

## **Session 1: Investing in Rural Areas. What are the priorities?**

*Transcript*

Richard Wakeford on behalf of Ross Finnie

Good morning. Scotland is a small country with a population of just over 5 million people. One fifth of that population lives in rural areas that are remote and accessible. You can see the extent of our rural areas on a map; the urban areas are red while the accessible and remote areas are the blue and pale blue areas. It shows that the extent of our rural areas is great. It is why Ross Finnie, being in Shetland today, couldn't just pop in here on the way back, it's just not possible. The travel times are great. We are large in extent and one of the best small countries in the world. Rural areas are vital in that. We have unequal landscapes, dynamic businesses, thriving communities of resourceful people and a rich and diverse natural and cultural heritage. Scotland also has an extraordinary effective parliament, and I don't mean just the prize winning architecture, it's a parliament that welcomes citizens and in which a lot of business is done. It is a parliament in which members are particularly accessible, a parliament in which the committees do a good job in holding the executive to account. The number of rural members of the Scottish parliament helps to ensure that the rural dimension features in policy making. The coalition government here has set out a clear program and partnership agreement that we are delivering on. Generally in Scotland, people know each other and partnerships are easier to create. Yet, we are large enough to develop innovative Scottish solutions. So this should be a good place to innovate in rural development.

Rural progress is important to us. Our goal is strong economic performance benefiting communities, drawing on natural and human resources and driving Scotland's economy forward and that is what we see as sustainable rural development. I thought that it was worth reminding us, who we are doing this for, for future generations. Here is a picture of a quilt produced by children who have images of themselves and it is a multi-cultural quilt and there is some tartan on it. For these future generations, we want rural areas to offer viable, attractive locations of choice for businesses and for people. We want business services to help investors to take advantage of local, national and international markets. We want service delivery to be accessible and personalized for rural residents. I can give you an example of progress in this. Through a range of public and private commercial measures, we have extended broadband to reach every community in the country. A greater proportion of households in remote rural areas now have an internet connection than in the rest of Scotland. We expect this to increase our gross value added by several billions of euros. It is not a coincidence that our latest statistical publication published today, shows progress in the economy in remote rural Scotland.

Looking forward, we need to consider what part should public investment play? In Scotland we invest around 150 million pounds a year through our rural development program. You don't need to know what all the slices are, but the pie chart demonstrates a slice of an overall pie. Only about one tenth of all public investment is directed to rural support. Part of that is where we have other choices now. Like other nations in the EU, we are currently considering how to invest over the next few years. The rules are clear that public investment must secure value for money, must help us to achieve economic, social and environmental goals. It must be better focused on market failure and ensuring social equity, otherwise the cash is wasted. We have recently been consulting on a new rural development strategy and program, covering priorities to secure public goods, business viability in the medium and longer term. We have choices to make about investment. How much should we support farming in a relatively unconditional way? For example, a single farm payment that helps to ensure the survival of many farms that shape our countryside and communities. How much should we apply funds to more specific goals such as addressing biodiversity, global warming, defuse pollution, flood management, and other priorities which are important in rural areas. Thinking about the choices, we need to choose between current expenditure which can sustain the environment and other rural infrastructure that provides social equity by helping us to meet our environmental obligations, by allowing people and businesses to have a good environment that they can capitalize on. Or our investment can actually be capital investment to help overcome market failure to

enable farming and other businesses to move away from reliance on government support. This sort of investment could transform farms and other businesses for a tougher future.

So we have been consulting on different ways of choosing priorities. We are looking for a way in which the national goals are clear, aimed at rural outcomes, which our Ministers ask us to pursue. But it should be possible to engage people more locally in deciding priorities and seeing how programs join up, not just the rural development and other programs too. We need an approach that is more open to those who are applying to come forward with their ideas, rather than channelling them into grants to specific elements which may not suit them and therefore may not represent the best use of public money. The rural development program can help us move away from subsidized agricultural production, we are leaving commodity subsidies behind now towards public funding interventions that provide more wide spread public benefits. These benefits should be good for the wider rural economy and communities with businesses fairly rewarded for the contribution that they make to those wider aims.

Public investment in rural areas must also help us address wider cross cutting challenges like climate change. In Scotland, renewable energy is a source of a range of real opportunities for rural areas. I'll give you an example of this. I went to a farm that was in a fairly remote part of Southwest Scotland. I was talking to the farmer and was asking him what his income was made up of, because there were animals on the farm but not many and we couldn't see how the business stacked up. He said, 'I need to keep the animals because the main income is from the farm holiday cottages and if I didn't have the farm animals then people wouldn't come because people wouldn't think they were farm holiday cottages'. I thought that was interesting, but he said the main income comes from a hut over there. It was a stone built shed and looked as if it had been in the Scottish countryside for years but it had water coming out of the bottom of it. And at the base, it contains a generator which is creating electricity for 1000 houses in the community. The lake at the top of the hill is now a fishing lake and we were only there because it was a visit by the forestry commission because he was making money out of trees as well. So I just wondered whether he is a farmer anymore. We have to think about rural economic activity in a wider way. There is someone who is contributing to Scotland's rural economy. Renewable resource is the source of a lot of opportunity. The rural economy can support new green jobs. Being a green leader should put Scotland in a position to seize business opportunities and new advantages arising from our commitment to sustainable development.

Scotland has unique natural and cultural aspects and that can provide a lot for people to enjoy themselves not just in Edinburgh but in leisure and tourism markets around Scotland. Our target is to grow Scottish tourism income by 50% by 2015. This will benefit not only our rural areas and businesses but also the wider Scottish economy. Evidence shows that it is our hills that are open for public access and activities such as fishing, shooting, water sports, equestrian sports are all significant attractors to rural Scotland.

Another thing that we should be looking at is the way in which these sorts of services are available to Scottish urban residents. We need to look at the rural areas as key elements of city regions. Rural areas are critically linked to cities and to major urban centers. They provide housing, leisure and recreational opportunities for city businesses, city workers and residents. But in return, it is the urban areas that are providing markets for local rural goods. Those who live, work and produce in rural areas need to be marketing themselves well in the cities nearby. I'll come back to that in a moment but I need to go a little more remote because some of Scotland is very remote.

One of the things that have been happening here over the past few years is land reform. Communities are now able to take on the ownership of land whilst ensuring a fair price for the former owners. This island of Gigha is a trailblazing example. The support there has enabled a community trust to buy the island. The trust has already gone on to pay back much of the original investment. It has developed a wind farm and a hotel and reversed the declining population. It is a really good example of local people capitalizing on their natural assets.

Now, best value requires money to be targeted towards identified needs and priorities and coordinated between a wide range of different investments and service delivery arrangements. We have a thing in Scotland called community planning partnerships and I believe that they can enable key regional service providers to work together. Some of you are going on to Dumfries and Galloway after this

conference and I'm proud to be linked with Dumfries and Galloway where the local government, the health board, the police, the local enterprise company and the local volunteer sector all come together to make sure that they have a joined up approach in the interest of the people of the area. So, community planning partnerships can increasingly be the organizations that take forward the task of focusing local needs within a national framework set by the Scottish Executive. I believe that it is a key feature of the public service reform agenda which Ministers are currently consulting on here in Scotland. The point is that these local bodies can actually help to achieve the outcomes that the people of Scotland expect us to achieve.

I need to come back to farming and grants because rural development grants are still of most interest to farmers and land managers. Farming is really important to us here in Scotland. In a strange way, it is not because of the numbers of people who are employed in farming. That is just 2.2% of the national workforce. Nor is it the contribution that farming itself contributes to the economy. The total income from Scottish farming is around 100 million pounds less a year than the grants and subsidies that are put into that farming. No, the importance of farming is in what it underpins. People in many parts of rural Scotland often speak about farming being at the centre of the community and there are reasons why. Farming along with fishing is the basis of a food processing industry that provides one fifth of Scotland's manufacturing jobs. Farming sustains landscapes that can be enjoyed by residents and tourists. Those landscapes are the natural assets that attract so many visitors to Scotland. Farming supports a high value Scottish brand that is built upon by food and drink businesses and the tourism industry. In which also attracts new people to live and work in rural places. I can't wave around a carton of Scottish ice cream with Korean writing on it. But, one of the food award prize winners that we celebrated with last year is a Scottish company which is exporting ice cream to Korea. That is built upon a Scottish brand, and farming is part of that brand. Farming therefore needs to remain a vital part of Scotland's future. My adapting and filling new roles, by providing high quality products that meet today's market demands. It also needs to help us deliver public benefits, but at a fair price. It needs to work hard to help consumers realize the impacts of their purchasing decisions. Farming is at the start of a food chain but farmers need to influence the end of the food chain too. People need to understand that if they don't choose carefully to eat the view, they shouldn't expect farmers to maintain that view.

In conclusion, to support and encourage future rural development, public investment needs to be used wisely. There are difficult balances to strike and deciding spending priorities. There are interesting opportunities in tourism, in renewable energy, in innovative service delivery. The Scottish approach is becoming increasingly joined up. We need to look at all the strands that are open to rural areas and make sure that they join up for the benefit of the whole. The departments in the Scottish Executive take pride in working more closely together than in other nations, in ways which are not always possible in larger nations. We are all conscious of the rural dimension and should we fall behind, we have those rural champions in the Scottish parliament to remind the Scottish Executive of our responsibility to serve people well in rural Scotland. Thank you.