scotland) Order 2003 (SSI 2003/436)

Pesticides (Maximum Residue Levels in Crops, Food and Feeding Stuff) (Scotland) Amendment (No 2) Regulations 2003 (SSI 2003/445)

10:01

The Convener: Item 2 is consideration of subordinate legislation. We have three Scottish statutory instruments to consider under the negative procedure. All of them have been considered by the Subordinate Legislation Committee, which, in its seventh report, has expressed concerns in relation to SSI 2003/428, on air quality limit values. Members have received an extract of that report. I note that the Executive intends to produce an amending instrument to remedy the defects that the committee identified.

The Subordinate Legislation Committee has made no comments on SSI 2003/436, on smoke control areas. It considered the regulations on pesticides on Tuesday, so we have not seen its report on that. However, I understand that two queries were raised with the Executive regarding the use of terminology and the date of implementation of the regulations. The Executive answered both those questions to the Subordinate Legislation Committee's satisfaction.

No member has expressed any concerns to me. Do members have any comments that they want to make?

Eleanor Scott (Highlands and Islands) (Green): I have a query about the Smoke Control Area (Exempt Fireplaces) (Scotland) Order 2003. Do we have to go through this procedure every time that somebody produces a new fireplace? It seems a bit bureaucratic to exempt a particular breed of fireplace.

The Convener: I presume that that is the purpose of such legislation.

Eleanor Scott: It seems a little clumsy.

The Convener: Yes. I have background information on other issues that members might have raised, but if the committee is happy with the instruments, we will make no recommendation to the Parliament. Is that agreed?

Members indicated agreement.

Petitions

South-east Islay Skerries (Special Area of Conservation) (PE246)

Sites of Special Scientific Interest and Special Protection Areas (Arran, Barra and Yell) (PE462, PE463 and PE464)

10:03

The Convener: The next item is consideration of petitions. Members have several papers in front of them, pertaining to four petitions: PE246, PE462, PE463 and PE464. The petitions are all about the procedure for the designation of sites of special scientific interest, special protection areas and special areas of conservation. The committee will recall that, at our meeting on 10 September, we agreed to consider the issues that the petitions raise as part of our stage 1 scrutiny of the Nature Conservation (Scotland) Bill.

We have a note from the clerks, which provides background to each of the petitions. It gives us three separate proposals for how to incorporate consideration of each of the petitions into our stage 1 consideration of the bill. It is up to the committee. When I read the papers through, I was glad to see the extent of the detail that we have, particularly on the debates in the Public Petitions Committee. It is good for us to be able to read into our work the discussions that the Public Petitions Committee had, the questions that committee members asked and the representations that the petitioners made.

Do members have anything else to say? If not, we can conclude consideration of the petitions. Will we take each of them in turn?

Mr Rob Gibson (Highlands and Islands) (SNP): Although they are related, we should say something about each of the three.

The Convener: That is what I am saying. We will go through each of them.

Mr Gibson: Because all the petitions are on related subjects, might you be minded to invite the petitioners as witnesses when we discuss the relevant parts of the Nature Conservation (Scotland) Bill? Each of the petitions raises questions of process against which we need to measure the new legislation. I propose that the first petition be taken in that fashion. Perhaps somebody would like to join me in proposing the same for the other two.

Karen Gillon (Clydesdale) (Lab): I take a slightly different approach. A number of issues that we can put to the minister have been raised in the petitions. It is not necessary for us to have the

petitioners give evidence to understand their questions about the process. Those questions are in the papers, and we can put them to the relevant agencies and the minister. We do not need to bring the petitioners back to the Parliament to give us the same answers as they have already given the Public Petitions Committee. Instead, we should take time to go through the papers to pull out the most relevant issues about procedure. We can put those in a question paper for us to use with the relevant agencies and the minister.

The Convener: We want to ensure that we do not lose at stage 1 the points that are made in the petitions. I suspect that, when we get to how designation issues are covered in the bill, there will be quite a discussion among the different parties. We will consider later whom to invite to give evidence.

It is also worth saying that the petitions relate not only to SSSIs, but to the designation of special areas of conservation and special protection areas. The comments need to be logged for future reference should the European Union require the Executive to designate more such sites in future. We are almost through the process. It is important that, in taking stage 1 evidence, we do not lose the thrust of what the petitioners brought to us.

If the committee is broadly happy, we will agree to close formally consideration of the petitions but to take up the points in our evidence taking at stage 1 of the bill. Committee members will have the papers as part of the general background to the stage 1 consideration, but I ask the clerks to flag up any issues that are relevant when they arise, so that we do not lose the points.

Mr Gibson: I presume that we will contact the petitioners and tell them that they can give evidence at stage 1 too. My original point was whether they think that the new system will work and whether it will answer their questions.

The Convener: That would be quite a good idea. Let us follow the loop of where the policy is going.

Mr Gibson: I agree with that.

Mr Alasdair Morrison (Western Isles) (Lab): I am sorry: I missed the flow of the conversation. I have one brief point on the petition relating to Barra. The Transport and the Environment Committee sent the petition back to the Public Petitions Committee because the committees had been misinformed about the level of support for one of the petitions. You will not recall that, convener, because you were not on the committees concerned.

Bluntly, one of the petitioners had been at it. Names were added to the list of people who supported the petition. Members will see that from

the paragraph in annex A of the clerk's paper that states:

"The Convener and clerks also received several e-mail messages from councillors and individuals representing community groups on Barra. They make the point that although they object to the proposed ... designation ... They have asked to have their support removed from the petition, which they say was included without their permission."

I do not remember the position that clearly, but my recollection of the Public Petitions Committee meeting is that members were duped. Members were led down a certain route, genuinely believing that the councillor who led the petitioners was being straightforward and honest, whereas events proved that he was not. The petition carries a health warning.

Mr Gibson: I want to comment on that—

The Convener: Let me comment first. Before Alasdair Morrison came in, we were discussing what we should do with the petitions. The point was made that, as we had the whole extract from the *Official Report* of the meeting in which the issues were debated, there is no sense in our reopening that whole discussion again. We were on the point of agreeing that we would ensure that the points made in all the petitions came through during the committee's stage 1 consideration of the bill, but that we should be able to close the petitions today with those comments.

Mr Morrison: Will we retrace the arguments and debates before closing the petitions?

The Convener: No. No one has proposed that we invite the petitioners back to the committee. We would write to the petitioners to tell them what we decide. We would also make them aware of the fact that we will consider the issues during stage 1 of the Nature Conservation (Scotland) Bill after the recess. If the petitioners want to come back to us, we would be happy to consider their comments in the light of the bill.

Mr Gibson: Alasdair Morrison has used pretty strong language about the petitioner, but we do not know exactly what conversations took place on Barra between the parties before the petition was lodged. I want a health warning on being totally condemnatory. People do not like the SAC designation. I do not know fully the issue that led to the petition and I do not want to revisit the way in which the petition was presented, but we need to be careful. There is perhaps disagreement about the way in which concerns were raised, but I suppose that there must have been a groundswell of opinion to allow the petitioner to believe that he should submit the petition in the first place. We need to be careful what we say about the petitioner's motives.

The Convener: We are not in a position to

make judgments on that, but annex A, which we have in front of us, is quite clear.

Mr Gibson: We were prepared to listen to comments of a strong nature about the petitioners, but I do not know whether those comments are true.

Karen Gillon: The paper in front of us gives a statement of fact:

"The Convener and clerks also received several e-mail messages from councillors and individuals representing community groups on Barra. They make the point that although they object to the proposed Sound of Barra SAC designation, they do not support the petition (PE643) which questions the handling of the consultation process by SNH and the actions of local SNH staff. They have asked to have their support removed from the petition, which they say was included without their permission."

That is a strong statement of fact from another committee. That does not take away from the fact that the petition might also address the process, but Alasdair Morrison is right to highlight the issue.

Mr Morrison: Let me clarify that health warning. I have been condemnatory in private, but I have used equally strong language in public when I attended the Public Petitions Committee when it revisited the petition. I can appreciate why Rob Gibson is not up to speed on the issue, because he failed to be elected in the last parliamentary elections.

Mr Gibson: I did not stand in those elections.

Mr Morrison: The Public Petitions Committee dealt comprehensively with the issue but, as I said, the committee was duped.

The Convener: That is the point we were at. The petition has been dealt with comprehensively.

I want to return to my first suggestion, which is that we put the guts of the issues into our stage 1 consideration of the bill, agree to close the petitions and inform the petitioners of what we have done and about stage 1 of the bill. Is that agreed?

Members indicated agreement.

Maureen Macmillan (Highlands and Islands) (Lab): We can address the theories about the process in our consideration of the Nature Conservation (Scotland) Bill.

The Convener: We now move into private session to discuss our approach to stage 1 consideration of the Nature Conservation (Scotland) Bill. I ask the public and the official report and broadcasting staff to leave the room. I remind everybody that we will be back in public session at half past 11 to take evidence from the minister on the draft budget and on our national waste plan inquiry.

10:14

Meeting continued in private.

10:40

Meeting suspended.

11:32

On resuming—

Budget Process 2004-05

The Convener: I welcome back the press and members of the public to our meeting. Item 5 on our agenda is the budget process 2004-05. We will take evidence on the Scottish Executive's draft budget. I welcome Ross Finnie, the Minister for Environment and Rural Development, and David Dalgetty from the Scottish Executive Finance and Central Services Department. I invite the minister to make some opening remarks.

The Minister for Environment and Rural Development (Ross Finnie): Thank you. I am very grateful to have this opportunity to speak to the committee during its consideration of the 2004 draft budget. The spending that the committee is considering is controlled by the Scottish Executive Environment and Rural Affairs Department and the Forestry Commission. It is important to point out that much of the service delivery is in the hands of external bodies such as Scottish Water, Scottish Natural Heritage, the Scottish Environment Protection Agency, the five Scottish agricultural and biological research institutes and—in the case of much of our spending, for example, on waste—the local authorities. As does much other Government expenditure, planned expenditure falls into two categories—DEL, the departmental expenditure limit, and AME, the annual managed expenditure.

Members will be becoming familiar with the difference between DEL and AME, which is that public expenditure plans for the former are firmly fixed in each spending review, while the plans for the latter are agreed annually with the UK Treasury. Of the total spending that members are considering, which is £1,153 million, £377 million is classed as AME and £776 million is classed as DEL. Most of the AME provision—some £348 million of the total—is allocated to spending on European Union annual subsidy payments under common agricultural policy market support. The figures can be found on page 166 of the draft budget. The balance of £29 million is used in support of a range of rural development scheme spending, as is noted on page 160.

It is important to stress that provision for the AME element is not made through the block formula arrangements. Member states have no discretion over the scale or nature of CAP market support spending. The related schemes are agreed in Brussels and the rates of payment and rules of eligibility are set down in EU legislation. Because CAP market support scheme payment rates are set in euros and must be converted each

year into the appropriate sterling value, the costs in any year are sensitive to the Commission's decisions on payment rates and, self-evidently, the prevailing euro-sterling exchange rate, as well as demand under the scheme. For those reasons, the resources involved are not included in the Scottish block. The Executive does not need to use block resources to fund increases in the spending, but neither may it use savings for spending on block programmes.

The use of a small part of AME resources—around £29 million in 2004-05—in support of rural development spending arises from the co-funding arrangements for a range of EU agri-environment, organic aid and forestry measures. The figures in the draft budget represent the planned EU contribution to spending on those measures.

There is a degree of uncertainty about the scale of the spending following the CAP mid-term review, in particular the introduction from 2005 of compulsory modulation of CAP market support payments. The present domestic rate of modulation is planned to increase from 3.5 per cent to 4.5 per cent in 2004. Compulsory modulation is set for 3 per cent, 4 per cent and 5 per cent for the three years beginning with 2005. The Commission intends to gather the proceeds of compulsory modulation and to redistribute them throughout the Community, guaranteeing that no member state will receive less than 80 per cent of the sum raised under its jurisdiction.

We are consulting stakeholders on the key aspects of the CAP reform package with a view to introducing new measures in 2005. The consultation also seeks views on what our approach to modulation should be. Important decisions lie ahead about how to implement that and all other aspects of CAP reform. I wish to hear stakeholders' views before deciding how to proceed. In the meantime, our plans for 2004-05 contain adequate provision to maintain access to the present range of rural development measures during next year.

There is a greater degree of certainty on other aspects of the plan. The draft budget reflects our decisions in the spending review of 2002 on spending priorities for the three years beginning with 2003-04. The total appears to be £9 million lower than that announced in the review, but that is the net effect of two changes. First, following the conclusion of SR 2002, we received additional resources from the UK Treasury under the landfill tax credit scheme, which amount to more than £9 million for 2004-05 and which will be used to assist with the implementation of our national waste plan. Secondly, there is a purely technical reduction of around £18 million, which follows the reduction in the rate used by Government to apply a cost of capital charge under resource accounting and

budgeting. The rate was reduced from 6 per cent to 3.5 per cent starting from 2003-04, the impact of which will be mainly on the budget for Forest Enterprise. I stress that that is purely an accounting change that has no effect on the underlying cash that is being spent.

Our 2002 priorities are incorporated in the draft budget. There are planned increases of £5 million for the Scottish Natural Heritage and Forestry Commission Scotland budgets to improve path networks and the management of national parks; £70 million for the environment and waste management budget, mainly to help local authorities to increase the recycling and composting of waste; £2.2 million for the rural development budget for the Scottish rural partnership fund, to increase the number of local initiatives supported; £2 million for the rural development budget for the new farm business advisory scheme; £3 million for the rural development budget for the farm waste grants scheme; £2.8 million for the agricultural and biological science budget to maintain our support for bodies such as the five Scottish agricultural and biological research institutes; £15 million for the agricultural and biological science budget to support the proposed relocation of the Scottish Agricultural Science Agency; and £2 million for the fisheries budget to provide the domestic spending required to support EU fisheries grants.

Apart from the two changes that I described, there is no movement since SR 2002 in the priorities that we indicate for our 2004-05 spend.

The Convener: Thank you very much.

My colleagues will now ask questions. I ask members to keep their questions and witnesses to keep their answers reasonably focused so that we get through as much as possible.

Maureen Macmillan: The planned spending on water shows that there will be a significant reduction from current levels over the next couple of years. Why will spending on water drop so significantly?

Ross Finnie: Several factors come into play. The savings largely represent a reduction in the level of borrowings. The savings become available because of the delivery of significant efficiencies within the business. Historically, we have been the main provider of funding to the water companies. A balance must be struck between Scottish Water having a charging regime that is set in conjunction with the Executive and the water industry commissioner for Scotland, and the Executive—as the major shareholder—sharing some of the benefit from the efficiency targets that have been set. Those targets are set by the same trilogy of ourselves, the water industry commissioner and, by agreement, Scottish Water.

There are two key effects. First, there are the reductions in borrowings that result from the efficiencies that are being made and, secondly, there is that combination of sharing the benefits among the customer base and us, as the major shareholder and provider of funding, getting some benefit.

Maureen Macmillan: Nowhere in the objectives and targets for water are there targets for supplying new infrastructure for rural housing, which is a matter that the minister and I have discussed in the past. If that is not covered in the rural development budget, is there money in the housing budget to address the commitment to provide water and sewerage infrastructure for new rural housing?

Ross Finnie: When the drinking water quality standards review was being discussed, which slightly predated the creation of Scottish Water, all three water authorities came together to produce a figure that they saw as being their requirement for infrastructure improvement. The overwhelming requirement was to raise the quality and standards because of the risk to public health. I recognise that Maureen Macmillan is one of a number of MSPs who have taken an interest in the matter. We have asked Scottish Water to conduct a review of its original plan in relation to its ability to fund expansion, because it is absolutely clear that the vast and overwhelming proportion of the £1.8 billion that we have committed to Scottish Water will be taken up by bringing up water filtration plants, sewage disposal plants and the trunking mechanism to the standard required by the drinking water quality regulator and others on public health grounds. That is not what we originally thought—although that slightly predates even my time in the job. We thought that there was quite a lot of scope in the £1.8 billion.

Some improvements will assist in unblocking development procedures, but it is clear that the provision in the Scottish Water budget is not wholly adequate to meet requirements. Scottish Water is quite far through a review that will take into account rural areas and urban areas from the very north of Scotland to the south of Scotland and I hope to discuss that review later in the year. However, I do not want to mislead the committee. There is some scope within the £1.8 billion, but it is clear from Scottish Water's recent announcement that that money is essentially needed to bring Scottish Water's standards up to public health and other standards.

Maureen Macmillan: So the extra money that will be needed for new infrastructure will not come from the Executive, but must come from Scottish Water.

11:45

Ross Finnie: That is still to be discussed. We need to know what the quantum is. The Executive is the principal shareholder and there will be discussions between us and Scottish Water. Scottish Water has a professional management and it will be for that management to identify and specify what is required.

The situation has slightly changed. As members know, previously there was a regime whereby almost every major development was automatically partly funded by Scottish Water, even developments in which there was absolutely no need for such financial support. Members will recall that part 2 of the Water Environment and Water Services (Scotland) Act 2003 got rid of that procedure and allows Scottish Water to come forward with propositions. If there is a need for assistance in a remoter rural area, for example, it can propose constructing a policy to provide that assistance, or it can make proposals relating to the centre of an urban area if it is demonstrable that they are not an impediment to progress. Later this year, the board of Scottish Water must discuss those two elements—assessing the total quantum and how best it might be provided—with the Government.

Mr Gibson: We appear to be talking about trying to modernise the existing infrastructure. If we are trying to find means by which more people can live in remote and rural areas, it is possible to infer that it will be difficult to find cash to ensure that the water infrastructure in such areas is at a suitable level for this century.

Ross Finnie: No. That inference cannot be drawn. The facts should be known. All that I am saying is that the amount that was set aside for new releases at the previous review has not reflected demand. The Government and the Executive have fulsomely responded to meeting the need to bring the structure up to date. Elements within those improvements will undoubtedly contribute to permitting a larger number of consumers to use the network. However, I cannot guarantee that, where there are new developments that are slightly more remote from the existing structure, the current funding arrangement will be adequate. I am certainly not closing doors. It would not be correct or proper for the committee to infer that we are closing down prospects. We are going to proceed with proper evidence and we have asked Scottish Water to bring forward evidence, which is what it will do.

Roseanna Cunningham (Perth) (SNP): Rob Gibson mentioned remote areas, but the issue does not apply only to remote areas.

Ross Finnie: Absolutely not. I am sorry if I gave that impression.

Roseanna Cunningham: In effect, Scottish Water has a veto on housing development in some areas of the country. It has a veto in areas around places such as Auchterarder and Muthill in my constituency, which can by no means be regarded as being particularly remote. Such vetoes on development will cause increasing difficulties if matters are not resolved in the near future. What is there in the budget and in the various objectives and targets for water that will allow brakes that exist only as a result of water and not as a result of planning considerations to be taken off?

Ross Finnie: I am sorry, but I was trying to explain, in respect of the £1.8 billion—I am talking about capital expenditure rather than revenue—that the capital expenditure allocation was drawn up in good faith on the basis of the water quality review. There is no question but that that allocation understated the amount of development constraint, even on just the anecdotal evidence from rural areas, such as Roseanna Cunningham's constituency and Maureen Macmillan's constituency, and from urban areas. I am not prepared to reach a bit of a fudge here, because it would not be right for me to tell Scottish Water to deal with one or two of the development constraints without bothering about meeting the quality standard. Roseanna Cunningham is not suggesting that, nor is Maureen Macmillan.

Quite some time ago, I asked Scottish Water to undertake the major exercise of going back over all the information that it had in order to assess what improvements—not just those that relate to water quality, but those that relate to access—will arise from the £1.8 billion programme. I asked Scottish Water to identify developments, both urban and rural, where there will be a need for new infrastructure that is not simply related to raising the water quality and to come back to its board and to the Parliament and the shareholder to say where there is a mismatch in the amount that has been provided, what it thinks that it would be realistic for the Executive to provide, what the developer should contribute and how the problem is to be solved. I am not being complacent—we asked Scottish Water to undertake that exercise quite some time ago, because it is clear that the problem's shape and character are quite different from what they were even a couple of years ago.

The Convener: Do you have a time scale for completion of that work?

Ross Finnie: I am expecting Scottish Water to come back to me before the end of the year, which is getting quite close.

The Convener: We will keep an active eye on that. Karen Gillon has a question on the same topic.

Karen Gillon: Communities will find it quite bizarre that Scottish Water is in the position that it is, and that we have allowed this to happen. There are areas of Scotland that are constantly being flooded because of problems with the sewer network—there is one such area in my constituency—even though capital expenditure funding is available. People do not understand why that money was handed back last year and why it seems to have been lost from this year's budget.

Ross Finnie: No capital expenditure has been lost, or cut from the budget. We are talking about revenue figures, not capital figures. There have been deferrals—there was quite a hiatus earlier in the year, which to some extent was welcome.

The committee might recall that the water industry commissioner for Scotland was highly critical of the inadequacy of the systems of North of Scotland Water Authority, West of Scotland Water and East of Scotland Water, both in relation to the management of their capital assets and their capital procurement programmes. When we established Scottish Water, we insisted that it took steps to remedy those faults in capital management and capital procurement. It is not surprising that the board, particularly its non-executive members, took the view that it would not assign contracts for new capital expenditure until it was satisfied that those requirements had been met.

Any overrun of that expenditure is not being lost; we are still committed to ensuring that the £1.8 billion of our capital commitment will be spent on capital infrastructure.

The Convener: I think that we have finished all our questions on water. It was important to go through that, given the difference in the budget. Eleanor Scott will move us on to another topic.

Eleanor Scott: I have a quick question on objective 4, which mentions tackling climate change. Neither of the targets under objective 4 refers directly to tackling climate change, nor is there any mention of any activity relating to that in the Environment and Rural Affairs Department's budget. That is perhaps inevitable, because any actions to tackle climate change would probably fall on other departments. However, as it is an objective under environment and rural development, I wonder whether the minister could outline briefly the arrangements that are in place to monitor the situation.

Ross Finnie: You have partly put your finger on the reason for that target's being listed where it is. If I had not mentioned it, it might have slipped off the page for the whole Executive. I was anxious for that not to happen.

From your question, I infer that you are looking for proactive steps towards reducing climate change. I regret to say that my budget is more reactive. For example, we have introduced flood prevention measures so that 2,000 properties will have their risk of flooding reduced to below 1 per cent by 2006. My budget is more defensive than offensive, but I appreciate your point.

Eleanor Scott: I was not really referring to what your department should be doing, but to how your department is using its targets to keep an eye on what other departments are doing. If your department is not doing that, whose department is?

Ross Finnie: We have that responsibility. We take an overarching view and we are trying to get out of the various departmental silos through the Cabinet sub-committee on sustainable Scotland, which reconvenes next week. If the transport department is doing something to cut down emissions, or if it is doing something internal to the department, the responsibility for monitoring that rests with my department. We monitor and co-ordinate and we try to ensure that the wider cabinet buys into taking action through the Cabinet sub-committee.

The Convener: That is a useful answer. When reading the objectives in the environment section of the budget I was struck that it talks about tackling climate change and that your two targets are about mitigating the impact of climate change. If the committee wanted to follow the objective of tackling climate change as set out in the budget, it would be useful if we could have a note on how the rest of the Executive will be implementing that through the budget.

Ross Finnie: We will provide that.

Alex Johnstone (North East Scotland) (Con): Minister, as you pointed out, one of the ironies about your department's spending is the huge lumps of money that come in and go out, but you have very little control over what happens with EU money and its distribution. In the rural development budget, the spending plans for the next three years indicate a substantial rise from £135 million to £162.78 million. Most of the schemes that show significant increases are schemes that are partly funded through modulation. Are the projections, particularly for the latter part of that three-year period, dependent on current or adjusted rates of modulation?

Ross Finnie: Those are current rates of modulation. We anticipate only the increase from 3.5 per cent to 4.5 per cent that is already provided within the national modulation scheme, which of course attracts match funding.

Alex Johnstone: You and I know that there are political difficulties over promoting modulation in

Scotland. Until now we have had the same rate of modulation in Scotland as in the rest of the United Kingdom. Do the changes proposed in the mid-term review give us the opportunity to have a different rate in Scotland from that which exists in other parts of the UK?

Ross Finnie: Yes they do.

Alex Johnstone: Given our priorities, is it your view that modulation will have to be considered as one of the prime targets for change in the management of your budget in order to ensure that we continue to take full advantage of the matched funding that is available?

Ross Finnie: As members know, we start from a little bit of a disadvantage, in that the allocation in 2000 of pillar 2 rural development moneys to the UK and thus to Scotland—and to all other member states that, like Scotland, had not warmly embraced a wider agri-environment and rural development agenda—was rather perverse. The EU allocated moneys across Europe to those who had been more successful and not to those who needed a little bit of encouragement. The net effect of that was that we ended up with something like a 3.5 per cent share of those funds, but if you calculate it in terms of land mass, biodiversity and the other things that ought to be encouraged, our share really ought to be somewhere near 8.5 per cent.

The amount of money available to us is therefore constrained. The only mechanism that is currently open to us for transferring moneys from pillar 1 to pillar 2 is modulation. Our current consultation on the CAP review entails a strong requirement on consultees, among whom are a range of people, from the environmentalists to the consumer at the end of the food chain, to address the issues and come forward with views. There are opportunities to supplement the compulsory modulation that will now be required. As Alex Johnstone has pointed out, a rate of up to 10 per cent of national modulation would, under the present arrangements, attract match funding. There are opportunities to suck more funding into rural development.

On the other hand, we must recognise that that will modulate funds away from individual farmers currently in receipt of support. There are swings and roundabouts there, but it is my view that we need to spend more on rural development, and that the only serious way of doing that is to transfer more from pillar 1 to pillar 2.

12:00

Alex Johnstone: Should the Scottish Executive, for whatever reason, choose not to modulate to the same extent as is the case south of the border, will that mean that we lose out on match funding

that, in theory, has already been allocated in terms of expenditure by the UK Government?

Ross Finnie: That would be the case. If we postulate along the lines that Alex Johnstone is suggesting, then, for every 0.5 per cent that we are below the English rate, we would sacrifice that amount of match funding.

The Convener: So there is a positive opportunity for us to identify priorities and objectives that run through the budget.

Ross Finnie: Yes, there is.

The Convener: I draw the committee's attention to table 9.07 in the draft budget document.

Ross Finnie: The trick is to pursue an agenda whereby we get a better buy-in. We have been trying hard over the past two or three years to explain that things that are good for the environment can be, and are, good for farming too. That argument has to be won. The single point of resistance to the change comes from farmers who perhaps do not quite see the argument. We have quite a bit of work to do in making the argument that plans and proposals that fall within rural development regulations are good for both the environment and agriculture. If that argument can be won, then there is likely to be less resistance to having what farmers regard as their support modulated into pillar 2 for a wider purpose.

The Convener: I note that a submission has been made to the EU to spend on two new schemes that you wish to develop. I am looking at table 9.07, which is headed "Categories of spending (level 3)", and especially at the figures for "Organic Aid Scheme" and "Rural Stewardship Scheme". I understand that the rural stewardship figure for 2005-06 covers the total funds that will be available should that EU support be obtained.

Ross Finnie: It is rather awkward: we cannot drop that figure off the page, as we have been provisionally allocated those funds. If we did not show them, someone might think that either Mr Dalgetty or I had been up to something—but no one would draw that conclusion, would they? We have to show that money somewhere—we are required under the budget process to show every figure. We have a provisional allocation from the Treasury, which would allow us to match fund, and the £20 million or so extra for the rural stewardship scheme in 2005-06 represents that provision. I hope that our note makes it clear that those funds are entirely conditional upon our setting a level of modulation that would attract that level of funding. Having set that level of modulation, we would have access to those funds. I reiterate that they have been provisionally allocated to us.

The Convener: I think that we understand that. The question is more why all the funds are going

into the rural stewardship scheme.

Ross Finnie: They are not. It did not seem to be sensible to show 12 categories of potential spend when I did not know whether I was going to have the money. Purely for convenience, we showed that allocation under a single figure. How the money will be spent will depend largely on the outcome of the CAP consultation process. If between now and 2005 we reach consensus about the combined rate of compulsory modulation and national modulation, and we can calculate more precisely what will be available under that heading, we will produce more detailed proposals about which of the prescriptions in the rural development regulation we wish to apply in Scotland.

The Convener: Are notional figures not available for each scheme that has been submitted for approval?

Ross Finnie: No, because the rural development regulation is being extended, so 24 prescriptions will become available to us as a consequence of CAP reform. Many people have advanced arguments for different avenues of spending.

David Dalgetty (Scottish Executive Finance and Central Services Department): I suspect that the convener is reaching for a point that is slightly different from the question about what may or may not happen with the £22 million that is parked in the rural stewardship scheme line for 2005-06, which is the 10 per cent modulation ring-fenced number. That point may be about a separate bit of parking that appears in the numbers for the countryside premium scheme, for which we are maintaining a line of spending of up to nearly £10 million in 2005-06. The countryside premium scheme is short-lived and will be replaced by the rural stewardship scheme.

We have made proposals to the Commission on which we hope to have clearance later this year. The proposals concern changes to the agri-environment and organic aid aspects of the rural development plan for Scotland to reflect the organic aid action plan. We propose to reallocate some of the spare countryside premium scheme money to the rural stewardship scheme and the organic aid scheme. That is a slightly different issue, but it creates another uncertainty about the numbers.

The Convener: I am trying to tease out what resources we seek from the EU in the approval for those schemes.

David Dalgetty: The answer depends on the discussions with the European Commission. We will make precise proposals when we present the budget for 2004-05 to the Parliament in January next year, but we expect organic aid spending to

rise to about £8 million or £9 million a year and we expect the rural stewardship scheme baseline to rise to much the same level.

The Convener: That is the ballpark figure that we are after and that is helpful. Roseanna Cunningham has a question on the issue.

Roseanna Cunningham: I am trying to formulate my question. I will return to some of your comments about the need to persuade farmers that the environmental improvements that you want will be to their benefit in the longer term. I am curious about the budget figures as they apply to farmers' ability to get their product to the marketplace in a way that makes them feel that all the extra standards with which they comply now and might have to comply in the future, and which cost them money, will give them an adequate return.

I am particularly curious about all the schemes. Where is the money in the budget to maximise labelling and marketing? I hear often from farmers that those are a big problem when they put a product on the market in competition with imported products that do not necessarily comply with the same environmental or welfare standards. It is not easy for me to see from the budget set-up where that money is allocated and how one can assess whether it is effective.

Ross Finnie: Such money is not specified. A distinction is made with what we call the market support mechanism, which is where the vast majority of pillar 1 funding goes. The £600 million or £700 million that my department disburses to the agricultural community is market support. That substantial support is intended to assist agricultural producers in meeting conditions, whether for cereals or for the livestock sector. Over the years, that has become distilled into the idea that if someone grows X amount of barley or wheat, they receive X amount of support, or if they have X number of animals, they receive X amount of support. There is a slight reluctance to change that perception and recognise that the funding is not just for that purpose—it is meant to support all elements. As a result, table 9.07 represents pillar 2 funding. Given that 70 to 80 per cent of Scotland's landscape is given over to agriculture, it is clear that our farming community already has a very heavy responsibility that, by and large, it discharges effectively. However, because of various practices, commercial pressures and a whole range of other matters, we have lost habitats and species.

That said, although the measures in question are designed to improve the quality of the habitat, they can also hugely improve outturns for our farmers. For example, we are doing a lot with livestock and are restoring field margins next to rivers, which means that any fertiliser that is

applied does not simply run off into adjacent water. We have also introduced codes of practice that prevent farmers from spreading slurry in the middle of the rainy season. As a result, farmers get the benefits of that nutrition while ensuring that it does not run off into our rivers and lochs and cause nitrate or phosphate pollution. We must strike a balance between maintaining and enhancing the environment and improving the agricultural product. However, to answer your question directly, I should point out that the vast amount of agricultural support is intended to meet the additional costs of meeting higher standards.

Roseanna Cunningham: That does not deal with the problem of an end product going on to a shelf to compete with another product from elsewhere that does not necessarily have to comply with the same standards and is often marketed at a much lower price. Many complaints that I receive are about labelling and similar issues. Does any element in the budget tackle that end of things? I understand your comments about providing support because of the introduction of certain standards and all the rest of it.

Ross Finnie: We do not do a huge amount of that kind of work. We try to assist small schemes; after all, we are talking about a commercial enterprise. We have to make it sing. I think that we spend about £1 million on market development—

Roseanna Cunningham: Where can we find that in the budget?

Ross Finnie: About two thirds of the way down table 9.07. We try to disburse that money in the form of very small marketing and processing grants and try to match funds to assist people who are putting up money to improve marketing. Further up the chain, we combine with Scottish Enterprise to ensure that we give the whole food processing industry as much support as we can.

Roseanna Cunningham: Is the lowlands marketing scheme a similar thing?

Ross Finnie: Yes.

David Dalgetty: The Highlands and Islands marketing scheme that is mentioned at the foot of page 159 of the draft budget and the lowlands marketing scheme that is mentioned on page 160 are essentially the same thing. They perform the function that the minister outlined—they address processing activities that come further down stream and assist with the improved marketing of primary products.

Roseanna Cunningham: So the three areas that we have been discussing relate to assistance at that end of things.

David Dalgetty: In that context, we should not forget support for the Scottish Agricultural Organisation Society, in which producer organisations encourage Scottish producers.

Roseanna Cunningham: That is helpful.

The Convener: We have a number of questions about land management contracts and some points about indicators and targets. I think that Rob Gibson was going to pick up those questions.

Mr Gibson: No. I was going to ask about the organic aid element of the budget.

The Convener: Okay. We will take that topic first then move on to the other issues.

Mr Gibson: Organic farming should be supported. After all, we are talking about an important part of a large market that has great potential for people to get into. However, good factual evidence shows that, compared with Scotland, countries such as Finland provide greater support for the transition phase. Given that there should be more flexibility with modulation, are you going to increase the level of support for the move to organic farming?

Ross Finnie: I have just increased the level of support.

Mr Gibson: But to the extent that other countries have increased support?

Ross Finnie: That is where we must be careful about making international comparisons. A number of bodies have said to me, "X spends almost twice as much as you do on this or that". I tried to put this matter into its proper perspective in my opening remarks. In this country, we start with a rate of modulation of 3.5 per cent, even though one would expect any calculation that took into account land mass, habitat and so on to give a rate of 8.5 per cent.

That is the starting point. If I had twice as much available for pillar 2 I could be much more generous under almost every heading, including organic farming. I have made it clear that I have an organic action programme, which we intend to deliver. I cannot anticipate for which heading I will increase funding, because I have first to establish what the rate of modulation will be and therefore what funds will be available to me. Once I have established that, I can establish what to do about the priorities. Given that I have set an organic target, I have to meet it. I have a plan for meeting it and that requires funding. I would welcome more resource, but I have to await the outcome of the consultation, because there are so many huge changes, such as moving to compulsory modulation. It is evident that in order to fund our existing programmes we will need an element of national modulation. The issue is whether, having accepted that principle, we can drive it forward and make more funds available for pillar 2 and for more agri-environment measures such as organic aid.

12:15

Mr Gibson: Will we come back to that?

The Convener: I think that we will.

Maureen Macmillan: I want to ask about targets, but members might want to talk about land management contracts first.

The Convener: We were interested in the fact that you intend to introduce a scheme for land management contracts by summer 2004. What resources will go into that and how extensive do you expect the application of land management contracts to be through the budget period?

Ross Finnie: The related documentation that I have issued in the context of the CAP review shows that we are back in the same trap. To make land management contracts sing—if that is not to mix my metaphors—we need more resources. It is evident to anyone who reads the budget that a vast proportion of the amounts in pillar 2 support are taken up with less favoured area support. We all recognise that there is not a great deal of flexibility in what we can do with that amount. If we are going to have a land management contract, which might try to combine a number of schemes and introduce a more holistic all-farm approach—there is wide support for such a move—it would be enormously helpful if it had additional resources.

One of the elements that we point to in our consultation paper, for the wide sector to which I have referred, is that one of the benefits of agreement to a higher rate of modulation is that it would enhance and make easier the earlier introduction of a land management contract. That would address a number of the issues that have been identified in the forward strategy for agriculture.

Alex Johnstone: The notion is being put forward in certain quarters that the appetite for modulation of funds might be greater among the farming community if farmers believed that there was a reasonable chance that the same money would be available to the same people, but for doing different things. Through adequate funding of the steps that are necessary to introduce farm management contracts, is there potential within the budget to make that possible?

Ross Finnie: That raises a fundamental issue, which the committee and I, and probably others, have to debate. If we take a small percentage of funding from current subsidy and spread it equally, or not equally, so that each person gets a proportion back—they get back that which we have already taken away—there is a clear argument that we will not make much difference. We will not really effect a serious improvement in an agri-environment sense. Some argue that we should not consider redistribution over a single

year but that we should have a programme over five or even 10 years. The number of farmers who receive those funds over that period would be much greater and given that there are clear and focused objectives, we would achieve a substantial improvement to the environment.

The other argument—which is the one that Don Curry's report on English agriculture suggested—is for a model that is more like the one that Alex Johnstone suggests, whereby there is a single entry point and a broad and shallow approach taken. I am not sure that, in disbursing public funds, a broad and shallow approach, in which there is little control over what the end objective might be, would really make the difference. However, there is quite an important argument to be had about that. I favour taking a slightly longer-term view and trying to pitch for making substantial improvements to the environment, the habitat and the whole general fabric of our countryside. That is the kind of view that we currently take.

This year, we have radically increased the number of persons who can benefit. If we get more funding—even to a modest level—we will continue to allow more people to benefit from the scheme. Over five to 10 years, that will become significant.

The Convener: Let us wind up the discussion on land management contracts. Do you think that the land management contract system will supersede the pillar 2 schemes that operate at present? How do the land management contracts potentially relate to the budget lines that we are looking at today?

Ross Finnie: We will have to stick to those lines—that is the constraint. There is no magic extra funding coming from Europe or anywhere else.

If we decide to re-badge our pillar 2 expenditure and to distribute it in the distribution mechanism largely by using a land management contract, we can achieve the benefit of moving—the sooner we do this, the better—to a whole-farm concept and a more holistic view of getting agricultural and agri-environment elements much more tied in. We are talking about land management; therefore, the land management contract system has a better feel to it. We are also talking about simplifying some of the prescriptions. The land management contract system also perhaps allows more choice. It may be that, within the individual land management contracts for different farms, we might be able to permit different prescriptions from rural development regulation to apply to different farms.

There are, therefore, great benefits in our using the land management contract system, but it would be misleading to suggest that, other than an

additional transfer of modulated funds, we are talking about different budget lines than those that the committee has here. There is no magic—there is no tree growing called “the land management-funded tree”. I wish that there was.

The Convener: Okay. Maureen Macmillan wants to ask about indicators and targets.

Maureen Macmillan: I want to ask about reducing the opportunity gap. To me, that means dealing with rural poverty. Objective 6 in the summary document is to

“Reduce the opportunity gap by promoting economic development, social justice, better service delivery and sustainable development in rural communities in Scotland.”

Target 9 in the same document is to

“Encourage more sustainable agricultural activity on 13,500 farm businesses in Scotland's remote hills by 2006.”

I want to find out what that means. Is that LFA support? Is it for just remote hills, or does it cover fairly flat islands as well?

Ross Finnie: I agree that the geographic descriptions are rather loose.

Maureen Macmillan: I want to tease out whether those 13,500 businesses are just hill farms. Some of those businesses do not have the lowest farm incomes—some of those farmers may be pretty well off. I feel that there is sleight of hand going on. Perhaps you can explain.

Ross Finnie: No. There is no question of our over-compensating those who are well off—that is not part of the deal.

Objective 6 is a general objective throughout my department. We have had to work very hard across all the portfolios. As members will know, it is difficult to identify deprivation in rural areas because it is not susceptible to the measurement techniques for identifying deprivation in conurbations. That is partly because of the dispersal of rural deprivation and partly because of its incidence and nature. Indicators from some deprivation indices have proved to be inappropriate for rural areas. For example, some urban deprivation indices use car ownership to indicate non-deprivation. However, more people go into debt in rural areas to acquire a car because it is their only means of transport, so car ownership is an inappropriate measure of deprivation in rural areas.

As members will know, we have developed and published a new series of measurement indicators for deprivation in rural areas and we are beginning to embed them across Executive portfolios. The new indicators form part of our assessment of the degree and extent of rural deprivation, which allows us to have a more focused view of health, education and other delivery mechanisms

because we now have a much better evidence base. The measurements are not perfect yet, because it is difficult to do them systematically.

The new indicators have exposed serious weaknesses in the way in which we have measured rural deprivation, which will not surprise MSPs such as Maureen Macmillan and Alasdair Morrison, who see rural deprivation in their areas and have probably often wondered why no one was picking it up. We have not cracked the problem, but I believe that we are making substantial progress.

My job is to ensure that the new deprivation measurement that the Environment and Rural Affairs Department has developed is embedded across the Executive. We are using our resources to drive that forward. As members will know, we have engaged with the Scottish national rural partnership at community level to assist in increasing access to services. We use the rural transport fund to support community transport schemes that increase access to transport, which is important in closing the opportunity gap. However, we do not use the fund to deal with major transport issues, because that is the Enterprise, Transport and Lifelong Learning Department's job. We are responsible for ensuring that the range of programmes across Executive portfolios that tackle the opportunity gap are applied equitably in rural areas.

Maureen Macmillan: What are the 13,500 businesses in target 9?

Ross Finnie: I can assure you that they do not include the businesses that you seem to be worried about, which are hill farmers in remote parts of the north of Scotland who are certainly not short of a bob or two. I have notes on the 13,500 businesses, but it would be better—again—if I wrote to the convener with that information. I am happy to do that in order to set out more clearly what the businesses are.

Maureen Macmillan: Will you also indicate how success in achieving the target will be measured?

Ross Finnie: Yes.

The Convener: I am keen for the minister to follow up on that offer. The committee is keen to follow the process through from an objective to a target and then to outcomes.

Ross Finnie: I am happy to do that.

Karen Gillon: I would like you to talk to me more about closing the opportunity gap and how that will affect people who are not farmers in a constituency such as mine. How will your department help them? What targets will you use? What are you doing within your remit to close the opportunity gap specifically for people in rural communities who are not involved in agriculture?

Ross Finnie: We decided at the outset not to try to assemble a massive rural development department by taking people from, for example, the health, education or community departments because that would dissipate the Executive's knowledge and skill bases.

My role, in terms of the non-agricultural part of the process, involves visiting other departments and ministers to ensure that the delivery of any given programme is relevant in a rural setting. That is to do with examining the way in which the other ministers handle their budgets and ensuring that they are aware that I have officials who are also taking an interest in how programmes are delivered in rural areas. To some extent, we get the benefit of not duplicating work.

One problem is that a number of the programmes are still fashioned in the way that they have been fashioned for the past 10 years and insufficient regard has been paid to the need for the delivery mechanism of the programmes—not their objectives—to be fine tuned for constituencies such as Karen Gillon's, which is not particularly agricultural.

My spending budget is largely to do with agriculture, fishing and forestry, but we have a co-ordinating role in trying to impress upon other departments the need to fashion programmes in a way that allows them to be more effectively delivered in rural communities.

12:30

Karen Gillon: In relation to target 10, do you have any idea what those three or four joint initiatives a year with other Executive departments and agencies might be?

Ross Finnie: Those initiatives are part of the budget discussion. Some of those issues will become more finalised by reference to the matter that Maureen Macmillan raised, which is to do with coming to a clearer view about the ramifications of getting the indices for rural deprivation more clearly identified. Getting a better handle on that will allow us to work more closely with other departments, particularly with Margaret Curran and the Development Department.

As we did two years ago, we have examined rural housing provision. I have had many discussions with Margaret Curran on that issue. There are many problems that have to be addressed in that regard, so I would not be surprised if that came up in relation to the initiatives.

We have kept a close eye on developments in the Education Department because there have been changes in the views of educationists about how people in remote areas should be educated,

and there are countervailing views about the minimum class size that is desirable for educational purposes. We have to balance that against the concern in my department about the need to maintain community fabrics that are dependent on those schools.

We have made quite a bit of difference in relation to health policy. The remote and rural areas resource initiative—RARARI—that is based in Inverness is starting to make some serious differences to the delivery of services in rural areas throughout Scotland.

We will refine the way in which we collaborate on such projects as we go through the budget process.

Karen Gillon: When will you have a finalised—

Ross Finnie: As we approach January.

David Dalgetty: The additional provision is being made for the first time in 2004-05. By the time that ministers propose the budget for next year, we should have a clearer view that will focus on particular priorities for action using the new resources.

Karen Gillon: Can we return to this issue at that point?

Ross Finnie: Yes.

Eleanor Scott: From reading the text relating to target 10, I understood that the 18 new rural development projects each year would be to do with service provision. However, objective 6 talks about promoting economic development. Is there funding for creation of jobs in rural areas as well as for service delivery?

Ross Finnie: Target 10 is to do with provision of services. I am bound to say that the prospect of people taking part in the general economic programmes is greatly improved if they have greater access to services. All of the survey work that we did leading up to the report on the inadequacies of service provision showed that lack of access to services acted as an impediment to economic progress and an incentive to migration from rural areas. There is a clear linkage between our trying to do something to redress the balance of access to provision and the opportunity for that to assist in economic regeneration.

Eleanor Scott: Within that, is there a possibility of doing some economic regeneration? Roseanna Cunningham mentioned facilities for marketing and production, and it will not surprise you to hear that we consider rural slaughterhouses to be an example of such facilities.

Ross Finnie: We must remember two things. First, Roseanna Cunningham was also talking about costs. It is quite difficult to say that we are just going to get rid of some of the costs related to

slaughterhouses, because we have raised the health standards in our slaughterhouses quite dramatically and the meat hygiene service has a key role to play in that. There are therefore economic considerations as to the points at which slaughterhouses are and are not viable. I understand the argument in terms of having access to a slaughterhouse, but in terms of creating a business for processing red meat, a commercial business must be able to function on its own. There must be sufficient volume and throughput, which is one of the slight problems that we have in remoter areas where volumes are not very high. For commercial enterprises, we must also be careful that the level of compensation does not get us into the trap of state aid support.

Mr Gibson: My question is about target 14 and your objective to progress the forward strategy for agriculture. Target 14 suggests that we will make use of newly enhanced flexibilities under the CAP to make Scottish agriculture more competitive and sustainable. If you cannot give us a short answer, will you write to us and tell us how you will measure competitiveness and sustainability with regard to that target?

The Convener: Can we regard that as a matter that has been flagged up? I suspect that it would take the minister quite a while to answer that question, because we would all want to ask follow-up questions. It is a matter that the committee is keen to address in terms of the environmental and social targets that cut across the Executive's work. Perhaps we can leave that question on the table and ask our clerks to talk to your officials to explore that.

Ross Finnie: With respect, I suspect that there are two issues there with regard to some of the targets and objectives. Unless I misunderstood the question, I think that it raises the separate issues of discussing flexibilities within the CAP and the CAP reform. I know that you have a busy schedule but, given that we have just launched the consultation, we may have to devote a little longer than five or 10 minutes to that issue. However, I am happy to take up your suggestion that the clerks should explore the extension of the targets, and the other targets that exist, but the CAP issue is one that is now subject to a three-month consultation, so there is therefore the opportunity to explore and tease out some of the issues.

The Convener: I am conscious of the fact that we still have the waste inquiry to deal with today.

Ross Finnie: Indeed.

The Convener: Karen Gillon has flagged up a final question. I shall let her ask it and judge whether or not you can answer it swiftly, minister.

Karen Gillon: What are you doing with your end-year flexibility money?

Ross Finnie: That will be announced when all the end-year flexibility figures are announced in the first week of November.

Karen Gillon: In what direction are you generally leaning? What are your policy priorities for the next six months?

Ross Finnie: I am tempted to answer that, but I know that the convener is anxious to move on to the national waste inquiry.

The Convener: That session was helpful. We have ploughed through the vast majority of issues that we wanted to discuss. Thank you, minister.

12:39

Meeting suspended.

12:42

On resuming—

The Convener: Before we discuss the national waste plan, I seek members' agreement to discuss our draft budget report in private at our next meeting or as often as we need to meet until we have finalised the report. If members agree to that now, we can timetable our next meeting more effectively, without having to ask the public to come in and go out. Is that agreed?

Members indicated agreement.

National Waste Plan Inquiry

12:43

The Convener: The final agenda item is the national waste plan inquiry. This is the last of four evidence-taking sessions for the inquiry, and the key objective of this session is to raise with the minister issues that have come to our attention during our scrutiny of written and oral evidence in the inquiry.

I welcome the Minister for Environment and Rural Development, Ross Finnie, and Executive officials Simon Stockwell, Kevin Philpott and David Rogers. I invite the minister to say a few words and I encourage him to keep to the five-minute time limit, so that we have time for a good exchange of ideas.

Ross Finnie: Thank you, convener. You kindly passed on that injunction to me last night, and with consistency you have repeated it this morning.

As members are well aware, the national waste plan and the area waste plans were created as the result of a partnership between the Executive, the local authorities, SEPA, the private sector and the community and voluntary sectors. We are aware that a number of the bodies involved had different objectives at the outset. However, we all want waste to be reduced, reused and recycled and, in the end, all the bodies came together positively to produce the area waste plans and the national waste plan. We value the high degree of buy-in that we achieved in that process.

12:45

The focus now is on implementation. We have committed substantial resources, principally through the strategic waste fund. So far, we have awarded £70 million to 14 of the 32 local authorities. We are analysing other bids and we expect bids from four local authorities to arrive shortly. From our analysis of the bids so far, we estimate that we have commitments that will meet some 90 per cent of the tonnage required to meet our short-term target of composting or recycling 25 per cent of municipal solid waste by 2006. We will not be complacent about those commitments, but we are making good progress. The roll-out of the strategic waste fund will involve considerable dialogue between us and the local authorities.

I have read the *Official Reports* of the committee's previous meetings with interest, noting the discussions of the targets—in particular, the 25 per cent target. I agree that that is a challenging target; we started from a base of 7 per cent. However, Scottish Environment LINK has said that other countries have already managed to achieve such a target. From consideration of

where we have got to, and of the roll-out of funds, we still regard 25 per cent as a realistic target. By setting targets and committing ring-fenced money, we are ensuring that the rhetoric is matched with funding. We are collaborating with those who supply the infrastructure.

A change of attitude among the public is required. We must make far more members of the public aware that we think of waste as a potential resource. Energy efficiency, water conservation and sustainable development are important, but the concepts of reduce, reuse and recycle are slightly alien to our culture because of the way in which municipal waste has been dealt with in the past.

I pay particular tribute to the way in which the community and voluntary sectors have led in these matters. They continue to play an important role. Many bodies in those sectors have been concerned about their funding since the United Kingdom Government announced changes to the landfill tax credit scheme. The committee may be interested to know that I am announcing today continued funding for community waste projects. That funding will be £2.5 million in 2004-05 and a further £2.5 million in 2005-06. I hope that that will reassure the community sector of the Scottish Executive's commitment to its continuing role. Following the changes that were announced, the interim scheme built on the work of the community sector. I hope that the new funding will reinforce the community element.

We are conscious of the work of the Scottish waste awareness group, which has thought carefully about how to increase public awareness. Last week, SWAG outlined to the committee how it works in partnership with local authorities and the community sector so that advertising campaigns on recycling go ahead at the same time as the infrastructure. That harmonisation is very important. Public awareness should be increased at the same time as the physical infrastructure is put in place.

The market for recycled products is a key issue. There is not much point in producing more recycled material if there is no market for it. We fund the Waste and Resources Action Programme and Remade Scotland. They are both doing good work in developing markets and the enterprise networks are increasingly supportive. Our analysis suggests that there are existing markets and good potential for future markets in most of the key components of municipal solid waste streams—glass, paper and green waste. Increasingly, local authorities are setting up long-term contracts in those areas. Working together, we can increase the tonnage that is available to the purchasers and give the authorities better bargaining power.

I appreciate that we have been rather focused on trying to change the mindset of the public on

recycling. I would not want the committee or anybody else to think that we have lost sight of the essential need to complete the three legs of the stool; reducing and reusing remain hugely important elements of the strategy. Where we are trying to change attitudes and perceptions, though, we have to be careful not to confuse and dilute the message. We have been very strong in trying to push the recycling message but, as that becomes more embedded, we will want to put much more emphasis on the need to reduce and reuse—not that we have ever lost sight of that. Those are all key components of the strategy.

The evidence that the committee has received seems to be very positive about the existence of the plan, and about the possibilities and prospects for its delivery. There are elements that will require hard work. Given that we start from a 7 per cent recycling base, we cannot be anything other than conscious that there is a lot of hard work to be done to deliver the objectives of the national waste strategy.

The Convener: I echo your comments about the wave of positive enthusiasm towards the objectives that you have set out. However, as you would expect, we also have a number of questions.

Eleanor Scott: You talked about the allocation of funding. Would you agree that there is quite a lot of concern among councils about the fact that it is challenge funding? They have to bid for it, and some of them feel that they might lose out. Can you assure them that the money will be available to implement the area waste plans in each area?

Ross Finnie: I understand that some councils are concerned, but I would be more concerned at the rather slow pace of applications. The money is there and it is allocated; it has the specific purpose of funding the infrastructure that is so desperately needed. In some local authorities, there is almost no infrastructure, save for the wheelie bins, the wheelie-bin collectors, the transfer stations and the large lorries to take the waste to landfill.

The only challenging element for local authorities is that they must be seen to be meeting—or be going to meet—what is set out in the area waste plan. That should not be very challenging. I appreciate that councils are saying that what they do has to be measured, but the key measurement is whether X, Y or Z local authority's application for funding meets, or will help to meet, the targets that were established in the national waste plan.

Eleanor Scott: Just to be clear, if a local authority meets those targets, it will get the funding, even if it has been a bit slow in getting its bid in, for whatever reason.

Ross Finnie: It will be paid. The only people who will be queried are those who, at a rather late stage, seek to change the nature of delivery, or those who are simply not going to meet the requirements of the plan.

The Convener: That is quite helpful clarification. Is there a time scale for the process of approving applications?

Ross Finnie: ASAP. To be honest, we are desperate to get the applications. The longer local authorities take to start off, the more difficult it is to get to the end product. The fact that everybody worked helpfully and collaboratively in putting together the area waste plans can only encourage local authorities to get cracking.

Alex Johnstone: I have tried in the past to get the minister to comment on issues that fall slightly outside his area of responsibility and that of the committee, but something that has been raised time and again during this investigation is the impact of planning decisions on the industry. We have dealt with a couple of petitions on landfill sites, but a number of people who have given evidence have said that the same problems exist in getting planning permission for many of the infrastructure items that are required in order to move on from landfill. The letter to Sarah Boyack from the Scottish Environmental Services Association states:

"Currently, the planning process inhibits rather than facilitates the delivery of greater sustainability. The process is typically beset by delay and, in our experience, is not delivering predictable decisions. In addition, particularly in areas where there are annual elections, decisions are not always taken on the strategic basis needed to provide sustainable waste management infrastructure."

Are the aims of the waste management plan achievable without changes in the planning structure to allow us to make progress at a reasonable pace?

Ross Finnie: The aims are achievable, but we must all take a number of important steps. There are two separate issues with landfill. First, there are particular problems. Seeing Karen reminds me of the problem in her constituency of a concentration—

Karen Gillon: I think that you mean Karen Whitefield.

Ross Finnie: My apologies. A concentration of landfill sites raises immediate problems—it is difficult for the local population and planning officers not to want to change the situation dramatically. However, when we address new landfill site applications in the context of the national plan, we must take a wider view. We must consider the issue of reducing the amount of waste that goes to landfill, but we must also consider the radical changes that have taken

place in the way in which landfill sites are managed. The new procedures are certainly not evident in sites that were designed some 10 years ago.

Given that an application meets other planning conditions, we must ask whether, for a local authority area as a whole, it is better to reduce the amount of landfill and to facilitate the much improved use and disposal of the waste stream, or to frustrate that and end up with a far worse environmental problem. That is a difficult issue, but politicians who subscribe to or buy into the objectives of the plan, which has been put together by a diverse range of people, must have the courage to stand up to the criticisms about the reduced level of landfill streaming.

A lot of help has been sent out through the planning advice notes, particularly those that were issued in February 2002, which tried to give planning authority officers much greater guidance and advice on integrated waste management and on how to put the criteria that they use into a wider perspective. There is a challenge, but local democracy is local democracy. We should not stop it; instead, we must elevate the debate.

Karen Gillon: I understand your point about the difficulty of decisions on landfill, but the evidence that we took from many industry groups was that they have no intention of moving away from the sites that they use currently to use new developments. One question that must be asked is how we can protect communities that have been ravaged by landfill or in which there are large holes in the ground because unscrupulous opencast operators did not replace what they had taken out. The communities in which such holes exist are the same ones that have landfill sites at present. The minister seems to be saying that those communities should continue to have such problems because of the local geology and because we need landfill, although I will give him the opportunity to say that that is not what he means. That view raises serious problems for me, given that I represent a former mining constituency.

Ross Finnie: I do not suggest that communities must put up with the same problems. The planning regulations and the regulations that cover the registration of such sites and the licensing and registration of operators are sufficient. The powers that are available to local authorities and other bodies are quite wide. We need to come down like a tonne of bricks on those who are clearly causing environmental misery to communities by managing sites inappropriately or by allowing unacceptable practices that fall outwith the licensing regime to continue.

We also have to be careful about what we do on planning grounds. I am not sure that people would

necessarily get away with certain things now. I would be interested to hear about Karen Gillon's example, but the current national planning policy guidelines do not favour the extended use of opencast sites for landfill, even if that was more in favour in the past.

13:00

Kevin Philpott (Scottish Executive Environment and Rural Affairs Department):

Under the new landfill regulations, it will not matter so much whether an area used to be full of opencast quarries and the like. The regulations will require fulfilment of environmental conditions such as lining standards and barrier standards for the area between the landfill and the groundwater, for example. You passed new landfill regulations this year, and the fact that somewhere is an existing quarry or landfill site will not have any real impact on the planners. First, the technical conditions in the regulations will have to be met. Among the regulations are requirements to protect human health, which specify the required distance of the site from habitation or other human activities.

Karen Gillon: I understand that. However, when industry representatives were here and were pressed on those issues, they could not come up with alternative approaches. That will remain an issue, not just for the committee but for communities that have experienced problems in this area for several years. Industry representatives are simply saying that holes in the ground exist and should be filled in, because of the geology and so on. You might not be able to deal with this today and this does not entirely fall within your remit, minister, but there is an issue for us if landfill is to be pressed ahead with, especially given the fact that the industry gave us no indication that it was considering using more innovative methods for disposing of waste or places other than the sites that have been used in the past.

Ross Finnie: I would not want to comment on the evidence given by industry representatives, as I have not read it in detail, but there is an inherent conflict if the industry is suggesting to the committee that it will carry on as before, ignoring the changes under the regulations that the Parliament has passed.

Karen Gillon: I am not suggesting that that is the case.

Ross Finnie: The industry cannot have it both ways. Its representatives cannot tell the committee that it will carry on as before when the regulations have been fundamentally changed. The industry is required to meet new standards in relation to its ability to deal with the geology of the site in such a way that contamination is not permitted to continue.

I appreciate the fact that there are huge issues of environmental justice surrounding landfill sites. The irony is that, although we cannot eliminate the material going to landfill, the proposals under the new regulations intend to bring about a radical reduction in the amount of that material, which has to be of benefit to communities. Nevertheless, I take what you are saying on board. Your comments are well made and we will keep them in mind.

The Convener: On both Alex Johnstone's and Karen Gillon's questions, I would say, having read through the submissions, that there is an issue from both sides. There is an issue on the local authority side about the time that is taken to get facilities set up on the ground once the industry has come to a decision and has applied for money from the strategic waste fund. That applies not only to landfill facilities but to new recycling facilities and other infrastructure, and concerns the proximity principle. Those issues have come through during our last three evidence-taking sessions.

Mr Gibson: I am concerned about how we can improve the national waste strategy in people's minds by referring to ways in which work can be created out of waste. We have had evidence from a number of sources, such as Highlands and Islands Enterprise and the Scottish Enterprise network, which seems to be a good deal less than proactive. A problem is raised by the fact that the Scottish Enterprise network's submission states:

"Municipal waste *per se* is not a priority for the Network however, our activities will help to reduce business waste, encourage reuse and recycling, and help to identify and support new business opportunities that contribute to the aims of the NWP."

We have a responsibility to try to make people see that recycling can lead to a better, more developed economy. I have examples from the Highlands, where people have exploited cars, household goods, tyres and wood waste more through their own efforts than through the proactive efforts of the enterprise network. Will you comment on the potential in that area, given that we are trying to improve the take-up and the effectiveness of the programme?

Ross Finnie: I am disappointed by the tone and tenor of those responses, because Scottish Enterprise and Highlands and Islands Enterprise were both part of the steering group that developed the national waste strategy. Although I admit that a large part of the group's initial sessions was all about implementing the plan on the ground, we devoted a number of sessions to the opportunities that would present themselves. It was recognised that, by increasing the amount of recycled and compost material, we would create market and job opportunities. We had specific

sessions that were directed at, and involved contributions from, the enterprise network, the Confederation of British Industry and others.

I share Rob Gibson's slight disappointment that, in spite of the huge opportunities to use such resources, no one seems to be grasping the nettle. I am genuinely surprised that there seems to be a reluctance to accept those opportunities; the figures show that other European countries are way ahead of us in their use of that material. As I said in my opening remarks, it might be a question of trying to change the mindset, so that people think about recycling a resource, rather than a pile of waste. I think that we agree that there is an attitude problem and that we have some work to do.

As the committee knows, the Enterprise, Transport and Lifelong Learning Department—is opposed to the enterprise network—is seeking to get some dialogue going on green jobs. The Environment and Rural Affairs Department will input into that process. Our intention will be to elevate the significance of the amount of resource that will become available through the national waste plan and the job opportunities that the development of that plan will provide. I hope that we will not get a negative response from the enterprise network or from the private sector as a whole to what I think is a huge job opportunity.

Mr Gibson: We will take that further forward in the future.

The Convener: That is definitely an issue that has come up before. You talked about the new job creation that comes from recycling and reuse. In our evidence session last week, we discussed making companies that do not deal with green issues more viable and more competitive by taking on board some of the challenges to do with how they use waste and how they could avoid creating more of it. That issue has been raised in quite a few of the submissions.

We will move on to a different area.

Eleanor Scott: I have a quickie on targets. The way in which the national waste plan is written and the targets that local authorities have been given seem to have led to some strange distortions. For example, in some areas, the composting target has led councils to institute rural collections of green waste, which they were not doing before. As a result, their waste arisings have risen, because the composting target is easy to meet. They take away green waste for central composting. In a rural environment, it is clear that home composting or community composting are better environmental options. That situation has resulted from those councils working towards a percentage target for composting. Would anyone like to comment on that? In retrospect, could the targets have been phrased slightly differently?

Ross Finnie: Having the benefit of hindsight is wonderful—I wish that we could have it when we write plans. It would be jolly good if someone invented a system whereby I could have the benefit of hindsight when I finalise plans.

We are a bit surprised by some developments. I am always concerned that such things will become long-term features and that we will distort the essential provision of home composting and the use of materials and arisings. We must make refinements, but that does not detract from the essential thrust of what we seek to do. Some authorities might not be doing things properly, but their belief that they can be part of a composting programme is quite an advance. Matters should be put into perspective. Previously, one would have had to explain what composting was to some authorities, but the fact that they are now engaging with us must be regarded as success to some extent. However, it is clear that there must be refinements. We must not introduce factors that are unintended consequences of the plan, but that is a matter of refinement rather than of attacking the central thrust of making people much more aware that resources ought to be better used.

The Convener: That is helpful. The issue arose in quite a few submissions.

I want to stick with targets. Waste reduction is another issue that has arisen in submissions. It has been said that if more waste continues to be created, segregated and collected, the challenges will become tougher over time, and that we are dealing with a moving target. Submissions have suggested that, when we next consider targets, waste-reduction targets should be a key principle of the approach so that we try to drive down the amount of waste that is created in the first place. What are your views about that suggestion?

Ross Finnie: There was a difficult decision to take. On recycling, biodegradable municipal waste was collected every week by every local authority. We had the worst record by any national or European comparison and therefore it was not difficult to suggest that we could do something dramatically different in that area and try to change mindsets.

I wholly agree with you, convener, but am bound to say that we are talking about a difficult area. There are packaging directives that ought to impose a hidden tax, in effect, on those who generate packaging material. However, from casual observation, I must express huge disappointment about the number of goods that seem to have wholly unnecessary packaging. We must try to get around that.

As I said earlier, much of the thrust of our work has been about getting recycling and the municipal waste stream as a focus of attention, but

we are trying to turn a little more of our resources to the reducing and reusing elements, as they are equally important. It is not a matter of there being genuine differences, but of the utilisation of resources. Packaging is a major issue. There is huge resistance. I do not know what is being absorbed from the business community. Fairly recently, I have had discussions on the matter and the plaintive response—that what is being done is what the consumer wants—did not appeal to me. Big issues are involved. We might have to feed into the analysis at the United Kingdom level about the impact that the packaging directives are having and whether they are biting in the intended way. I suspect that they are not.

David Rogers (Scottish Executive Environment and Rural Affairs Department): I would like to say something about the generic issue of waste production. The national waste plan set a target of reducing growth to zero by 2010, which is quite a long way off; nonetheless, the target recognised that there is a big problem. I should also stress that the assessment of councils' proposals to implement area waste plans does not focus only on recycling. We are considering funding waste-reduction measures such as home composting and education initiatives.

13:15

The Convener: From the representations that we have received, it is certainly our impression that people have focused on recycling rather than on reductions. Perhaps that issue should be highlighted in our report.

Roseanna Cunningham wanted to say something about packaging.

Roseanna Cunningham: At previous meetings, we have had exchanges on the packaging issue. Some witnesses said that trading standards officers had considerable powers but the evidence suggested that those powers were not being used. I appreciate that trading standards officers are probably outwith your direct control, but are you monitoring whether, through the local authorities, they are enforcing measures that would reduce the amount of waste produced?

Simon Stockwell (Scottish Executive Environment and Rural Affairs Department): After the comments that were made in the committee, one of the tasks on our desks is to have a word with the body that looks after trading standards officers in Scotland to see what is happening with enforcement.

The Convener: Reading through papers, I have noted that parts of the Executive have targets for reducing energy use. Would it be appropriate to have resource use targets as well, to concentrate people's minds? I have a practical example of that.

When I came back to my office after the election, somebody had changed the settings on the printers. Instead of automatically printing out on one side of the paper, they now automatically print out on both sides. At a stroke, I have halved the amount of paper that goes through the office. We have to concentrate people's minds on the value of resources and the problems that arise when we do not use them effectively. Is there scope for such ideas to be used in the Executive and in executive agencies and the public sector? In procurement issues, we should try to push industry in the right direction.

Ross Finnie: It was an Executive initiative to change printer settings, and everybody's printer has been changed. However, I had the misfortune, when going down a corridor, of hearing a parliamentary assistant—whom I will not name—shouting at the machine, "Why will this not print page 2?" She had been pressing buttons on her computer assiduously and the printer had kept printing—but on both sides, so she was disappointed not to receive page 2. There can be small technical difficulties with attempts to minimise waste.

Within the Executive, we produce separate reports on our endeavours to reduce energy use, paper use and all such things. We are committed to those reductions. I agree with what you suggest, convener. Questions arise as to what the base standard should be and how things should be measured. We did not set the municipal waste targets until we had done a lot of analysis. We were pressed to set targets quite some time ago, but I was reluctant to do so until we had a better handle on the preparation of the national waste plan, so that we could be more certain about arisings and the infrastructure that would be needed to achieve reductions. When one sets targets, one has to be clear about what one is measuring, how one will measure it, and how one will achieve a successful reduction. I support what you say: that is the direction that we have to take.

The Convener: A few people have spoken about markets. It has been suggested that public organisations should consider their procurement policies and ask whether they could incentivise and create markets. How could the Executive assist in that process?

Ross Finnie: We have policy targets on paper purchasing and other procurement. The issue is whether we can spread our policies to associated bodies.

Simon Stockwell: We have been speaking to the Waste and Resources Action Programme about making certain that the message goes out to other public bodies. I have had discussions with, for example, the local government group within the Executive, to try to ensure that when local

authorities draw up building maintenance contracts, or whatever, they think about laying down certain levels for recycled materials.

We plan to go round the Executive more broadly to speak to bodies that are sponsored by various parts of the Executive to say to them that they should think about recycled products when they procure goods and that they should check with WRAP what standard contract specifications there might be on the use of recycled material.

Alex Johnstone: One of the great buzz phrases of the past few years has been that the polluter should pay. Certain examples from other parts of the world have proven that direct charging for municipal waste disposal can reduce dramatically the amount of waste that is created—although where the waste goes is a different matter. Direct charging also creates a funding stream and a greater public appetite, so to speak, for the whole notion of waste sorting, home composting and other activities. Have you considered the idea of direct charging for municipal waste disposal?

Ross Finnie: Yes, we did so briefly. I am aware that the Scandinavian countries, in particular, use a different approach. They have a bit of a carrot-and-stick approach. I was struck that in their educational programmes, their sense of awareness about environmental matters and their environmental education they were at a very different stage of development to ourselves. Given our appalling record, it did not seem to me that to start taxing people for doing something that they had been doing for the past 50 years would necessarily have the desired effect of changing the way that people think. We gave the option some thought, but to be honest we took the view that we were so far behind that it was not appropriate.

I will concentrate briefly, although I know that it is not the way that the committee wants to go, on the issue of dealing with and recycling municipal waste. We had a hurdle to overcome as the infrastructure had to be replaced. It had been removed—Alex Johnstone might want to ponder which Government removed it, but I will not pursue that point here—on the basis of cost rather than because of environmental considerations.

As we make progress, improve the level of environmental education in our schools and become more environmentally aware, a different approach could perhaps be adopted in the fullness of time. However, the need for us now is to have the strategic waste fund to bring about the sea change in how we deal with the matter. If, as a consequence, people tend to regard their municipal waste not as waste but as a resource, we will make a huge change in the attitudes that people adopt to other forms of waste. Municipal waste is the tip of the iceberg; it is a small

proportion of the total amount of waste that we have to handle and manage in this country.

I certainly think that the national waste plan provides an opportunity for us to make a significant change in people's attitudes. Those same people may recognise that they have to apply the same principles to all the other wastes, be they industrial or commercial wastes or whatever. That is the change of attitude that is needed. If we do not achieve that change, our attempts to improve the Scottish nation's ability to manage and handle the waste issue will be fruitless.

The Convener: I will correct a misapprehension that may have crept into the discussion. The committee is not uninterested in or unimpressed—

Ross Finnie: The committee wants a better balance. I apologise.

The Convener: We are banking the 25 per cent recycling target and saying that that is really good, but we are looking at the issues round that and examining how we can address them.

Ross Finnie: I do not disagree with that. My only problem is that I think that we also have to address the capacity of the public to get bedded into those changes.

Mr Gibson: I am conscious of the time. Could you provide us—perhaps later—with data about bids to the strategic waste fund for funding segregated waste collection systems? That would be a carrot for getting rid of the waste rather than a stick, to which you referred earlier.

Ross Finnie: I am certainly happy to provide the information that we have. Can we do that, Simon?

Simon Stockwell: Yes.

The Convener: I am conscious of the time, but I will allow a final question if it is brief.

Eleanor Scott: Am I allowed to ask a question on public-private partnerships?

The Convener: As long as the question is brief and the minister's answer is brief. If the minister wants to give a fuller answer in writing, that will be encouraged.

Eleanor Scott: The minister mentioned the legacy of previous Governments. Some authorities expressed a concern that they felt somewhat compelled to go down the road of public-private partnerships for waste management even though they were not suitable. They felt that such arrangements might tie them into producing a certain amount of waste over 25 years to fulfil the contract and that there would be few potential bidders. Do you have any comments on that?

Ross Finnie: Best value applies in any such deal; it does not matter which finance stream is involved. One of the advantages of the strategy is that it is long term, so it is not a question of

authorities' having to produce waste. I agree that there would be an issue if a contract were predicated on certain volumes being produced. There would be issues if we were successful in reducing the amount of waste. Only about four area waste plans have in place, or are putting in place, private finance initiative contracts. I am not aware of others that are going down that road, so that is not a cross-Scotland situation. It might be important to seek in the contracts flexibility about what the capital structure could be used for across other waste streams. That is an intelligent approach to a 25 or 30-year view of managing waste.

The Convener: I thank the minister and his officials for coming. In order to plan our next meeting effectively, I seek the committee's agreement that we consider our draft report on the waste inquiry in private before we finalise our views. Is that agreed?

Members *indicated agreement.*

Meeting closed at 13:27.

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