

**TRANSCRIPT OF THE MEETING OF THE CONVENTION OF THE HIGHLANDS AND ISLANDS HELD IN LERWICK, SHETLAND ISLANDS ON 20 FEBRUARY 2017**

**Present:**

David	Alston	NHS Highland
Steve	Barron	Highland Council
Bill	Barron	The Crofting Commission
Mark	Boden	Shetland Islands Council
Keith	Brown	Cab Sec for Economy, Jobs & Fair Work
Amanda	Bryan	Forestry Commission Scotland
Mike	Cantlay	Highlands & Islands Airport
Colin	Cook	Scottish Government
Stewart	Cree	Moray Council
Gary	Coutts	UHI
Margaret	Davidson	Highland Council
Alistair	Dodds	Highlands and Islands Enterprise
Fergus	Ewing	Cab Sec for Rural Economy & Connectivity
Alex	Gallagher	North Ayrshire Council
Nick	Halfhide	Scottish Natural Heritage
Steven	Hedde	Orkney Islands Council
John	Kemp	SFC
Norman	Macdonald	Comhairle nan eilean siar
John	McClelland	Skills Development Scotland
Dominic	Munro	Scottish Government
Fergus	Murray	Argyll & Bute Council
Ralph	Roberts	NHS Shetland
Gary	Robinson	Shetland Islands Council
Ian	Ross	Scottish Natural Heritage
Willie	Shannon	Shetland College
Kevin	Stewart	Minister for Local Gov & Housing
John	Swinney	DFM & Cab Sec Education & Skills
John	Thurso	VisitScotland
Paul	Wheelhouse	Minister for Business, Innovation & Energy
Charlotte	Wright	Highlands and Islands Enterprise
Damien	Yeates	Skills Development Scotland
Humza	Yousaf	Minister for Transport & the Islands

**John Swinney:** Can I extend a warm welcome to everybody to the spring meeting of the Convention of the Highlands and Islands here in Lerwick and extend my thanks to Shetland Islands Council for the hosting of this gathering today and I'll invite **Gary Robinson** just in a second to say a few words of welcome on behalf of the council but obviously the government welcomes the opportunity to take forward further discussions with representatives of public bodies in the Highlands and

Islands – this is a discussion which is of significant value to us all in formulating policy and priorities and to understanding the particular issues and challenges that exist within the Highlands and Islands – so we look forward to a constructive and productive day of discussion today. I will be here in the morning and at the close of business but my education responsibilities are taking me to Anderson High School in the course of the day and so my colleagues will be dealing with other business and in the course of today we will have contributions and discussions from a number of my Ministerial colleagues: **Keith Brown**, **Humza Yousaf**, **Paul Wheelhouse**, **Kevin Stewart** and **Fergus Ewing** in the course of today – so I look forward to participating in all those discussions with colleagues. Can I begin first of all by asking **Gary Robinson**, leader of Shetland Islands Council to say a few words of welcome and also I believe **Mark** as well – **Mark Bowden**, the chief executive of the council to say a few words. **Gary**:

**Gary Robinson**: Thank you **Deputy First Minister, Cabinet Secretary, Ministers**, ladies and gentleman – on behalf of Shetland Islands Council I would like to welcome you all here to Shetland here today and as our convener often remarks it's always good to have visitors especially ones from Scotland. As this is the last Convention of the Highlands and Islands in this council term I would like to reflect on some of the work that we've done over the last 5 years and look forward to the challenges and opportunities that I believe lie ahead for us. Transport, digital, energy, public sector reform have all been common themes over the last 5 years and they carry over therefore into our agenda for today as you will see but we've also worked very effectively across a range of other topics from securing the future of the emergency towing vessel - although I appreciate **Norman Macdonald** still has issues over the second emergency towing vessel that we would like to see – to mitigating the worst effects of the UK Government's welfare reform proposals from household energy efficiency schemes which I have say have improved immensely over the lifetime of this council term; strategies for skills development to North Sea decommission – we've discussed them all in this forum and while we've concluded many of our work streams and made significant progress in others some will inevitably carry on into the future. While we began in 2012 discussing the BDUK Project for broadband across the Highlands and Islands we now look to the R100 Project to reach the parts that others haven't; digital connectivity remains as one of our biggest challenges but it also offers a huge opportunity – one that's recognised by our neighbours in Faroe who are as willing as ever to help if we can get the right regulatory regime that would allow that to happen and as 4G mobile communication slowly rolls out across our areas the Faroese are already looking beyond this technology to 4.5 and 5G. **Angus Campbell** isn't here today but he often mentions how many UK Energy Ministers he's spoken to with regard to renewables and I think he's into double figures now but sadly progress in this regard has been lamentably slow and it will be interesting to see how the EDF Energy Company's admission that decommission costs are likely to be double the original estimates at Hinckley Point nuclear plant and Toshiba's withdrawal from construction

of the Moorside Nuclear plant might affect that policy in the UK. Closer to home we have a world first in the form of Nova Innovation's tidal energy in Bluemull Sound in the north of the islands that's already been providing energy to our local grid but much more needs to be done to reduce our reliance on fossil fuels here in the islands – electricity in the islands is subsidised to the tune of about £30m a year and we burn I'm told over £30m a year of oil in the islands to keep the lights on for 23,000 people and that to me is ironic when we have such a vast wealth of renewable energy all around us in the islands.. I wanted to touch on education and in particular our colleges which we are in the process of integration but also to highlight the excellent work and the progress that's been made there – we have record numbers of students and only last week it was announced that Shetland College, UHI and the Marine Centre in Scalloway have the highest number of students actually completing their courses and leaving with an award and I think that's something to be acknowledged here – I don't think it would be the Convention of the Highlands and Islands without mentioning Highlands and Islands Enterprise and the value that we put on that organisation here in the Highlands and Islands and I think Brexit offers up some particular challenges that I think we need that agency to support as we don't know what the impact is going to be but we do know that it is likely to be negative on our agricultural economy but also potentially fisheries as well and those are key industries for us across the Highlands and Islands. Highlands and Islands Enterprise have also done good work for us in the form of the minimum income standard which has recently been revised and I think if I can put in a plea that it is perhaps something that this forum should discuss at some point in the not too distant future because I think we have to acknowledge that there are real challenges now in delivering public services across the Highlands and Islands. In my own council area we've seen our grant drop from £91m a year to £80m a year next year and that is significant in itself but it's all the more significant when you consider that there are cost pressures that sit behind that as well and that actually brings the real terms reduction in spending power since 2010 down by around 30%. So I think the measure of the challenge for us all is how do we deliver in that environment but I guess I don't want to end on a downer - I think it is a challenge that we have risen to and I think most of us around this table - from a local authority perspective - were pleased when we did actually get a bit extra income through the deal that was done with the Greens - I think that was certainly valuable to us anyway. I'll leave it at that and pass on to the chief executive if I may.

**Mark:** No that's okay.

**John Swinney:** Thanks very much **Gary** and once again thank you to Shetland Islands Council for hosting this event and discussion. Let me just reflect on a couple of points that **Gary** raised as part of the conversation. I think for me the first couple of issues that **Gary** raised of digital and renewables – which are never very far away from the agenda of the Convention of the Highlands and Islands – and we will have discussions on both of these issues as part of the digital discussion and the

energy strategy discussion today – have been far away from the agenda of COHI over the last 5 years or so – and I think there are some really powerful lessons I think in there about the effectiveness of how this body can formulate a common agenda that can advance the interests of the Highlands and Islands. I think the attention that Ofcom is now applying to the need to have a differentiated approach to the delivery of digital connectivity across the Highlands and Islands is in no small measure accounted for by the exposure that this body has given to Ofcom to the arguments and certainly want to put on record publically my appreciation to Ofcom for acknowledging that differentiated requirement. It's not resolved everything. We still have some distance to go and we'll talk about that later on but the cumulative and combined common interest of the government, local authorities and public bodies - crucially having an argument about what is the point of it all – because the digital connectivity debate that's predominated here in the past has been about securing digital connectivity to then create a stronger economic platform for the Highlands and Islands which then enables a whole host of other issues to be addressed about the in sustainability of communities and the vibrancy of opportunities and possibilities of retaining a more balanced population in these areas where more young people are able to find their opportunities here rather than having to move elsewhere for those opportunities. So I think we can justifiably look at in the digital sector a very good and illustrative other example of how this body can work effectively to achieve progress for the Highlands and Islands. There are elements of the renewables discussion which is just as valid although I think the frustration has been that we've not managed to capture the agenda of the UK Government to create an approach which has been sympathetic to realising all of these opportunities. I've listened to representatives of COSLA at these discussions for many, many years arguing about the spectacular opportunities that exist and I've also listened to representatives of Shetland Islands Council and Orkney Islands Council on all of these questions particularly in relation to the island connectors and that argument is an illustration of the fact that we need to advance these arguments systematically with the UK Government to create a policy framework that enables us to advance on all of these questions and we can reflect on some of these questions in the course of the discussions later on today. Two final points for me in relation to **Gary's** remarks – the first is on the economic challenge and we are acutely aware and the government has been leading the discussion and debate on the economic implications of Brexit for the whole of Scotland but the economic implications of Brexit for the Highlands and Islands will be ever more significant given the fact that there have been a number of programmes particularly of a regional policy character which have emanated from the European Union which have been significantly advantageous for development in the Highlands and Islands and a key part of what is in our arguments about what needs to be addressed in relation to the implications for the economy of these communities is an acknowledgement of the significance of that factor in transforming opportunities here in the Highlands and Islands - and then lastly on public sector reform and public finances I – needless to say with my background – I am acutely aware of the challenges in the public finances but they are challenges

that effect absolutely everybody in the public finances and we have to find new ways of operating in a context of resources becoming ever more challenging. I think again we've had conversations around this table over the course of the last 5 years which have helped us significantly in that respect and we'll continue to do so and we'll have that opportunity in the course of today's agenda on enterprise and skills, on the energy strategy, on digital, on housing, on transport and on the National Health Service to reflect on some of these issues that we're going to take forward. So we look forward to a day of good and productive discussions and just on housekeeping issues I'll make the point that there's no fire alarm planned today but if there is one you should take it seriously. There are a few new faces round the table today so we'll just go round the table and provide an opportunity for everybody to say who's who. So we'll start with you down the bottom corner please: **I'm Bill Barron, I'm chief executive of the Crofting Commission; I'm Ian Ross, chairman of Scottish Natural Heritage; I'm Willie Shannon, the Joint Principal of the colleges in Shetland; Margaret Davidson, leader of Highland Council; John Thurso, chairman, VisitScotland; Colin Cook, Acting Director of Digital, Scottish Government; Paul Wheelhouse, Minister for Business, Innovation and Energy; Humza Yousaf, Minister for Transport and the Islands; Keith Brown, Cabinet Secretary for Economy, Jobs and Fair Work; John Swinney, Deputy First Minister; Gary Robinson, leader of Shetland Islands Council; Mark Bowden, chief executive, Shetland Islands Council; Charlotte Wright, Highlands and Islands Enterprise; David Alston, chair of NHS Highland; Alex Gallagher, portfolio holder for economies, North Ayrshire Council; John McClelland, chair of SDS; and Damien Yates, chief executive of Skills Development Scotland.** Thank you one and all. The minutes of the last COHI meeting in October 2016 in Inverness have been circulated and they have been issued to members and no comments have come back so far – anything that anyone wants to raise at this stage? Ok. In future what we want to move to is a faster system of producing a record of these discussion so we'll dwell much more on the agreed outcomes and the transcript as opposed a set of formal minutes. So that will be the approach that we take forward from here on in and with that we'll just have a look back at the discussions at the meeting in Inverness in October and there is an outcomes tracker which sums up the issues that were addressed at the outset of the discussion. There are a few of them that I would like to highlight and obviously we'll have a conversation in a moment about the enterprise and skills review - on the EU referendum the government has published the documentation on Scotland's Place in Europe which takes into account much of the conversation we had at our discussion in October and the significance of recognising the particular issues that are relevant to the Highlands and Islands as part of ensuring that these issues are properly and fully addressed and part of the negotiations around Brexit. We had a discussion about the working connection with the Highlands and Islands Post-2020 Agenda and what we want to do here was to make sure that there was a prospective look forward at some of the challenges and issues that would face the Highlands and Islands in a post-2020 environment and to ensure that we have in place the interventions and the

approaches and most particularly the thinking that would enable us to properly address those requirements. There is a workshop that has been held to take forward some of this activity and from what I am advised that's involved a good amount of participation from COHI members and what I'm interested in doing here is making sure that we have a conversation that essentially captures what are the major strategic opportunities we need to pursue in the post-2020 environment so that they can inform government policy in a way that I think if we look back 20 years the strategic significance of the UHI or digital connectivity would be identified as significant strategic priorities for the Highlands and Islands but equally we need to make sure that we are refreshing that agenda and making it relevant to the priorities that are taken forward by government and by other bodies. So we'll continue to undertake that preparatory work but we'll then reflect on that in future meetings of the Convention. We also discussed some progress on the issues in relation to the role of the National Grid and electricity network charges but we've been unable to secure UK Government representation here to try to resolve those issues but we will continue to press on that in the period going forward and I've referred to the progress that has been made with Ofcom as a consequence of our digital connectivity activity – the approaches to try to create a cohesive agenda with the Committee of the Regions has been taken forward and I think the last point I will refer to would be around the University of the Highlands and Islands where again we had a very helpful discussion about the agenda of the UHI and we'll obviously be keen to hear on further progress that's been taken forward as a consequence of that activity. Is there anything else that anyone would like to raise about the outcome of the last meeting and the actions that were taken or things that we need to do? **Margaret:**

**Margaret Davidson:** Could I just reinforce what you said about continuing to get Ofgem and the UK Government to be represented. Ofgem and the Grid and the enormous substations that many of us live with are a real factor in our lives and extremely difficult to deal with because Ofgem National Grid and the policies that lie behind them so the sooner we can have some face to face discussions with the people who can change that would be really helpful.

**John Swinney:** Any other observations? Ok. Well certainly **Margaret** we'll take that forward as a priority for the next session of COHI in the autumn because I recognise the significance of these issues and the fact that regime has got to be supportive of the development agenda that been taken forward which affects obviously a number of different communities in the Highlands and Islands. Ok thank you. If there's nothing else then on the reflecting back to our last discussion we'll move on to the first substantive item today which is their enterprise and skills review and I'll invite **Keith Brown**, the Economy Secretary to talk to the paper that has been circulated and we'll then hear from **Dominic Munro** who's working on many of these issues within government and then we'll open it up for discussion. So **Keith:**

**Keith Brown:** Thank you Deputy First Minister. As members will recall from the previous discussion we set out in phase 1 of the enterprise and skills review a vision for Scotland to be among the top OECD nations for productivity, equality, sustainability and wellbeing and also to build on the existing achievements of the enterprise and skills bodies by enhancing coherence and focus by bringing each of them together as well as a single board which should seek to simplify the system for the user and also enhance and measure the impacts of our success. The review was evidence led and focused on improving outcomes and national economic performance to ensure inclusive economic growth and increase productivity. It's not been instructionally focused but aimed to create a simpler system that takes full account of the needs of users and all of the bodies featured in the review it's been acknowledged make a significant contribution to Scotland's business, education and skill landscapes and they've done that for some time but it is right that we review the work that they do to ensure this continues to offer the best possible support so phase 1 of the review set out 10 actions which included the need to create a new Scotland-wide board to co-ordinate the activities of SDS, Funding Council, HIE and Scottish Enterprise including SDI and a further action was to support the new board by reviewing the existing data and evaluation functions. They have a kind of mix of economic and labour market and other indicators which I don't think give us the necessary picture to base our future actions on so we're reviewing that data. In establishing the overarching board we wanted agencies to work hand in glove with each other in a way that facilitates partnership and that's partnership with business, with academia, the third sector and with local government to optimise what we can achieve and as **Gary** mentioned earlier on the prospect of Brexit - and he referred to it as most likely to be negative - I think was his view - and I think most of the indicators that we see certainly represent a number of challenges – it would be wrong for the government not to confront those challenges by not looking at what we currently do – I think people have got the right to expect that we do that. The review was agreed some time ago before Brexit – before I came into office but I think its given added urgency by those developments. So we're quite eager to move quickly to develop the structures and the transitional arrangements which will be necessary to create a more strongly aligned system that's able to make a greater impact on improving productivity. Interestingly last week I saw some indicators which suggested some progress in relation to productivity so back in 2007 as a shorthand Scotland produced say 95 units for every 100 units that the UK produced – although the UK was well behind international competitors I've seen that gap virtually eliminated. So it's 99. That Scotland now produces but it's not enough. It's obviously very important to close that gap with the rest of the UK but it's our international competitors that we have to have an eye on. So we asked **Lorne Crerar** to lead discussions with agency chairs and also those involved in the Ministerial Review Group which will meet this Thursday and others to set out papers with proposals on the principles and potential outlines structure for the overarching board and I am very pleased that the agencies have engaged in that and **Lorne Crerar** has produced his paper earlier this month. I have also had the chance

to discuss with many people here including the local authority leaders at a recent meeting future developments and also you have produced your own paper which talked about the guiding principles of the review and I am grateful to have that input. Interestingly I think there is much which we have a common view on and I think the local authority paper also talks about reconstituted boards - and others have called repurpose boards as well - and we have said both in Parliament and elsewhere that we are willing to listen to those representations and see if we can find a common way forward. The board principles that the strategic board would have as its principles: the improvement of overall performance of the economy by ensuring that the whole system is easy to access both for individuals seeking skills and opportunities and for businesses and also produce a collective responsibility with realignment between the agencies to drive improvement in productivity and other aspects and also to hold agencies to account for performance against agreed measures both collectively and individually and to oblige them to actively engage. So I can mention one or two points of **Lorne Crerar's** paper. It will be considered by the Ministerial Review Group first-off – I gave that undertaking - so it's not been produced for this body at this stage because it will be considered by that Ministerial Review Group but developing ideas that **Lorne** has put forward include the establishment of collective priorities through the creation of a strategic plan which will set out how the agencies will work collaboratively to deliver the economic strategy. I think – and I don't want to put the words in anyone's mouth – that most people accept that that level of collaboration which we have sought has not really been achieved and more work needs to be done in relation to that and that would also include developing if you like a Team Scotland approach which influences operational cultures. All the agencies which are subject to the review we have said will remain but there will be an obligation to work collectively and I think the benefits of that can be seen at the Rio Tinto example in Fort William where you had different agencies working very collectively together to achieve a very positive outcome and also to engage with stakeholders to understand the challenges which they face and the markets which they serve. So for my part I very much welcome views from around the table in addition to those we've received from local authorities and that's views on both the principles and the function of the strategic board and how these are best adopted to deliver our vision for (a) Scotland to be among the top OECD nations – we have not risen beyond the third league – we want to be in the first division - and I think if we are to do that we have to change what we currently do and that's the purpose of the board but we have said that we want to listen – the government's very keen to listen to the views of stakeholders – as I say I've discussed that with many of the agencies around the table but also local authorities and I'm happy to hear any further contributions - and I don't know if - **Dominic** do you want to say a few words before we do that?

**Dominic Munro:** Yes thank you - although that was a very good summary **Mr Brown**. So I'm one of the 4 lead Directors within the Scottish Government taking forward the enterprise and skills review and just to confirm the stat that you were

thinking of its 99.9% productivity that we've got in terms of Scotland v the UK economy but nevertheless that fundamental productivity challenge to get into the top quartile remains and also the review is looking at not just productivity – although that's central – but also the way we rise in terms of inclusive growth and sustainable growth too. As **Mr Brown** has mentioned phase 1 culminated at the end of October. It concluded with 10 decisions. Those 10 decisions have now translated into 9 work streams that are being led across the Scottish Government and with relevant agencies and various stakeholders all contributing effectively to that and what you can see in the paper that you have received for this meeting today is a very quick summary of the progress against each of those workstreams. The paper acknowledges that the work streams are moving at different paces and are at different stages and it gives priority to governance as **Mr Brown** has just talked about as this was considered to be a really early priority affecting all the other work streams and as **Mr Brown** has mentioned **Lorne Crerar** has been engaging with the chairs of the agencies and with other stakeholders to develop his own set of proposals for how to improve the governance to deliver that step change in economic performance and the Ministerial Review Group will consider and see those proposals for the first time this Thursday. You can get a feeling for the principles and the aims that **Lorne** adopted in his thinking in the paper that you have before you today. The only other thing I would say is that more broadly the second phase of the review is due to conclude by the end of March at which point Ministers will set out their thoughts on how you take all of these work streams forward again recognising that some will be moving very quickly and others are much longer term programmes to deliver the long term step change that's required. Thank you.

**John Swinney:** Ok thanks very much **Dominic**. Let's open this up for discussion then. There's a paper that has been circulated. You've heard the outline from **Keith** and **Dominic** – who would like to open up on this? **Alistair:**

**Alistair:** Thanks **Mr Swinney**. I think it's quite important to recognise what has been done already and I think thanks to the Cabinet Secretary for outlining **Professor Crerar's** views on the strategic board and I would certainly support the direction of travel. I think it will make a big difference to what we're wanting to do in Scotland in relation to economic growth. There definitely is a need to change the way we operate and fully support that and the board of HIE would support that. I think it's also important however – and **Fergus Ewing** came to the HIE Board probably about 6-8 weeks ago - and we did set out what we thought were relevant issues for the Cabinet Secretary to consider in his review about the HIE Board. So the views I'm about to give aren't just mine they're the views of the HIE Board as well. We do think there is a need to continue with the HIE Board - others will have their views here and some may agree or disagree – but I think it's probably important just to outline what these are. I think the first thing is that the government are going to set out what the strategic plan is for sustainable economic growth for Scotland. I think the role of the HIE Board is to take that Scotland-wide

plan and translate that into a strategic direction for the Highlands and Islands and I think it's important that you've got the right skills on that board to make that happen. We have to manage competing interests – **Mr Swinney** will know – I've worked in the Highlands and Islands Council for a number of years and there are competing interests across all the local authorities and other business sectors as well and I think the HIE Board has a role in being an intermediary between these interests and the staff - the operational side - that take priorities forward. You've talked about stakeholder engagement and we think that's fundamental - and I know **Professor Crerar** does as well - and I think that's one of the real successes of the HIE Board – that we go out; we talk to businesses; we talk to public sector partners and translate these discussions into what are local priorities and try and balance the local priorities – which isn't always easy - across the Highlands and Islands but is an essential part. Governance I think is pretty fundamental to any organisation and I think the HIE Board provides that governance for the assets and resources given to us by the Scottish Government and I think manage them well at the moment but it's essential that we go forward in that way. We've had various reports – the Skilling Report and the Audit Scotland Report talked how regional development agencies should operate; Audit Scotland talk about how well HIE have done and you've acknowledged that but that's HIE with a board with excellent staff and working in partnership at the moment however what I would acknowledge and I think both **Dominic** and yourself have spoken about this is that we have to improve – and no doubt about that – and I think the HIE Board going forward has to adopt that new role as outlined in your paper today where we need to improve the way we work; the way we collaborate; the way we work in partnership both with business and other government agencies to improve Scotland's economic performance. So I think absolutely one hundred per cent that the board has to change the way it operates to take on the roles as you've outlined to help the strategic board but also to help the Highlands and Islands economy and part of that I think is culture – absolutely no doubt from my past experience that culture plays a huge part in the way you want to work and the way you need to work and you also outlined the importance of performance data and again I think trying to get that consistency across Scotland's agencies is absolutely fundamental. So I like the way the strategic board's going but I would make a plea that I think there is a role for boards to continue albeit in a perhaps slightly different format and with an improved role. So I'll open up with that since no-one else was wanting to jump in.

**John Swinney:** thanks very much **Alistair**. **Gary:**

**Gary:** Thank you very much. I would like to echo a lot of what **Alistair** said and I think he's sort of summarised a lot of the views that I've heard around the Highlands and Islands civic community. There are genuine concerns about what would happen if we did not have a local board that was responsive to local communities. I've had the real privilege of chairing organisations in the Highlands and Islands. I've been part of the University; part of the NHS; in the local authority and I've also chaired national

bodies and all of them have had a real commitment to making sure that they are responsive to the needs of individual parts the community whether that's the Scottish Social Services Council or Children's Hearing Scotland – they've all wanted to make sure that they represented all parts of the community but I know from my own experience that when you have the weight of the population and the weight of the concerns are so much in the Central Belt it is very difficult to focus attention of a national board on the specific issues that are happening perhaps effecting very, very small numbers of people but a very large proportion of the community and I would worry that we would lose that connection and responsiveness that Highlands and Islands Enterprise have been able to see. With the University of the Highlands and Islands in the last 4-5 years we know that there has been opportunities for other established universities from around Scotland and indeed from around the world to come in and do the work within the Highlands and Islands and that's positive – that can be good but it's as easy for them to leave again and we lose that legacy – we lose that expertise that's developed that are there. So the uniqueness of developing the University of the Highlands and Islands means that as we develop those skills they become permanently embedded in our communities and they become embedded in the Highlands. We would not have got to the stage of development that we have with the research programme that we have with the type of facilities that are being developed across the Highlands and islands if it hadn't been for the wholehearted co-operation and support from Highlands and Islands Enterprise and I think I would struggle to see how we would be able to have as constructive and as positive a relationship if we didn't have that very local board that was able to recognise the needs and the aspirations of what is effectively still a very small higher education institution but has got the ambition to become transformational for the Highlands and Islands. So I would hope that the voice – which I think is a very reasonable voice – of civic Highlands and Islands communities is heard as you're moving towards a final decision.

**John Swinney:** Thanks **Gary**. I think one point I'll make before I take **Norman Macdonald's** contribution is I think in this discussion I hope that there isn't any sense that the government is embarking on this reform is doing anything that does not acknowledge the significant support and endorsement that we have as Ministers for the achievements that have been undertaken by the role of HIE in the Highlands and Islands because the government's made it clear on countless occasions the various strategic interventions that HIE has been critical to delivering which has therefore opened up new economic opportunities and indeed some of the challenges to other bodies to move at greater speed or pace to make progress on certain questions has been driven by the aspirations of HIE and I welcome that. I think what we have to however acknowledge is that none of that happens in isolation. It happens within Scotland and we have to make sure – and government is posing the question at this stage in the economic cycle – what more do we need to do to improve the wider economic performance of Scotland. So it's not to say that there hasn't been sufficient delivery or achievement by HIE but the question we're

asking is a different one which is how can we ensure as a country we deliver a more formidable economic performance and we have to examine some of the issues and approaches that might help us achieve that as a consequence and that's very much the question that's being answered to make sure that we can address that productivity and value challenge that **Keith** has set out this morning – **Norman** I'll take you next.

**Norman:** Thank you Deputy First Minister. I agree that there has to be a strategic vision for Scotland. I don't see how having a strategic plan for the whole of Scotland is going to work in terms of reaching to the most challenging and the most remote rural communities and I think that has to be done in a bottom-up way rather than a top-down way and I think that is fundamentally what people have an issue with in relation to the enterprise and skills review that's been carried out. I think it is something that has to grow organically from communities. Even across the Highlands and Islands there is a big difference between the Moray Firth and other parts of the Highlands and Islands that are struggling but I do think that decisions that are taken have to happen at a much more localised level than they will be through a body across the whole of Scotland and that has to be very clear to people otherwise their planning and their issues at local level will never come to the surface in the context of looking at Scotland in comparison with the rest of the UK or Europe or anywhere else and I think that's a fundamental issue across – if you look at all our agenda here - every single item on that agenda is fundamentally important to retaining population in all of our communities including some of the most rural ones and to be able to do that there has to be reach – both into these communities and from these communities to influence the strategic vision of government – we've seen that with what happened with digital connectivity – there was no progress being made until the actors in the delivery of that process were brought together by yourself Deputy First Minister and told sort it out round the table and get everybody together. The same thing has to happen with enterprise and skills. All the agencies need to work together – Highlands and Islands Enterprise, higher education, further education, Skills Development Scotland - have to work together on a much more localised basis than having a focus for the whole of Scotland and I think that's the bit that going to be really difficult to achieve but if it's not achieved then we're still going to have communities in the Hebrides and elsewhere in the Highlands and Islands who will migrate to the centres of population and that's a migration we're concerned about - not migration out of our islands but migration within our islands from the rural communities to the urban settings whether that be Lerwick or Kirkwall or Stornoway in particular - 60% of the population of Lewis and Harris live within 11 mile radius of Stornoway. That is a massive movement of people from the rural communities into centres of population and that is what any organisation that is dealing with enterprise and skills has to resolve. We cannot get homecare workers to deliver services in some of our remote communities. They're travelling 50-60 miles to deliver half an hour of homecare. That's not in anybody's interest to do that and we have to identify local solutions and it's hard to see how these much more local solutions and

requirements will fit into a strategic plan for the whole of Scotland and that's where I personally struggle with what's happening. I just want to say that it's absolutely right to review because over the years HIE haven't been the answer in every situation either but I think the more local influences is exercised the better the outcomes for our communities and I really fear for communities such as the community I live in in the next 10-15 years where school rolls are plummeting; we can't deliver these basic services that everybody has a right to and if we can't do things in a much more imaginative way than we've been doing it in the past – it's very simple to say there's money for this and money for that but there needs to be more influence over how resources are spent in a much more flexible way to suit and resolve particular issues and not to be hung up about the process and I fear that's where we're heading if we don't have a much more local voice in making all of these representations to government. The vision comes first and as we've seen from – again going back to connectivity – the Scottish Government had a vision for 100% coverage of high speed connectivity across Scotland and now have a policy for it that is in place and I have no doubt that that will be delivered but that has come from the desire and the actual requirement for that connectivity to reach to every community and the government recognised that without that these communities would not just be left behind but they would probably disappear and the same applies with enterprise and skills. Connectivity is just a tool that is used for enterprise and skills and without having all these other things coming together I think we'll really struggle.

Thank you. Firstly I would just like to thank all of our colleagues and stakeholders across the Highlands and Islands for the fantastic support that they've shown to HIE and we much appreciate that and I think it probably says something about the DNA of how we work in the Highlands and Islands where it is about partnership and working together and understanding how each of our economies contribute. I wanted to make a point though about productivity which was at the core of the review and in looking at what productivity means for the Highlands and Islands and how we contribute to Scotland to enable us to take a wider view. Clearly the Highlands and Islands economies have their built-in difficulty about productivity due to the economic base; the size of companies and actually the structure of the economy and its reliance on sectors such as tourism and food and drink. There is a wider issue for us and that conversation into some of the aspects including the productivity of the individual. We find across the Highlands and Islands that we have a challenge of underemployment and if we're able to and if we are able particularly in how we work out the data and measurement which support our strategy to take into account how we actually make an effective approach which allows every individual in the Highlands and Islands to contribute to their full productivity will enable us actually to deal in a way that's consistent for our rural areas to that productivity challenge.

**John Swinney: Margaret:**

**Margaret:** Thank you. I would like to follow **Norman's** excellent contribution and I think the first thing to say is that as Highland and Island leaders every one of us

realises there needs to be change. However it's change from a Highlands and Islands perspective. We believe that Highlands and Islands is best to think its way through. We will be a part of Team Scotland and your strategic board will set the clear direction which you as Scotland's government will set - and we acknowledge that – we acknowledge your place to do that but we actually want the Team Highlands and Islands who actually come together and set a proper strategy that we can all work towards because ahead of us are some of the most challenging times we've ever had. I had a conversation – it wasn't with **Norman** – it was **Angus** one of those days - about our biggest fears around Brexit and our biggest fear – both of us came to it – was that we'll wake up 5 years from now and find that the Highland population has gone backwards and that's our biggest fear because the effect is that it will be insidious; it's extremely difficult as we have a high number of Europeans within Highland supporting all of our industries particularly tourism but many others - think of fish processing- and we're just really fearful that unless we get our Team Highlands and Islands act together that we'll roll backward within the effect of outside. So that's what we believe we really do have a real Highlands and Islands need and I know we say it all the time but the Highlands and Islands is different and we believe that we can do that partnership working and planning that we need to do. We would be asking Highlands and Islands Enterprise to change too. We believe that the board does need a restructure. We're not saying it doesn't. We're also saying that we need to do more planning together – not separately. We absolutely need to do more planning together and there needs to be more accountability of that as community planning really becomes significant across the Highlands – that was what **Norman** was talking about – very much from the bottom-up – that HIE is there as well at the table and it's not the councils dragging their feet but it's actually real partnership productive working and that's one of the changes we need to see. I think what has happened during the course of the consultation - and the sort of afterthoughts as people sort of thought it through is that we felt a bit of a line was crossed. Personally I don't want to see us lose any more of our Highlands and islands institutions. We've worked at them. We need to now make them fit for the future and we're up for that and we'll make a success of it. I've got no doubt about that. What more the Scottish Government can do? I do think we need some more discussion in Highland before the sort of end of term if you like for local authorities which is very close. I think we need some more discussion on phase 2 of the review and I would certainly be asking **Dominic** how we can best do that because I think that's really important that we capture and help shape the phase 2 of the review even more than we have. We've fed in issues to you but they've been very much the things that we all agree on but they are particular Highland issues which we haven't captured in that for instance I think because of the economic situation there is a lot of restructuring and rethinking going on within councils and we want to bring that together so that we can work with for instance the community support arm of HIE. Why on earth are we doing that separately! We need to be doing that together because that's where a lot of our future work is going to be. So there are some particular Highland things and they may be Highlands and Islands things. I think we

need to have rather more discussion. I was listening yesterday to a debate on the radio about productivity and how difficult it is to change. We're extremely fortunate that in Highland we have the City Region Deal which I sincerely thank you for because it's given us surety for 10 years and it is a City Region Deal because it can't just be about the city - it's not just Inverness. So we need to take that forward and have an eye to the whole of the Highlands and how we can make the best of it and how we can build on the significant investment and goodwill that that has bought us. So I think it's about bringing together all of our thinking and I think we need to have further discussion and I think it is about understanding that. As Highlands and Islands I think we're working together far more than we ever have done and we're getting a clearer vision for the future and it's about capturing that.

**John Swinney:** **David:**

**David:** Could I draw attention to what I think is a very effective working relationship between the NHS, UHI and HIE both in developing the education and training of future staff for the future of health services in Highland and in research, development and innovation at the Centre for Health Science in Inverness but elsewhere as well. That of course is against the background of partnership working across the Highlands and Islands to develop as **Norman** was referring to new models of health and social care that we need to specifically developed for remote and rural areas. So my plea would be that whatever comes out of this review that these effective working relationships are preserved and enhanced.

**John Swinney:** Thanks **David.** **Stephen:**

**Stephen:** Thanks very much. I think all the colleagues around the room articulated the case very well and very consistently. I think this reflects the embedding and the partnership over the area that HIE has. It's genuinely part of the community and this stems in part from the community development role it has which is very important for small communities where that is so important and indeed the kind of long history that comes from the HIDB. So it's not an abstract public body. It's very much part of the community and very much part of the community planning partnership and no doubt **Dick Walsh** would be emphasising this if he was here because he's very keen on making that point and he's right. I think HIE and its relationship with the smaller bodies in the areas with the regional bodies is a positive example of the subsidiarity that works here. I think there's a lot of energy in the room and enthusiasm for our areas that means that this forum here – the Convention of the Highlands and Islands – is a valid body and a means to bring to sort of bring forward both our individual and our collective ideas to the government and with the government. So I think that's an example of the partnership. I think the UHI again is another example of the partnership. UHI and HIE have been joined at the hip so its developed and it's been hugely beneficial to all our areas and indeed I would hope that the UHI is seen as the kind of academic partner of choice in our areas. The point has been made that other institutions are coming into work with us and of course we wouldn't want to

turn them away but the UHI is very much our university and one that we need to foster collectively. So I think there's definitely a demonstrated energy for partnership at local and regional level with HIE as an argument for the retention of the HIE Board and the focus. It's an example of the kind of sense of place that we all embody in this room and it's important to our areas and I think it's recognised as important thing in itself.

**John Swinney: Amanda:**

**Amanda:** If I can speak I'm also a member of the HIE Board so I can support very much the points that **Alistair** made right at the beginning in terms of the views of the board and as you can imagine we've had some lengthy discussions about the proposals and about how we can improve delivery for the region. I think what we've heard today in terms of ambition for the region and a desire to increase I think the already significant partnership working that we have in the region and I think that again has very much been reflected in the discussions that we've had as the HIE Board and I think the one thing that we would ask Ministers to think about when you are making decisions about final structures that will be essentially to deliver your vision in this area is to perhaps apply some tests and these are the kind of things that we've been talking about in the board. At the end of the day will the new structures deliver that increased ambition and desire for increased partnership working and effectively at the end of the day will we continue to see decisions quite ambitious and quite risky decisions like funding Lochboisdale Port of Entry for example; funding the likes of Inverness Campus; creating bodies such as Community Energy Scotland or even the Community land Unit who are now effectively delivering across Scotland and not just in the Highlands and Islands and many of these decisions were decisions that were taken by the HIE Board as currently constituted. So what we need to do is make sure that whatever is put in place in the future is still able to make those really ambitious risky decisions that will actually deliver not just for some of our more peripheral communities but actually set a standard for what can be delivered across Scotland and I think that that's quite a helpful test and that certainly the question that we will be asking in terms of any proposals that come forward.

**John Swinney: Alex:**

**Alex:** I would acknowledge that we've not got as much skin in the game as the other Highlands and Islands as we've only got 2 populated islands but I wouldn't disagree with what's been said by my colleagues but I'm interested in the regional partnership part of the report because we have been chosen as one of the pilots and we already have started on that. We've got a Growth Deal which we're rolling out and we're going to use the results of that as evidence to try and inform our regional partnership in Ayrshire. So I'm interested in that and I'm interested in how these reforms would affect that; clarification of how the governance would affect regional partnerships; clarification of the government's thinking on that; and also I would echo what

**Margaret** said where she talks about the City Regional Deal - for us the Ayrshire Growth Deal would be key to that because we would see that as being a key element of any pilot that we would run in the Ayrshire area.

**John Swinney:** Thanks **Alex**. Anyone else? **Norman:**

**Norman:** Thank you **Deputy First Minister**. Just very briefly to support the points that **Amanda** just made in terms of the Community Energy Scotland and the Community Land Unit that these were delivered through the Highlands and Islands Enterprise on a regional basis but they grew out of a desire and demand from the community and support from within the community and a recognition that involving the community in that way is the best thing to do and I have to say that the community land purchases that have been assisted by government consistently are the most progressive things that are currently happening within our communities right across the Highlands and Islands and across other parts of Scotland and its now being rolled out through the community empowerment legislation. So I think there is a real clear signal there on a regional basis of being able to take these ideas; work with the communities; work with other agencies including local authorities; and deliver a real difference and results to local communities. I'm just supporting **Amanda** in what she said and the evidence is there to be seen in just about every community in the Highlands and Islands.

**John Swinney:** Ok. Let me say a few things before we come back to **Keith** or anyone else who is free to comment on what I say. I think we've got to be really careful about this debate because as I said moment ago the government values enormously the contribution of Highlands and Islands Enterprise and acknowledges the strategic achievements that have been made as a consequence of the work of the organisation and there is absolutely no question that the organisation will not survive the enterprise and skills review. There will be a Highlands and Islands Enterprise as a consequence of the review. That is not in question although when I listen to some of the contributions it sounds like people think that's in question and it's not in question - not in the slightest - but what has to be addressed by government is the overall performance of the Scottish economy and how we can maximise and improve that performance and that also is as relevant in the Highlands and Islands as it is in every other part of the country. So I look at the Highlands and Islands economy and I'm frustrated by the fact that there isn't as much international activity going on in the Highlands that I think there should be and I think that you've got an entitlement to have. So that says to me the existing arrangements are not providing enough international impetus to ensure that these areas are able to get the opportunities to which they are entitled and why should that be the case? It's ridiculous that there isn't as much international activity going on here as there should be. So the review isn't just about having something taken away from the Highlands and Islands as has been suggested. It's about trying to enhance the proposition that's available to the Highlands and Islands to maximise the opportunities that exist for the Highlands and Islands and when I look at examples like policies on enterprise

and skills they don't take their course in isolation. The government is deeply committed to community empowerment. That's why resources have been significantly improved and increased for the Community Land Fund. It's why we're able to do much more in community land aspiration - because we've got a wider set of policy interventions that are relevant across the country where people can take those opportunities and can make of them what they can and as a consequence contribute significantly. If I look at the economic contribution to Scotland of parts of the Highlands and Islands some of it is much greater now because of the impact of the Community Land Fund than was the case ever into past. So there are policy solutions which are enabled by the actions of government looking at things from a strategic Scottish perspective that really enhance the economic possibility of individual localities that have struggled to achieve that economic performance in the past. When it comes to the whole question of the direction of this process that the government is involved in I ask you to accept at the outset that the government has just as much – if not more interest – in supporting the repopulation of areas of the Highlands and Islands as anybody else because that is how we create sustainability. If we have communities – that is one of the things that I am so vexed about Brexit – because actually what has happened – migration has actually helped us to strengthen and boost the population of the Highlands and Islands and that's what is the folly of this. So we're anxious to make sure that what we take forward assists and supports that development opportunity across the Highlands and Islands because from that will come greater economic opportunity and greater possibility of contribution from the Highlands and Islands into the wider Scottish economy which will help our national stats but will also create real traction on the ground of economic activity for communities. I was just looking at my detail on fibre broadband roll out to Shetland the initial objective was 76% coverage and we're not at the end of the contract yet but it's at 79% coverage. I use that simply to cite the fact that we are opening up tremendous opportunities for this area to be part of a wider and stronger economic performance in Scotland but we need to get the arrangements in place to make sure that can happen and none of what I've heard this morning about partnerships, the need to work together, about the need for collaboration and joint purpose is in any way comments with which I would disagree. I've been at the epicentre of arguing for collaboration and partnership within the public sector in Scotland over the years but I do pose the hard question why has it been so hard? Aren't there institutional obstacles in the way of making it more able to be collaborative and those are some of the issues that government cannot avoid given the fact that we exist within challenges in the public finances but we also have to make sure that we deliver stronger economic performance as a consequence and I think we've got to be really careful that we don't confuse issues which are genuinely real challenges in the Highlands and Islands communities which I acknowledge they are – the delivery of care service in profoundly rural locations are I acknowledge a real strategic challenge for public authorities but they will not be addressed by the enterprise and skills review with the greatest of respect. I think what they will be addressed by is integrated health and social care which the government has already

provided for which Ministers are very keen to make sure we maximise the capability and the capacity of these approaches to be dispersed in a way that suits the needs of people in all localities in Scotland but particularly in rural areas. So I think for me this review is an opportunity for us to make sure the Highlands and Islands is able to have access to an even stronger platform of economic growth and economic development an economic opportunity and rather than in any way diminish that because how on earth would that be in the interests of the government to diminish that but what we want to make sure is that in all the different aspects that we look at we can ensure that the Highlands and Islands is able to be a beneficiary of that stronger platform and therefore able to contribute more to the Scottish economy. So that's my two pence worth. Any other observations on that? **Willie:**

**Willie:** Thank you Deputy First Minister. There have been few comments about looking at this from the bottom-up and at the risk of lowering the tone and if I can mention money and when you're in the school sector and the colleges sector you're dealing with a plethora of different funding bodies. On the face of it that's an opportunity perhaps to tap a number of shoulders but it also means if you are in a small college - in Shetland we've got 2 academic partners of UHI – 2 small colleges – so there a few people around to actually work to chase funding whether you're dealing with the Funding council, SDS, HIE or dealing with our overarching body UHI. It is difficult and I think we all accept the need for greater collaboration but that's got to result in more cohesion and clarity for those at the bottom who are having to work with these different bodies so we're not constantly peddling amongst a number of different partners to try to get funding in to fund learners coming through and in Shetland I would like to thank **Gary Robinson** for his kind comments. We're doing very well in a number of respects. We're also working hard to achieve that but we're struggling in others. So it is a plea. Collaboration's great but pleas ensure that's result in cohesion and in clarity for those who are at the bottom.

**John Swinney:** In my view that's a key part of what we're focusing on here which is to bring a much greater degree of cohesion to this system. Ok. anyone else?

**Stephen:**

**Stephen:** Thanks for letting me in again. I very much welcome the statements you made regarding the recognition of the issues on depopulation, support for our area and the fact that the government having an interest in addressing these issues every bit as much as we do and I welcome your statements and I don't doubt the sincerity of it but I felt inherent in what you're saying was kind of challenge to us that we're being defensive around HIE and I would say that we can legitimately be defensive around a lot of things because we don't see the same understanding over issues for instance from the Westminster Government or other national bodies but I don't think we're being solely defensive. I think we are making a good point that the HIE Board adds value to the enterprise agency proposition and that it would be to the detriment of our area if HIE was simply going to be a rebadged region of Scottish Enterprise. You made the point around lack of international performance and I don't think that's

a fair point to challenge HIE on because the international development aspect of HIE was abstracted from it and put in the hands of the SDI to deliver in our area so I feel that fingers need to be pointed at SDI every bit as much as HIE in respect of that point. I used to work for HIE so I have a declaration of interest here I used to work for HIE about 15 years ago and at that point it was an agency with a budget of £120m and 4 main areas of interest which included skills and international development. They don't have the interest in skills and international development now and the budget's down to £60m. So I think it's an agency that's been disempowered through time and we should be looking at how it can be further empowered as we go forward as well.

**John Swinney: Alistair:**

**Alistair:** Thanks. It's probably going on from what **Stephen** was saying. I don't necessarily recognise all you've said. I've worked up here a long time with local authorities and I've been on the HIE Board now for 3 years. I do see improvements that have taken place over the last 9-10 years. I was part of a council that was critical of HIE and critical of other agencies but they have improved. They have worked together and I think partly that's because of the strategic direction from local authorities at the top; from other public agencies that are involved whether that's UHI or the NHS and there is a real determination to make the Highlands and Islands a better place. So I think it's really important to see what has been the successful parts in taking the Highland - for example the population - big increase - not in all areas but a big increase overall. So what are the successes; why get rid of these - is the point I don't quite get. One of the great benefits to Scotland is setting up a South of Scotland Development Agency. Now where that's coming from and talking to the leaders in the Borders in the past they've always picked up on was why are HIE so successful or why do HIE make a difference in the Highlands and Islands to the development of the economy? Now I accept - and I've always accepted - that every organisation and every partnership can get better and I'm sure that everyone in this room is determined to make the Highlands and Islands better. I don't see anyone here who really wants to make it a stagnant area; they want the population to increase; they want the economy to improve and whatever happens with the review - and I think the strategic board is a good way ahead - I'm acknowledging that - to encourage the kind of partnerships and the kind of growth that you want - but I think working together we can continue to make this a really successful region.

**John Swinney:** But I come back to reiterate the point that I made that nobody doubts the progress that has been made but the government has as much interest as anyone else in making sure that were ever more successful in driving this agenda and that's the challenge we've got to address to identify how we can most effectively do that. **Norman:**

**Norman:** Thank you Deputy First Minister. I'm not going to try and give a full answer to the question of why it's not happening but largely it's down to people and it's down

to competing organisations competing for a much smaller pot of funding from government and that's drives that and in fact the government had to legislate for health and social care integration to finally take place because neither health nor local government were able to bring that together without that legislation and I would hate to think that that would have to happen in every instance but there is a reason for optimism through health and social care integration that through time - and not a long period of time hopefully – that will start to deliver results for many people including the people that we're caring for but health and social care integration on its own is not going to resolve the issues of sustainable communities. It requires a package of measures and employing young people and giving them a reason to stay in communities rather than moving elsewhere is a significant part of that and HIE are only one part of that. I'm not one who believes that HIE should remain the same as it has been - now or even in the past - I think it has to change and one of the significant changes is that it does have to work with local government, with health with the higher education and further education sectors and that possibly hasn't been happening as well as it could in the past otherwise we probably wouldn't be here.

**John Swinney:** Ok. **Gary:**

**Gary:** the point of difference does seem very, very small here because everyone's is accepting that we can do better; that there are opportunities that we've got to be able to grasp; and there has to be lots of developing partnerships and I think an awful lot of what is being described within the paper and the proposals will achieve that. The concern is around whether if the strategic direction of that is entirely held within a Scotland-wide organisation or board directing the organisation of the board then does that put at risk some of the opportunities that make significant impact in the smallest remotest communities and there is concern that they will just get lost - and not just even the smallest ones - some of the larger ones as well like the University of the Highlands and Islands – it does seem a very small area that we're disagreeing on but a significant risk that people here are identifying that we really need to think through jointly before a final decision is made.

**John Swinney:** Ok. **Charlotte:**

**Charlotte:** I think I just wanted to endorse the point in case that was coming across that Highlands and Islands Enterprise has no resistance to change. An organisation that's been around for 50 years can only have been around for 50 years by sensing the need for change and evolving and developing to meet the needs of the communities that we serve so we are absolutely up for it in terms of the ambition for the Highlands and Islands to be continuing to punch above its weight in all aspects of what we contribute to the enterprise and skills agenda and I really want you all to leave the room with that thought that we are ambitious for the future and the Highlands and Islands will continue to play more than its role for Scotland .

**John Swinney:** Ok. Thanks **Charlotte**. **Keith** do you want to respond to these issues?

**Keith Brown:** Thanks very much and there's been a number of comments made and can I just assure everyone that they have all been listened to and both **Dominic**, myself and the Deputy First Minister are involved in the ongoing process which next has the Ministerial Review Group and these points will be taken on board. Many of them have been up until now but there are some new points which we will take on board but just to back up something that the Deputy First Minister was saying though it seems unlikely to me that we've got a difference in what we're trying to achieve. If you look at the Scottish Government's approach I think since 2007 – I can't speak about it before then – if you look at the investment that's taken place in the Highlands and Islands – if you look at the impact that RET for example has had on many of our communities or new ferry routes which have been established or existing ones which have been protected in relation to the Northern Isles ferry contract – if you look at the 2 biggest capital projects - which the Scottish Government has - which will both culminate in Inverness – they won't touch the whole of the Highlands in that sense – although they will have an impact – the A96 £3bn or thereabouts and the same for the A9 – never happened before under any previous government – there's never been a commitment to do that – the City Deal that **Margaret** mentions for Highlands Council – I think another expression of our support – this body itself – I think the personal commitment which **John Swinney** has shown to this body as well – in addition to that if you think about the Fort William investment – the Rio Tinto one – that is evidence of when the bodies work together that you can achieve something very substantial - and I think it was **Charlotte** who was saying this morning about the renewed sense of optimism which is there now from the situation where there appeared to be a 5 year rundown. So in all of these things - and it's also true in terms of connectivity - although I do worry sometimes that the government's commitment to have everybody with the possibility of fibre broadband – what happens if someone decides to locate themselves to St Kilda in the next couple of years then we could be in a bit of trouble with that – so there has been real and substantial commitment and there is no sense I think from anything that has been said that we don't; share the same aims but it is the responsibility of government to look at these things and take a leadership role in relation to it but I can come back on some of the points that were made and I've got copious notes here about everyone's comments but some of the ones – **Margaret's** point about Team Scotland - which is something that **Lorne** is talking about and saying Team Highlands and Islands and it relates to other points. Part of the review which has not really had the focus perhaps that it could have had and it partly comes back to **Alex's** point as well is that the idea of what we can do in terms of skills development on regional basis and that is still to be developed as part of the second part of the review and you can start to see more collaboration – whether it's in terms of the Ayrshire Growth Deal or in terms of Highlands and Islands - and again **Norman's** points – I think **Norman** made a point about people have to work together and the

example you gave in relation to the Western Isles – there has to be an obligation on that to happen if it hasn't happened so far – many people in this room - not least **John Swinney** but others as well - have said there's got to be collaboration; there's got to be alignment and it's not happened but you have to try and take that forward to see what you have to do in order to achieve that. I think the points that have been made in terms of – I think generally support – I wouldn't say it was unanimity but general consensus round the need for the strategic board and a strategic vision – the points that have been made though about the need for engagement - I think **Alistair** made this point at the start – the need for engagement with the local stakeholders – a very powerful point made by **Norman** in terms of bottom-up of how the local communities influence something like a strategic plan if it's not routed in local communities – it's not going to serve local communities and that's one of the things that we will have to wrestle with. In relation to the board a number of people have said that the board itself has to evolve and again certainly we're looking to listen to that and there's also been mention of having consistency across Scotland and the point that was made – I think by **Stephen** – in relation to SDI – that's something I've been seized of. Why have HIE felt they have not had the support from SDI that they could have had? I can't go back into the previous times when it was separated but why have they not felt they have had the support? I think they would feel they had the support in relation to Fort William. It worked very effectively with different agencies there but if they're not having that support then you have to change it to make sure that you get that support and it's got to be more seamless. So I think there's actually quite a substantial degree of consensus in what we're trying to achieve in relation to this and one other point I would make is about the economic development functions of local authorities - and I forget who it was - but somebody mentioned that this issue should really be part of the consideration. Well at the start of this review - when I was handed it - when I got this job- we had that discussion to make. Do we try and include both Business Gateway and the economic functions of local authorities and we took the decision - no. Now if we had said yes we're going to review the economic development function of local authorities and Business Gateway what do you think the response would have been from local authorities? Well I'm pretty sure it would have been pretty negative and we have **Stephen Hagan** on the Ministerial Review Group representing COSLA and he – I think he had the same view - but he has now come round to the view as has been expressed here that there has to be that level of consideration – is there something greater that we can achieve? We will only do this at the rate that local authorities and COSLA want to do this but can we achieve more by thinking how we do regionalisation having regard also to local authorities and in relation to Business Gateway and in relation to economic development. So we are trying to take a holistic approach but we want to work in tandem with local government to achieve that. I think if we can get it right - and it's not an easy thing to do - but I think it's sometimes surprising to find how much our views actually coincide on this - when you look at some of the coverage it would seem to suggest that we're poles apart and I don't think that's the case at all. Just to leave you with that final reassurance

that all the points that you've made have been listened to and they are being taken on board - I think many of them were reflected in what **Lorne Crerar** has done - and I'm sure they will be rehearsed again at the Ministerial Review Group but just to say that in relation to - I think - the 9 workstreams which **Dominic** mentioned – there is an open invitation to all the bodies here and especially including the local authorities to be involved – not just **Stephen Hagan** and representatives that come along from COSLA for them to be involved in the work streams as well - to try and influence them because we realise we get a better outcome if they do that. So I think there is a great deal that we have in common and we are taking on board the points that you've made and more will emerge over the course of the next few days when **Lorne's** paper is made public and we have the Ministerial Review Group.

**John Swinney:** Thanks very much **Keith**. Thank you colleagues for your contributions to that discussion. As **Keith** says that's very much an element of work in progress and the government's perspective which will reflect on the points that have been made today and come to the conclusions with the Ministerial Review Group and of course there will be opportunities for further dialogue on all these questions going forward. We're going to take a break just now and we'll reconvene at 11.30 to discuss the draft energy strategy which **Paul Wheelhouse** will lead for us. Thank you.

**John Swinney:** If we can reconvene and we'll move onto look at the draft energy strategy and there's a note about that today and colleagues will recall that Ofgem and National Grid attended the October meeting of COHI to discuss the impact of network charges on fuel poverty and we had issued an invitation to the UK Energy Minister to attend today's meeting but with different Ministerial changes in the UK Government the new Minister wasn't available to attend today but I'm sure in the light of our conversation today we can reissue an invitation in due course if that would be helpful to everyone involved. What we would like to take the opportunity to do today is to discuss the recent publication of the government's draft energy strategy in the absence of the ability to take forward the discussions from October and **Paul wheelhouse** is here to lead that discussion. **Paul** over to you and then we'll take some comments on that issue. **Paul:**

**Paul Wheelhouse:** Thank you Deputy First Minister. I am indeed grateful for the opportunity to present to COHI today and take advantage of the fact that UK Ministers are not available to fill you in on the work we are doing to develop Scotland's first draft energy strategy and hopefully finalise energy strategy later this year. It's been published for consultation on 24 January. I've just got one copy here we'll make sure that links are sent round to everybody who's here today just to make sure you've got access to all the different consultations that are currently live around the draft energy strategy but it set out a vision in short for the future of energy in Scotland between now and 2050. There is a particular focus - as you imagine I'll come on to - supporting the work that **Rosanna Cunningham** the Cabinet Secretary for the Environment is taking forward on the Climate Change Plan and that has its first task to deliver on the detailed annual strategy climate change targets to 2032 but the strategy is the first of its kind. As I say it's describing our energy system covering both the supply and use of energy in Scotland. It's as we termed it a whole system approach which has been I think broadly welcomed by the industry and it's looking to make progress on the heat and transport follow-up on the excellent progress that's been made to date in the area of electricity supply and I'm sure as most of you probably know we achieved the interim target for 2015 and smashed through it indeed with 59.4% of Scotland's effective electricity demand being met from renewables by 2015 which is fantastic. The choices laid out in the draft strategy are underpinned by our climate ambitions as I say which have intern been determined by the commitments being made under the 2009 Climate Change (Scotland) Act and the strategy seems to support delivery as I say of the annual strategy climate change targets to 2032 but that also goes beyond to look at what we need to achieve up to 2050 when Scotland as a whole has to reduce its climate emissions by 80% based on the 1990 baseline and this vision for the future of energy in Scotland is consistent as I say and been derived in parallel with the Climate Change Plan using the same modelling techniques under a times model to develop 2 strategic documents which hopefully work very well together and that Climate Change Plan was published on 19 January. As I say it's driven by the same ambition to reinforce our position in the vanguard of the international move towards

low carbon future but also I should stress to do so in cost-effective way and to ensure we maximise economic opportunities arising from the transition to low carbon future and also to reduce the risk of carbon leakage which is the loss of economic activity from Scotland because of potentially having a higher degree of regulation around carbon emissions. There are many opportunities we feel for Scotland in securing the benefits of the transformation required in our energy system and I'm certainly committed myself to working closely with a wide variety of stakeholders and international counterparts to maximise the opportunities building on the existing economic strengths of the energy sector in Scotland whilst protecting energy security and tackling fuel poverty which I'll also touch on in my remarks. We can all be proud of our successes to date especially in renewable electricity as I say but it's very clear that more progress will be required particularly as many areas of the energy face an uncertain future at the moment not least regarding low islands projects - which I'll turn to in a moment - but also clearly there is some uncertainty in the oil and gas industry and indeed in some sectors of renewables such as in hydroelectricity production and pumped hydro but to maintain momentum a new 2030 all energy renewables target is proposed in our energy strategy setting an ambitious challenge to deliver the equivalent of half of Scotland's energy requirements for heat, transport and electricity from renewable sources and just to make you aware of the scale of the challenges it's roughly about 15.4% at the moment. So although we've got over 50% of our electricity being produced from renewables there is a lot of work still to go on heat and transport. So 50% might not sound ambitious when we've already achieved that from electricity but believe me it will be extremely challenging as I'm sure many of you know across wider society and we want to demonstrate a commitment to our renewable future and to the continued growth of a successful renewable energy sector in Scotland and as I say the new target is challenging but it's been welcomed by a wide variety of stakeholders and indeed has significant cross-party support as well as support from industry. Getting the market right for renewables will be critical as costs continue to fall particularly in the onshore and offshore wind sectors but providing certainty and leadership despite recent extremely unhelpful changes to the UK Government framework for financial support for this sector is also important and I want to touch on islands renewables right now. The draft strategy reaffirms our very strong commitment to capturing the renewables potential of our islands to help our efforts to decarbonise and also supporting local economic growth. Members will recall that at the last meeting of COHI in October a joint letter was sent for the Deputy First Minister and island leaders to **Greg Clark, Baroness Neville-Rolfe** replied on his behalf in December although by that time we were already well aware that she had outlined a consultation which ended on 31 January. I spoke myself to **Baroness Neville-Rolfe** on the morning of the announcement and conveyed our displeasure at the requirements for a second consultation even being required - and I'll touch on that in a moment - but I also want to highlight the concerns we had relayed to **Baroness Neville-Rolfe** around the commitment which had previously been given around marine renewables and that having been not kept to. The 100 megawatt

commitment had been allocated in theory to allow for CFD budget to be provided for marine energy was not provided and therefore those technologies are required to compete with more established renewable technology for CFD purposes - but I want to highlight just some other issues which we are flagging up in the consultation – so I think it was referred - the Tidal Energy Nova Innovation Project – **Gary** mentioned that in the Bluemull Sounds - we very much welcome that - it was a world first - I don't know if **Charlotte** is delighted to know that the third turbine was named **Charlotte** and I don't know if it was after **Charlotte Wright** but it's all very fitting – we have published also an onshore wind policy statement which is a very detailed document which is looking at the future as we see it for the development of onshore wind in Scotland so clearly for areas of the Highlands, Moray and Argyll and other parts of Scotland will be very much interested in that but we want to encourage as much feedback into that because there are some questions being posed around repowering potentially, extension of life to sites - some challenges to overcome in terms of route to market where we don't have currently an identified route to market for new onshore wind projects and we've also highlighted the importance as we see it of pumped hydro storage and the existing fleet which is providing a very important role for Scotland and the GB energy mix. There are a number of projects which have been consented – **Corry Glass** and **Glen Matiluch** in Dumfries and Galloway which currently again have no route to market which currently have and we're trying to encourage the UK Government to look very carefully at that both from a point of view of providing the ability to balance the grid and to ensure the quality of electricity that's generated in the grid is maintained but also to provide black start capability in the event of power outages – very important to invest in pumped hydro and in community renewables as well which is a very big thrust of the draft energy strategy which given the point that was made earlier on around the significant impact that community land transfers have had in areas like the Western Isles and indeed other island communities and across the Highlands and Islands of Scotland we are clearly seeing those huge opportunities for communities across the Highlands and Islands to benefit from a very much greater strategic focus on community renewables. As you may know we've already hit our 500 megawatt target for 2020 but did it 5 years early. We have looked to double that target for 2020 to one Giggawatt and set a target of 2 Giggawatts for 2030. The intention is that by the 2020 at least half of the projects that are being consented will have a degree of shared revenue potentially as well and these are important drivers for our policy. The consultation that the UK Government set out for remote island wind was a great concern to us and it stated - and I want to quote here - just so everyone is aware of what the UK Government has said because I think it's important – and I quote here: “The government is seeking views on its position that non-mainland GB onshore wind projects should not be classified as a separate technology nor allowed access to pot 2: less established technologies – but should but should continue to be treated as onshore wind. This consultation is to seek evidence on this issue from respondents and should this result in for example the evidence or strong justification being provided the government is open to considering the possibility of distinct treatment for

non-mainland GB onshore wind projects.“ the negative minded position of the consultation has been of great frustration for many including myself and my colleagues in the Scottish Government and as the membership of the Scottish Islands Renewables Delivery Forum has worked tirelessly over the years to deliver on the UK Government’s position. In 2013 in a previous consultation the island wind was a distinct technology that merited separate support. So we have made all these points to the UK Government. We have put in a strong submission ourselves to the consultation but the **Baroness** indicated in conversations with myself and the Cabinet Secretary **Keith Brown** that the consultation is genuine so we have to take that at face value however it’s that the timing of the consultation means projects will be excluded from the April CFD auctions which is obviously very much of concern to us behind the projects and we see no justification for a new consultation being undertaken given that such a clear result in the initial consultation in 2013. The Scottish Government has now submitted its response to the consultation and as I say this is available on our website and I believe it is a compelling case. It’s a case that’s informed by the UK Government’s own case that was made to the pre-notification state aid case that was made that was made to the European Commission so we have been able to play back some very strong point that were made in that to the UK Government. The Scottish Government and HIE have been working very closely with the island stakeholders, developers, communities and supply chain companies to generate a high level of participation in the consultation exercise. We have been very encouraged by the quality of the responses submitted and I would like to thank all the island stakeholders for their efforts and indeed HIE and other partners for putting in such a strong submission and we hope that common sense will prevail. Our own response highlighted the many advantages of island projects and how support for island projects would contribute towards the UK Government’s new industrial strategy and the prioritisation of cost reduction, value for money and economic gain in UK energy policy. Specifically it outlined the island projects will benefit GB energy consumers by generating greater competition - the auctions itself will allow for price reductions for energy – that the island projects can offset other burdens on consumers for example the Shetland Cross Subsidy which cost £28.5m annually – we have made the point to **Greg Clark** that this would mean round about £700m in total of subsidies which could be averted if there is an investment in the connections to the mainland grid which is a 25 year period – so there is a very compelling case from an economic point of view and a public sector finance point of view to make the investment in connecting Shetland to the mainland but to contribute to more balanced economic growth across Great Britain as sought by the BIS Green Paper: Building Our Industrial Strategy. It offers remote islands remote island and offers an unique scale of local community and reward and will deliver economic benefits through community ownership and community benefit revenue streams to some estimates of £725m or thereby of economic benefit to local communities if remote island projects are able to progress. We also commissioned an update to the 2014 Zero Grid Access Study that formed the basis for the earlier work of the Scottish Island Renewable Delivery Forum. The documents have been

circulated to the Orkney, Western Isles and Shetland Island Councils and are also available on our website. So in terms of turning to next steps - and this touches on **Councillor Davidson's** point earlier on – we 're now in frequent contact with **Greg Clark** and his office to confirm his visit to Scotland. Our latest engagement suggests this will be mid-March and we hope to confirm a date as soon as possible but it's our expectation that he will visit the Western Isles and we will co-chair the meeting of the Delivery Forum to discuss the consultation and the next steps for the islands however given previous occasions such as this we obviously remain mindful that there is potential that personnel changes take place but we are keen that **Mr Clark** does attend in person rather than delegating to one of his colleagues – but I would like to turn now to oil and gas. The strategy makes clear our commitment to the oil and gas industry in Scotland as a key contributor to security and stability of energy supplies through the transition to a low carbon economic model but around three-quarters of total energy consumption in Scotland is currently being supplied by oil and gas. The exploration and production of oil and gas in Scotland's waters will continue to provide high value employment and a stable energy supply for decades to come. Our ambition is that that our oil and gas sector will continue to make a positive contribution to the energy sector in Scotland providing the engineering and technical bedrock for our wider energy transition and exploring the role of new forms of energy and technologies like hydrogen and carbon capture and storage. We are receiving very positive feedback from the industry around increased levels of exploration in the current year. The industry itself is expecting to see a bit of an upturn in activity and obviously we have the Chrysaor deal with Shell which has seen a transfer of some assets which have gone to largely a new operator effectively in the Scottish sector. This is following the OJA's guidance around having the right assets in the right hands at the right time and we are very confident that that move will actually be net positive for the sector allowing Shell to focus its investments on its newer fields and exploring new fields and allow a specialist operator Chrysaor to take on assets which are more mature and actually get the most out of them in terms of maximising economic recovery. The government has been doing a lot of work around areas of decommissioning trying to ensure that Scotland captures as much of the value in the supply chain as possible and I am very confident that the Scottish sector and the supply chain is receiving a large proportion of the activity particularly in well plugging and abandonment but we are conscious of the strong interest from across the Highlands and Islands in the shoreside activity in terms of the disposal of top side structures and I just want to draw the attention to those attending COHI here today to the Decommissioning Challenge Fund which was launched by the **First Minister** which is a £5m fund which is to try and pump prime the work around innovation and disposal but also to help facilitate the work that is necessary to identify ports and harbour opportunities that there may be and to help identify the best options for investment for the sector. I want to turn now to new sources of energy and technologies. Advances in technology mean that new innovative ways of using hydrocarbons are emerging and we can be confident that they will continue to do so in the decades ahead. Through our strategy we are committed to

review the role for technologies and energy sources such as hydrogen as transitional fuels for use in transport, heat and industry and bearing in mind that currently heat makes up 54% of Scotland's energy consumption at this moment in time and it presents a very large opportunity across the country for new investment for new players in the field to help with the roll out of district heating projects and other alternatives and we see the potential for hydrogen for example to substantially reduce the total system cost of decarbonisation providing a range of services to our energy system and integrated low carbon solutions across heat, power and transport. Such innovations are already here. As many of you will know in Aberdeen we host the largest fleet of hydrogen powered buses in Europe supported by 2 hydrogen refuelling stations. At the Levenmouth Community Energy Project in Fife renewable wind power is being used to run a fleet of hydrogen Fife Council vehicles including sort of transits and some refuse collection vehicles and that is a very exciting project and of course in Orkney wind power is also helping to generate hydrogen to be stored for future use in a hydrogen ferry fleet and the energy strategy is not purely about the supply of energy our energy strategy seeks to address the needs of those least able to pay for their energy; supporting energy solutions that provide warmer homes and better outcomes for consumers overall particular for the most vulnerable in our society and we're placing renewed focus on energy efficiency; taking a targeted approach to reducing demand and improving the energy efficiency of Scotland's homes and buildings including non-domestic buildings through Scotland's energy efficiency programme which is being promoted to being a national infrastructure project and we're currently projected in the budget - which will go before Parliament this week - to spend more than £500m of Scottish Government funding on that between now and 2020. So it's a significant area for investment by government. In the early years it's primarily focused on the domestic properties and trying to tackle fuel poverty as I'm sure you would understand but we're increasingly looking for opportunities on the non-domestic premises as well to try and help business to lower its carbon emissions and importantly make savings in terms of energy cost but under the strategy we're consulting upon the method by which we set an energy efficiency target for 2030 to best reflect the ambition set by the proposed European Union 2030 energy efficiency target of 30% and we're committed to helping Scotland's industry and manufacturing sectors to deliver enhanced energy efficiency and thereby improve their competitiveness. Scottish Water – one of Scotland's largest users of electricity - has already led by example by focusing on renewable energy regeneration energy demand management to reduce costs and lower its carbon footprint and just to give an example in just 3 years has raised annual financial savings to over £7m; cut carbon emissions by 15% and facilitated over £0.3bn of private investment on its estate making a significant contribution to national economic carbon and renewable energy target. Encouraging innovation in transport and low carbon vehicles will also be critical to supporting our energy transition with over 40% of new cars and vans targeted to be by 2032. Scotland will need a more flexible energy system which can accommodate the many choices that consumers and generators will make in the future and this energy

challenge represents an exciting opportunity to capture economic benefits of pioneering these approaches in Scotland. Turning to local energy systems - which will be of great interest I believe in the region - we remain committed to creating vibrant local energy economies as part of our response to the transformation of Scotland's energy system and we'll take a strategic local approach to planning for energy and explore the role of a government owned energy company and the creation of a Scottish Green Energy Bond to support renewable energy projects. There are specific questions in the consultation around the draft energy strategy on those 2 subjects and we would really welcome interest from around the table in those matters but as many members here will know many of Scotland's remote island communities are already successfully demonstrating complex energy solutions with innovations being driven by their isolation from mainland energy and supply networks. I've mentioned it earlier on but Orkney is home to the UK'S first Smart Grid enabling renewable generation to be connected to Orkney's distribution network at a considerably lower cost than a conventional network connection and the Surf and Turf and Big Hit Projects demonstrate a fully integrated energy model where hydrogen is produced using electricity from tidal and onshore wind turbines then stored in a fuel cell and used to provide low carbon heat, power and transport. There are many other good examples in other areas of Scotland which I'm sure you will be familiar with and before I conclude I just want to draw your attention to a couple of important points just for the record to make sure the details are circulated. I and my teams are supporting and hosting a number of events to support the energy strategy consultation in the Highlands and Islands including an event on renewables in Argyll & Bute Renewables Association in mid-March; a SEPA event in Inverness on 14 March following the SEPA workshop with island councils in December. There will be events with HIE , Highland Council and Scottish Highlands Renewable Energy Conference in April; and a large scale consultation event hosted by the Scottish Government is expected to take place at the end of April and we'll send details to members in due course so that you are aware of how to get involved in that. Another point which is very important for those who have an interest in marine energy is that the UK Marine Energy Programme Board has not met for some time and has no plans to do so in the near future – established this in a round table meeting with the industry and officials from BIS just before Christmas however we strongly believe that this is the pivotal time for the industry and we need to see a similar forum which will bring together the key stakeholders from across the marine energy sector which is why I recommended that Scotland host an equivalent group since there seems to be no appetite on the part of the UK Ministers to resurrect that discussion. We were disappointed at the UK Government's non-committal response to being part of such a group as well. So at the moment we haven't got a commitment from them to even participate in our group but we will continue to press for that. However the Scottish Government will continue to support the growth of the marine energy sector in Scotland with or without the backing of the UK Government and following the meeting on 20 December my officials met with industry representatives on 9 February and plans are now being developed to establish the

best way that this group can support the sector so I'm sure it will involve the Highlands and Islands Enterprise but we will also be keen to make sure that we're bringing in the best expertise from around the Highlands and Islands area as well. So in conclusion I am very pleased to be here today to present an update on this work. We recognise the many opportunities to learn from each other to explore the choices we face collectively and to work together to tackle the challenges that lie ahead. I am very keen to make sure that the energy strategy when it is produced takes very much account of the local context across the Highlands and Islands and that the policies that are designed to work across the entire coverage of Scotland. We're looking to stimulate well-informed debate on energy challenges in Scotland and the policies needed to meet our aspirations to deliver a secure sustainable energy future for all. We are very keen to engage with you and indeed your communities both today and throughout the consultation period. It's been helpful just to set out some of the key issues that we're looking at.

**John Swinney:** thanks very much **Paul**. A vast amount of detail in amongst all those questions. Can I open it up for contributions around the table on the issues that we need to address as a consequence of this. Obviously the island renewable's issue has been a persistent issue that has been on the agenda of COHI for some considerable time. **Norman:**

**Norman:** Thank you Deputy First Minister and thank you Minister for that very detailed update on the energy strategy particularly the consultation. I think it is hugely disappointing the response that we have had from the UK Government and certainly very appreciative of the work that has been done by the group set up by the Scottish Government which **Fergus Ewing** has been involved with over a number of years. I think that gave us reason for optimism in terms of getting a connection. We don't particularly care what they call it whether it's offshore wind or onshore wind as long as we have the same opportunity as other communities the length and breadth of this country to engage in renewable energy and provide energy for our communities that is more efficient and certainly more efficient in terms of the carbon footprint it gives and gives us the tools to rectify a number of other ills within our community. The Minister spoke about community land owners and the way they're embracing renewable energy and are using the financial benefits that come from that in very innovative ways. There is a community that is using it to eradicate fuel poverty in its community. It effectively pays out to the elderly people in the community what it costs them to heat their houses. It's not ideally what you would want to do. You would want to do something significantly more positive than that but in the absence of anything else they feel that that's an important thing to do as a starter within their community. They are also using it to subsidise their local shop and again that is something that allows them to provide produce to their community in a way that would otherwise be quite expensive. So renewable energy isn't just about creating energy and people making lots of money out of it or in terms of the green credentials that go with it. It is about supporting communities and the

mechanism we need in all of our island communities more than anything else is the connection to the grid. We are either part of the national grid or we're not. If we're part of the national grid then we should have that conn activity the same as every other community. If we can't be part of the national grid because we're offshore isles then they have to make some other mechanism work in a way that develops renewable energy but also gives us as communities the tools with which we can deal with many of the other issues we face and that's something that we're very comfortable with in general terms with the engagement with the private sector who ultimately are going to fund that connection over a period of 25-30 years. They will pay for the cost of it. What we need is for the UK Government and Ofgem to agree the business case that allows the infrastructure to be put in place . So we have the communities are very much in favour of it; we've also got the private sector developers who are desperately keen to make money out of it which is not a bad thing and we also have communities themselves through the community benefit clauses that are in place will make significant income from that that will help make these communities more sustainable. So we very much appreciate the support of the Scottish Government and the Delivery Group in terms of influencing the UK Government and it is something that is absolutely fundamental to sustainability of our communities going forward.

**John Swinney:** I think one of the issues that arises **Norman** out of your contribution and this issue in general is that as you correctly say we've been on this agenda for some considerable time and I think we need to think through what approaches have the potential to give us the ability to make more progress on this question. I think that's a very hard question but one that **Ministers** are very happy to engage in because of the strategic significance of these opportunities for the island communities so we'll perhaps reflect on that in the course of our conversation today. Ok. Others: **Fergus:**

**Fergus :** Thank you very much. Just to say that from Argyll & Bute's perspective renewable energy has been a great success in our regeneration in terms of a Giggawatt of renewable energy has been produced within the Argyll & Bute area; 14 commercial wind farms; lots of very detailed consents for innovative industries; a wind tower production plant but now the fiscal policy from the UK perspective is costing jobs in our area. It's holding back economic growth. It's denying opportunities for communities to make money or come up with innovative solutions to their own issues. So it's just to get that message clearly across that this kind of attitude is slowing up our potential as a region to contribute to the UK economy and how we could work more in a partnership across all the agencies and crucially the private sector to get that message clearly across to the UK Government that we need kind of immediate action.

**John Swinney:** Thanks **Fergus**. Anyone else? **Margaret:**

**Margaret:** Thank you. I'm sort of at the other end of the line if you like. I will be receiving the power from the Western Isles. I look forward to the day **Norman** because it will go into the big Beaully Substation and I don't think it can be exaggerated with the changed pattern of land ownership in the Western Isles how much that connector would make. I think it could turn the economy of the Western Isles completely around and it's at that level of importance and it is of national importance. So thank you very much for your continued lobbying on behalf of the Western Isles and of course the Shetland connector – whenever **Gary** tells me how much oil they have to burn up there for electricity –it's crackers; it's perverse - and I think you would be the first to say it - so those connectors are really of national importance so that we turn round the key issues there. What I would just like to speak about is community investment and about community benefit. The Scottish Government's support to run up the community benefit that we get from onshore renewable wind and hydropower are really very welcome. It made an industry norm and they haven't argued for some time although I do think we could perhaps push it up a bit now but never mind we'll put that one aside but they are being extraordinarily mean with offshore wind. Scottish and Southern Energy came to me and they're proposing six million offshore divided between Highland and Moray and I thought that was six million a year and I was thinking well now we can really do something for East Sutherland and East Caithness but no, no that's six million over 25 years. Now they are putting in - and it is expensive to put in - but effectively extraordinarily efficient moneymaking machines there for the investment that's going in there - and we really need to find a way that communities that will be living with this can get better benefits. So I would welcome some more conversation - perhaps with your officials initially - to see how we can make investment and communities being able to invest in what they're going to be living with for the next 25 years plus to make that work. At the same time what will also be happening with the big Beatrice Field when that begins next year is that Crown Estates will be making substantial income and I think it's really important that we get it clear again for the communities most directly affected how we can get some agreement to run - even if it is with pilot schemes - while we sort out the Nitti gritty. I know there are still huge bones that need to be chewed between the UK Government and the Scottish Government around Crown Estate investments and I doubt if there's been much progress in the last week while. I'm not seeing much willingness on the UK Government's part to discuss it. Whenever I raise it with the Secretary of State we go on to something else and I think that now we've got an interim body we need to be looking at ways that we can demonstrate fair use of some of that rental income plus there's the Coastal Communities Fund and I believe we now - well I'm only thinking that - that we now have control of that and it would be good to know how we're going to administer that and how we make the best of it. You travel up from the Dornoch Bridge to Wick you will see the communities in every village there going backwards not forwards. Dornoch is actually doing pretty good on the investment in golf and tourism but from Nairn north we've got communities where the schools are closing themselves; the balance of the population is now full of second homes and older folks and we really

need to reinvigorate these communities and the opportunities around renewable energy would to me be that chance plus the Crown Estate and how we deal with the income that comes from that. So that's good. I'm pleased you're having an event in Inverness. That's good. I understand your concentration on non-domestic buildings and **Keith Brown** was there and we sat in a factory that's producing modular units of a fantastic insulation quality and it was sitting in a factory which has no insulation at all – so we were all sitting there in our coats signing the City Deal and I completely understand where you're coming from on that and I think you're right to do some concentration there but the other thing is addressing our fuel poverty. It's been relatively - with the odd hiccup - straightforward where we've got local authority or housing association housing. You can get on with that. You can do that in the city. You can do that in the bigger towns but out in the country it's far more difficult because every house has been built to a different standard. I could show you 12 within half a mile and they are the poorest of the houses – private rented accommodation in rural areas is now the poorest accommodation we have in Highland and I think it is really important that we get to grips with that. The system you've got at the moment is Byzantium. It's just doesn't work for those and I would actually urge you to look at delegating more to local authority for you to sort it out because I think that's where we could sort it out because of the real local knowledge there. So I would encourage you to have further talks about that. If we could get the communities that really need the impetus that renewable energy could give them sitting at the table and understanding how they could invest or to be absolutely sure they're going to get a decent community benefit then I think we could again take a step change. Thank you.

**John Swinney:** Thank you **Margaret**. **Alistair:**

**Alistair:** Thanks. Just first of all it's really great to see the government taking forward a long term view on energy. I think it's really helpful to get that and allows us to get behind it fully. The particular things – some of which **Margaret** and **Norman** have focused on – that are pretty vital – island connections is one of them; I think fuel poverty is another area which I think if we try to address it more individually across the Highlands and Islands then we would get some benefits; decommissioning is another area which again it was mentioned but I think is an area that we need to focus on; marine renewables - really pleased to see the emphasis on that and again like to thank the government for the support for helping set up Wave Energy Scotland and the continued investment in that – I think that's been really helpful. There are companies and partnership collaborations that are trying to take this forward and that kind of investment has been absolutely essential in encouraging the type of innovation. You spoke about collaboration and partnership across the enterprise and skills agencies before and I was pleased to see that in this particular paper and it's absolutely essential that all agencies get together to try to make some of these things happen and whether it's Scottish Enterprise, Highlands and Islands Enterprise or Skills Development Scotland you can hopefully see what

would be the benefits coming from better and closer working on that both in training young people into future jobs but also retraining those that are perhaps suffering in the oil and gas sector. So I was really pleased to see this. I think it's great to take that longer term view and would thank the government for doing that. I can be positive as well **John** as you see.

**John Swinney:** Thanks **Alistair**. Any other comments? **Ian:**

**Alistair:** Can I just pick up one final point. **Margaret** talked about community benefit for offshore and you only have to look round the Highlands and Islands to see what local communities can do with that kind of injection of investment and I would certainly back her up on working together to try and get some of the bigger companies to be more realistic in the support that they can give to communities. There was a fight 10-12 years ago to get onshore community benefit to the level it is now and I think working together again could hopefully improve the current offer.

**John Swinney:** Thanks **Alistair**. **Ian:**

**Ian:** Thanks very much chair. Really just to emphasise just on the SNH perspective I think there's a long record of working particularly with local authorities in the production of development strategies and particularly landscape capacities and it's just to reiterate that that remains the case and I think there's a sound record of delivery there. So I just wanted to make that point - and also again just so that people are aware of this - that we also put a great deal of effort - particularly working with Scottish Renewables - and we've produced a number of - I think fairly highly - this is working together - good practice guides - and again it's to contribute to the successful development of renewable energy projects. Finally I think one of the things that we've been very keen to do - particularly working with other agencies - and regulators - is to see how we can actually join up effectively to give a more smoother and more effective public service and certainly there's been some very good work particularly with SEPA in that regard. So clearly if at any stage if any members of COHI would wish to have further discussions with us and look to how we can take things forward even more effectively then we're very, very keen to engage on that. Thank you.

**John Swinney:** **Amanda:**

**Amanda:** I was wanting to change tact slightly. Obviously there's been a lot of talk about wind and marine renewables but it was really just to emphasise the potential role that wood fuel has in relation particularly in addressing issues around sort of fuel poverty and some of the challenges in terms of domestic heating particularly in some of the more hard to reach areas. The figures speak for themselves. You said that the focus needs to be on heat because 87% of domestic energy consumption is focused around heat and we need to recognise the challenges that we have with our housing stock and the fact that many of these houses are so reliant on oil. So I think the fact that there is support for RHI I think is very positive but I welcome the

development of a bioenergy action plan because it's really important that we can actually match the resource that we have with the challenges that we have and certainly Forestry Commission Scotland will look to work very closely with the team in Scottish Government in terms of providing the input that you need from that perspective.

**John Swinney:** Norman again:

**Norman:** I would just agree with Amanda that we do need going forward we do need to look at other ways of providing heating in some communities and that ties in with the energy efficiency measures as well in new housing. The difficulty there is that that tends to be quite expensive to do and that's what mitigates against people doing that on a voluntary basis and I think there is a real dichotomy there between making houses more energy efficient – I'm sure there are homes within Western Isles that over the last 15 years - through a variety of different types of energy efficiency have been treated yet here we are - we're still finding that some of these houses we're having to go back to put in the newest most effective way of being energy efficient. I think there is a piece of work to be done there so that we're not going back almost every 2-3 years to the same houses to treat them again with something that is yet more efficient. I think we need to be clearer about what our intention is and there will always be changes in technology that will come up with something better than has been before but I think we need to put our focus on the ones that are still lagging significantly behind some of the other properties in terms of that. I think that's something that can be done at a local level as well in terms of using money but not necessarily in the way it is prescribed to bring about that efficiency and some of it goes back to what **Amanda** said in relation to using different means of heating homes as well particularly if you get them much more efficient then you will need much less of an energy source to maintain them at a level that is comfortable. I'm coming back if I can to the importance of the interconnector 2 to the Western Isles in particular. The private contracts and projects that are in the pipeline that have been consented will result in a £2bn capital investment in the islands. That's something that we've never seen before so even with nothing else that is going to transform our economy. The GVA of that is estimated to be over £100m so you're talking about nearly 300 full time jobs at the start of the project construction and 200 jobs going forward. Now that is something that is absolutely transformational and goes back to what **Fergus** was saying about small communities being able to do things that are significant within their communities. This is something that will impact on all communities throughout the islands and it will allow the local developments to happen as well and that's so important and I cannot understand for the life of me how government can't see the cost benefit of allowing Ofgem to allow SSE or whoever the transmission company is to submit a business case that undoubtedly works over the period of time that the developers will pay for that connection and the same is true for Shetland. It is ridiculous that we're putting almost £30m per year into diesel when having an interconnector - that as has been said earlier by **Gary** -

that can pay for itself over a period of 25 years. Even in a commercial sense it doesn't make sense not to do it. If this was your business and you were reliant on it you would do it immediately and it really is frustrating for all of us that despite all the work of the Scottish Government that's gone in that to be honest we've got absolutely nowhere with it until we get that consent from the UK Government to Ofgem to approve the business case. After that it becomes a commercial thing and we're very confident about that side but we're not so confident about the initial step and I think it is one of the most important things that this organisation has been involved in for years in terms of the transformational opportunity it presents. It's not just the Western Isles but all of Scotland and particularly the areas that are most challenging.

**John Swinney:** Thanks very much **Norman**. Any other contributions? **Fergus** do you want to say anything about this. Obviously you've changed in Ministerial responsibility but just on the island connections from your long term involvement.

**Fergus Ewing:** Thanks **John**. To address the issue of the island connections - plainly **Paul** is now dealing with that but I've handled it **Norman** for 5 years and was very disappointed that we didn't see it get to the point of agreement that the island connections could go ahead and obviously we're still working very hard. **Paul** is leading that work to secure these objectives and our determination is as resolute as it ever has been and the benefits you have just said **Norman** for all of the islands would be almost immeasurable in breathing new life of every sort into the islands providing economic activity and social benefits. The benefits to Shetland in respect of the 50% share would be enormous - I think the figure of £30m a year was mentioned at one point - and to the Western Isles of arguably greater benefit given the higher economic problems facing many of the communities in the islands. So it remains an absolute commitment to persuade the UK Government and I have to say when I read in The Scotsman today that the UK Government's contemplating connectors to Norway and also connectors to France and the vast cost of those connectors then one has to ask what the priorities are and why there would not first be the utilisation of the best possible wind resources anywhere in the world - in other words what conceivable argument would there be for the sanctioning of these schemes - connections to other countries when we haven't yet got connected up our own islands here in Scotland and the UK. So I am an optimist - and I remember when the consultation came out I had a chat with your convener and he asked me what I thought about it and I thought it was a good sign that there was a consultation albeit the framing of the consultation was not in encouraging terms and the reason I thought it was a good sign was that if they wanted to bury it they would have buried it - and let's face it they buried onshore did they not - and they did so in a summary fashion - and therefore I thought that in a political sense - so this is a somewhat political contribution - but in a political sense the fact that there was this decision to go for a consultation was an encouraging sign and one we should therefore use in every way. The last point I make is this: that I spent from 2012 when I first

suggested that the UK Government and the Scottish Government sit on a committee to look at this - I spent the best part of the ensuing 3-4 years as Energy Minister working with the UK Government on an ad hoc committee - there was no other committee of the 2 governments convened for a specific purpose as opposed to a generic policy responsibility - it was the only one of its kind and therefore it's not possible in working together in this constructive way which was the hallmark of our deliberations including with **Andrea Leadsom** – if it was not possible to reach a positive outcome working in this collaborative fashion then one can begin I think to question what the purpose is of that collaborative actioned that voluntary and enthusiastic and constructive participation but **Norman** it's absolutely essential for us for rural development as well as for energy and for social development on the islands that we do not give up and we carry on - and if anything I think we increase in the public realm the presentation of the hugely strong arguments that you have just set out.

**John Swinney:** Thanks **Fergus**. I think one of the key points that comes out of that is just to reinforce the necessity in the consultation process to be making this point as strongly and emphatically and from as many sources and as many perspectives as we possibly can do which is perhaps one of the actions that we should take away from today . Ok. I'll get **Paul** but **Margaret**:

**Margaret:** One final point which I omitted was to thank you for raising and continuing to raise support for pump storage hydro. We've got massive schemes ready to go and my experience – sometimes I feel as if I'm an elected member for substations and transmissions because I've got 4 major substations and Beaulieu-Denny running right across as a spine down the ward I represent – so I have a lot of discussions around stability of the grid and it's not as stable as it was. Renewables are great in many ways but the grid is not stable. Pump store hydro would help stabilise the grid and it would make it more secure and they've just walked away from the subsidy which is absolutely necessary to get this moving. Now it either has to be an upfront subsidy or it has to be over a period of time as the contribution to the grid does actually stabilise – don't ask me about the maths - but it does need a commitment and it is sitting with the UK Government and that would actually really help the stabilisation of the grid throughout Scotland and the UK. Thank you.

**John Swinney:** Thanks **Margaret**. **Paul** – just a brief response and then I'll move on to the item.

**Paul Wheelhouse:** Well just on that last point yes I absolutely agree on pump hydro storage and we have made the case to **Greg Clark** around having a similar pricing mechanism to interconnectors for a cap and floor type mechanism but I've not had a positive response – no response at all actually at this point but we're continuing to press him. On the points that have been made by **Norman** I think whether it's onshore or offshore – I think it is probably more important than we think in that the UK Government has they believe an electoral mandate for no continued subsidy for

new onshore wind. So there is I think a position here that if remote island wind is to be treated as different technology that gives them the wriggle room to be able to support technology without breaking their manifesto commitments. So we have to be aware of that. I do think there is certainly an importance around stressing the supply chain impacts as well. We have seen in recent days about the unfortunate announcement at CS Wind UK which is obviously a very important plan and we continue to support that plan in Argyll – vital plan for the Campbeltown economy and Kintyre – but with an unsupportive UK Government position on onshore wind which has hitherto been the main market for CS Wind UK and previous incumbents in the plan it's really important that we get movement so there is at the very least a zero subsidy route to market for new onshore wind projects of which there are many Giggawatts already in the system in Scotland and we're left with Giggawatts of renewable projects in the pipeline and we have to make sure that they come forward. The interesting point that **Margaret** was making around the Crown Estate and the wider debate around community benefit is a really important one and we've obviously get back to the group around the latest position around the Crown Estate – Rosanna Cunningham is leading that - so I mind what I say in terms of the process – but clearly it's anticipated that half the revenues coming from the leasing for the sites that Beatrice, Moral and other projects would develop offshore would go into the pot for disbursement either through CCF – the Coastal Communities Fund – or other means - but we can obviously come back to **Margaret** and colleagues on that issue. Around the point that was being made around fuel poverty just to update members led by **Angela Constance Kevin Stewart**, myself and **Angela Constance** were in attendance at a meeting with the big 6 energy companies just before Christmas to talk specifically around tackling fuel poverty and just to reassure all here that the needs of off-grid communities – those who are dependent on electrification of heat – at this moment in time - which is obviously more expensive than other alternatives - and the higher preponderance of prepayment meters in Scotland more generally but also particularly in the Highlands and Islands were very much on the agenda and we will hopefully be meeting the big 6 companies again to take forward the work that was outlined there. I do want to emphasise there is a consultation in parallel with the draft energy strategy which is around local heat and energy efficiency plans for local authorities. So I would certainly encourage all the local authority members here to participate in that which would help inform our work around the rollout of district heating and heat in general and energy efficiency. So the points that are made about a number of colleagues around having to have potentially localised solutions to delivering investment in energy efficiency; tackle the housing stock - which obviously varies across the area - is important. **Alistair** made some very valid points – I'll not go through them all because I'm conscious of time – but in terms of the role around renewables I very much welcome his remarks about Wave energy Scotland – about two-thirds of the wave potential in the UK is in Scotland and so it's probably historically been a much greater importance to Scotland to us collectively as stakeholders and the Scottish Government than it is to the UK Government but we can obviously help through this forum to try and push greater focus on UK Ministers

on supporting marine energy which they have failed to do and one of the risks that we have of course of Brexit is that by withdrawing from the European Union just at the very time when they've created a €360m fund largely off the back of the pioneering work done in Scotland to support the industry and to develop across the European Union and Scotland clearly has a very important role to play in rolling that out. I'll take away **Amanda's** point about bioenergy and may be have a think about that. I think it's a very important one and I can't stress strongly enough the points that have been made by members and indeed by **Fergus** around interconnections. I'm very much aware that EDF have invested recently in purchasing a second site in the Western Isles to make sure they've got as strong as possible a case from a private sector point of view to underpin interconnection to the mainland and hopefully I'll be able to work with them on that. I take on board the points that Ian has said and we work very closely and indeed I would want to commend the work that SNH have done in partnership with SEPA to substantially sort of streamline processes because to date in my limited tenure in this post I haven't had any representations made to me about the process issues any more. There may be disagreements about decisions that NHS have taken in regard to particular sites which is inevitable in any planning matter but I've not had any complaints about process. So I think that's of great credit to SNH and indeed SEPA for working to address those issues which I think started at the Hydro Summit that **Fergus** attended - I think some time ago - but I'll leave it at that Deputy First Minister.

**John Swinney:** Thanks very much **Paul** and thank you to those for the contributions in that discussion. Let's move on to the last item before the break for lunch which is on digital and **Fergus** you're going to take us through these issues.

**Fergus Ewing:** Ok thank you **John**. Perhaps I could just say a few opening remarks and then pass to **Colin Cook** the Director of Digital in the Scottish Government and also invite **Charlotte Wright** from HIE to do I think a video presentation. There isn't a day goes by that I don't receive an email or letter from someone or a community around Scotland complaining about the lack of access to broadband. Literally not a day goes by. I feel very sorry for **Stuart Robertson** who works at HIE because he immediately receives the emails for a response as to what is happening in Nairn, in Cawdor, in Alness or where it happens to be and the truth is of course that to run a business of almost any sort without access to the internet and/or mobile is extremely difficult if not impossible. The internet is the window to the world. It's the marketing route and I'm delighted to see **John Thurso** here today and for tourism in particular if you're not on the internet then you're not there. So it couldn't be more serious and that's why we've made a very ambitious commitment. There's 2 stages to what we're seeking to do in broadband. Stage 1 is that we have entered into with BT the 2 contracts. The first on the Highlands and Islands and the second is the rest of Scotland to the total of £400m contributed by the Scottish Government, the UK Government, local government and BT and that contract has been fairly successful. Colin and Charlotte will talk more about that but what I've been pleased about is

2 things. Firstly if we hadn't had this contract then instead of 86% connected in the Highlands and Islands – 86% of premises by the end of the year – commercial delivery alone would have secured only 21% - in other words two-thirds of the premises in the Highlands and Islands will have access – it doesn't necessarily mean that they take it up - but will have access to broadband only because of the way in which BT - and led by HIE – have delivered this contract and secondly it has been so successful that the clauses which recognise that BT have got a commercial interest in this – anyone who has access can obviously avail themselves of BT services – so the clause called gain share meant that if BT had more than 20% take-up then they would have to pay more into the contract. Now that has happened. The gain share has allowed us to reinvest the extra amount – the figure I have in mind **Colin** - correct me if I'm wrong - is £23m in total – that has allowed that extra £23m to be invested. So it's been – I think - a public procurement success story thanks largely to those at HIE and BT who have worked in collaboration to deliver it but it's not enough. We want to proceed secondly with the R100 so that every premise, every home, every business by 2021 has access to the internet. I'll let **Colin** go into the details of this because this is extremely challenging. A lot of work is going on to that. The second thing I would say is that in mobile coverage - for some – particularly people on the right side of 40 - the mobile phone really is all that is used. Everything is done on the phone – ordering everything, buying everything, looking at purchasing anything - is done not actually on a tablet or in an office but on a mobile and therefore a mobile signal is so important. We are doing a number of things and members will forgive me for covering areas that we've discussed before. We've had Ofgem here at the last conference and at the DFM's suggestion we've had the private companies here before as well but we are seeking to work with the UK Government and Ofgem to achieve 3 things for the Highlands and Islands in particular: the first is to ensure that future spectrum auctions prioritise rural not revenue. This is the 2 R's and it's not widely understood I think that the sale of spectrum by the UK Government brings in big money. The tighter the regulation that the mobile network operators are required to comply with the less the revenue. Germany, Denmark, Estonia and other countries have pursued an outside/in approach telling their mobile operators you must cover the rural island areas first and work from the outside/in. The UK Government has sadly followed the other approach of maximising the other R – revenue - which then is used for other purposes. So we are encouraging the Minister **Mr Hancock** that future spectrum auctions prioritise rural coverage rather than revenue maximisation. The second is to maximise the coverage benefits from the 4G based emergency services network which is an opportunity that requires joint working. I have to say I'm not yet satisfied that we're there and I would be interested in comments from the ground from council leaders in particular and thirdly to seek a share of the investment announced in the recent UK Autumn Statement to support 5G trials and deployment in Scotland. The last thing I would say is that we should remember that telephony is actually a reserved matter. It is the responsibility of the UK Government. It's the legislative responsibility and under the Barnett Formula it's actually it's their financial

responsibility as well. So we could well have just sat back and said we haven't got any money so we're not doing anything but that's not what we did thanks to decisions made by the previous session of the Scottish Parliament by the government then and we did agree to work with BT; we did enter into these contracts - they've been successful – yes - but for those that haven't got access then we're not there. We're not at the races. It's no comfort that people in communities 30 miles away have got coverage when they haven't. So this couldn't be more important for almost every area of business and rural life and it's something to which we're obviously devoting a lot of mind time and energy working with in particular the commercial operators. So perhaps I could pass to **Colin** if you want to add to that.

**Colin Cook:** Thank you Minister. This is very much a welcome back for me. If I may can I just start with a personal reflection because I was involved in coming to the meetings of this body when we were drawing up the original BT contract some 3 years ago and it's nice to come back and be able to reflect on the progress we've made. Also having read subsequent minutes of meetings of COHI looking back how the debate has started to shift away from its exclusive focus on broadband coverage through to other forms of connectivity. As the Minister said around mobile and now I think increasingly about how we use that technology for the benefit of the economy and society and actually at the moment the Scottish Government is engaged in a process of updating and refreshing its overarching digital strategy and if I look at the comments that have come in from stakeholders and the public as part of that process you see a very similar transition and most of those are around how we maximise the benefits of connectivity for the economy and how we support our country through the very profound changes to our society and work patterns and jobs that are going to come about as a consequence. Having said that as I look forward to the next few years there will be – and is going to be - no let-up in our focus on delivering the activity – and the 2021 target that the **Cabinet Secretary** repeated is very much at the heart of that - and that is the only part of the UK that has that explicit commitment and one we will deliver on. It's important not only for its own good but also because it will enable the spine of connectivity that we've developed so far to go out further and equip ourselves for other challenges in terms of connectivity be that mobile and ultimately the preparation for the internet of things and other generations of connectivity coming forward. I was asked to say a little bit before **Charlotte** gives you an update on where the project is to date about the plans for the Reaching 100 Project. We've just completed the open market review which allows basically for us to get a sense of where commercial providers are already planning to go. That data is being analysed, challenged and tested with experts and will include the additional places that we've been able to go as a result of gain share. That process will be finished by about the end of March. We'll then go into a public consultation and take an approach based on how we rollout connectivity further based on premises rather than post codes to try and avoid some of the anomalies that happened last time. It's difficult to be too precise therefore about the specifics of that programme but just to repeat it will take an outside/ in approach; it will be very

much focused on trying to prioritise those areas that are furthest away from where commercial providers could reasonably be expected to fill in the gaps; and secondly it will also prioritise an investment in back-hall as part of that because I think if we do that then clearly that provides the spine for future investment but also generates the potential for more commercial competition. I'm going to hand over if I may to **Charlotte** to give us a brief update on where we've got to with the programme to date.

**Charlotte Wright:** Thanks very much. I think the figures bear a bit of repetition here and I'm going to highlight a few things from the report that you have in your packs and the Digital Scotland Superfast Broadband Programme has indeed been really successful in terms of its outcomes – today we're at almost 84% of premises – that's both commercial and project - coverage around 200,000 people – by the end of the year a **Fergus** referred to that will give us the opportunity to extend even further due to gain share to reach 86% of all coverage. When we started in 2013 there was only one place in the Highlands and Islands - that the town of Nairn that had access to mainstream fibre broadband covering only 4% of the premises in the region. So that progress has been really significant but what that has done is serve to absolutely raise the expectation – quite rightly – of those who haven't yet been able to access the service. So the importance of the R100 Programme is absolutely critical. We've also mentioned already the importance of mobile. Each of you in the local authorities will have received direct from us your specific report which updates on mobile. So I hope you continue to find that update useful. The aforementioned **Stuart Robertson** is here today so if you do have any specific queries or anything he will be around after lunch and happy to talk to you about anything and you can share the woes of his postbag if you like – but I also wanted to focus on why we're doing this because we have got a focus into laying the broadband which is critical but what we're doing this for is for economic benefit and the importance of that for the businesses and the people in the Highlands and Islands. Today in Inverness we have more than 250 businesses and individuals attending our second digital conference: Hello digital Extra – fantastic range of speakers – the UK's first doctorate of social media - a brilliant opportunity for our own specialist businesses to showcase what they can do - the marketeers, the providers, software developers, content creators, specialists – there's a whole range of businesses who are taking advantage of what digital has to offer business and the economic impact overall. Of course this isn't just about what we do in Highlands and Islands Enterprise. I think we're working with every one of you in the room today furthering this agenda. For example Highland Council with the delivery of the Inverness City Region Deal - £20m to focus on a digital initiative there – so each of the local authorities and Business Gateway working on Digital Boost. This is absolutely essential to reaching out to people – businesses and individuals - about what they can do with digital and particularly encouraging them when they do have access to broadband to take it up because that's helping the process as well. Tourism – absolutely fundamental - and you would be surprised how many tourism operators actually still don't fully use the

opportunities through digital – Digital Tourism Scotland is a national campaign which we are working closely with VisitScotland on which is furthering that agenda . We're seeing enormous support and interest in other areas such as cyber security and particularly I wanted to highlight the shared efforts through SDS and the Funding Council on skills. Every time we talk to businesses reflected in each of our regional and sectoral skills plans we see the need for improving sectoral skills in digital and that's absolutely fundamental to delivering the benefits of what we're doing in Digital and just harking back to this morning's conversation about the enterprise and skills review we have a fantastic opportunity as the public service to improve what we do and how we do it through digital. I think that's fundamental to making the customer journey whether it's through enterprise, skills or learning better and easier through digital and it seemed absolutely appropriate in this wind full venue where the focus is about creativity to let digital speak for itself. So we've put together a 3 minute video clip which will be more articulate than I can be about the benefits of digital. So we'll just play that now.

[Video clip now being played]

**John Swinney:** Thanks very much Charlotte. A very good film piece to capture the progress that has been made and a very welcome progress. Any thoughts/comments? **Gary:**

**Gary:** Thanks Deputy First Minister. I think from this forum in the past my comments have probably minuted brickbats and bouquets in equal order but I'm going to start with the bouquets today and really welcome the points that **Fergus** made around 5G trials in Scotland and I think that was something that I earnestly hope would happen ahead of the major rollout of the new technology. I definitely welcome the outside/in approach because I consider the islands to be the outside so hopefully we're first but I think allied to that is I think the agreement that we got from Ofcom at the last Convention of the Highlands and Islands to actually look at island proofing the licence and the rounds because often what we've seen in the past has been licences being granted to large operators on the basis that they cover 95% of the country and that's them off the hook and I think what we've found to our costs is that we are always the 5% that they forget about or leave to the last and we're sitting at the moment with 4G slowly – I have to say rolling out across the islands but in Faeroe they're already looking towards 5G - just to put that into some sort of context. I think 5G is going to be yet another transformational technology and it's one that I would welcome the islands being first in. Indeed we have an open offer from Faeroese Telecom to work with us on that and indeed I hope that civil servants and Faroese Telecom can meet shortly to discuss this. Turning to fibre broadband I think it's true that we have seen the fibre rollout across the islands and indeed the Highlands and Islands but I still have an awful lot of folk saying to me that I'm not getting good broadband. We've seen the cabinets go out through the islands mainly along the main roads and I think that does still leave an issue of how we reach the last house and what technology is going to do that? Also aligned to that is the fact

that if someone is on the wrong side of the green cabinet beside the road then they too have difficulty connecting. So I think it's been acknowledged that there's still some work to be done in that respect. I'll may be end by a question and that is around whether people here see the disaggregation of BT and Open Reach as being a positive step in attempts to create an R100 network – a network that reaches everybody in Scotland. Thank you.

**John Swinney:** If we can reconvene and we'll move onto look at the draft energy strategy and there's a note about that today and colleagues will recall that Ofgem and National Grid attended the October meeting of COHI to discuss the impact of network charges on fuel poverty and we had issued an invitation to the UK Energy Minister to attend today's meeting but with different Ministerial changes in the UK Government the new Minister wasn't available to attend today but I'm sure in the light of our conversation today we can reissue an invitation in due course if that would be helpful to everyone involved. What we would like to take the opportunity to do today is to discuss the recent publication of the government's draft energy strategy in the absence of the ability to take forward the discussions from October and **Paul wheelhouse** is here to lead that discussion. **Paul** over to you and then we'll take some comments on that issue. **Paul:**

**Paul Wheelhouse:** Thank you Deputy First Minister. I am indeed grateful for the opportunity to present to COHI today and take advantage of the fact that UK Ministers are not available to fill you in on the work we are doing to develop Scotland's first draft energy strategy and hopefully finalise energy strategy later this year. It's been published for consultation on 24 January. I've just got one copy here we'll make sure that links are sent round to everybody who's here today just to make sure you've got access to all the different consultations that are currently live around the draft energy strategy but it set out a vision in short for the future of energy in Scotland between now and 2050. There is a particular focus - as you imagine I'll come on to - supporting the work that **Rosanna Cunningham** the Cabinet Secretary for the Environment is taking forward on the Climate Change Plan and that has its first task to deliver on the detailed annual strategy climate change targets to 2032 but the strategy is the first of its kind. As I say it's describing our energy system covering both the supply and use of energy in Scotland. It's as we termed it a whole system approach which has been I think broadly welcomed by the industry and it's looking to make progress on the heat and transport follow-up on the excellent progress that's been made to date in the area of electricity supply and I'm sure as most of you probably know we achieved the interim target for 2015 and smashed through it indeed with 59.4% of Scotland's effective electricity demand being met from renewables by 2015 which is fantastic. The choices laid out in the draft strategy are underpinned by our climate ambitions as I say which have intern been determined by the commitments being made under the 2009 Climate Change (Scotland) Act and the strategy seems to support delivery as I say of the annual strategy climate change targets to 2032 but that also goes beyond to look at what we need to achieve up to 2050 when Scotland as a whole has to reduce its climate emissions by 80% based on the 1990 baseline and this vision for the future of energy in Scotland is consistent as I say and been derived in parallel with the Climate Change Plan using the same modelling techniques under a times model to develop 2 strategic documents which hopefully work very well together and that Climate Change Plan was published on 19 January. As I say it's driven by the same ambition to reinforce our position in the vanguard of the international move towards

low carbon future but also I should stress to do so in cost-effective way and to ensure we maximise economic opportunities arising from the transition to low carbon future and also to reduce the risk of carbon leakage which is the loss of economic activity from Scotland because of potentially having a higher degree of regulation around carbon emissions. There are many opportunities we feel for Scotland in securing the benefits of the transformation required in our energy system and I'm certainly committed myself to working closely with a wide variety of stakeholders and international counterparts to maximise the opportunities building on the existing economic strengths of the energy sector in Scotland whilst protecting energy security and tackling fuel poverty which I'll also touch on in my remarks. We can all be proud of our successes to date especially in renewable electricity as I say but it's very clear that more progress will be required particularly as many areas of the energy face an uncertain future at the moment not least regarding low islands projects - which I'll turn to in a moment - but also clearly there is some uncertainty in the oil and gas industry and indeed in some sectors of renewables such as in hydroelectricity production and pumped hydro but to maintain momentum a new 2030 all energy renewables target is proposed in our energy strategy setting an ambitious challenge to deliver the equivalent of half of Scotland's energy requirements for heat, transport and electricity from renewable sources and just to make you aware of the scale of the challenges it's roughly about 15.4% at the moment. So although we've got over 50% of our electricity being produced from renewables there is a lot of work still to go on heat and transport. So 50% might not sound ambitious when we've already achieved that from electricity but believe me it will be extremely challenging as I'm sure many of you know across wider society and we want to demonstrate a commitment to our renewable future and to the continued growth of a successful renewable energy sector in Scotland and as I say the new target is challenging but it's been welcomed by a wide variety of stakeholders and indeed has significant cross-party support as well as support from industry. Getting the market right for renewables will be critical as costs continue to fall particularly in the onshore and offshore wind sectors but providing certainty and leadership despite recent extremely unhelpful changes to the UK Government framework for financial support for this sector is also important and I want to touch on islands renewables right now. The draft strategy reaffirms our very strong commitment to capturing the renewables potential of our islands to help our efforts to decarbonise and also supporting local economic growth. Members will recall that at the last meeting of COHI in October a joint letter was sent for the Deputy First Minister and island leaders to **Greg Clark, Baroness Neville-Rolfe** replied on his behalf in December although by that time we were already well aware that she had outlined a consultation which ended on 31 January. I spoke myself to **Baroness Neville-Rolfe** on the morning of the announcement and conveyed our displeasure at the requirements for a second consultation even being required - and I'll touch on that in a moment - but I also want to highlight the concerns we had relayed to **Baroness Neville-Rolfe** around the commitment which had previously been given around marine renewables and that having been not kept to. The 100 megawatt

commitment had been allocated in theory to allow for CFD budget to be provided for marine energy was not provided and therefore those technologies are required to compete with more established renewable technology for CFD purposes - but I want to highlight just some other issues which we are flagging up in the consultation – so I think it was referred - the Tidal Energy Nova Innovation Project – **Gary** mentioned that in the Bluemull Sounds - we very much welcome that - it was a world first - I don't know if **Charlotte** is delighted to know that the third turbine was named **Charlotte** and I don't know if it was after **Charlotte Wright** but it's all very fitting – we have published also an onshore wind policy statement which is a very detailed document which is looking at the future as we see it for the development of onshore wind in Scotland so clearly for areas of the Highlands, Moray and Argyll and other parts of Scotland will be very much interested in that but we want to encourage as much feedback into that because there are some questions being posed around repowering potentially, extension of life to sites - some challenges to overcome in terms of route to market where we don't have currently an identified route to market for new onshore wind projects and we've also highlighted the importance as we see it of pumped hydro storage and the existing fleet which is providing a very important role for Scotland and the GB energy mix. There are a number of projects which have been consented – **Corry Glass** and **Glen Matiluch** in Dumfries and Galloway which currently again have no route to market which currently have and we're trying to encourage the UK Government to look very carefully at that both from a point of view of providing the ability to balance the grid and to ensure the quality of electricity that's generated in the grid is maintained but also to provide black start capability in the event of power outages – very important to invest in pumped hydro and in community renewables as well which is a very big thrust of the draft energy strategy which given the point that was made earlier on around the significant impact that community land transfers have had in areas like the Western Isles and indeed other island communities and across the Highlands and Islands of Scotland we are clearly seeing those huge opportunities for communities across the Highlands and Islands to benefit from a very much greater strategic focus on community renewables. As you may know we've already hit our 500 megawatt target for 2020 but did it 5 years early. We have looked to double that target for 2020 to one Giggawatt and set a target of 2 Giggawatts for 2030. The intention is that by the 2020 at least half of the projects that are being consented will have a degree of shared revenue potentially as well and these are important drivers for our policy. The consultation that the UK Government set out for remote island wind was a great concern to us and it stated - and I want to quote here - just so everyone is aware of what the UK Government has said because I think it's important – and I quote here: “The government is seeking views on its position that non-mainland GB onshore wind projects should not be classified as a separate technology nor allowed access to pot 2: less established technologies – but should but should continue to be treated as onshore wind. This consultation is to seek evidence on this issue from respondents and should this result in for example the evidence or strong justification being provided the government is open to considering the possibility of distinct treatment for

non-mainland GB onshore wind projects.“ the negative minded position of the consultation has been of great frustration for many including myself and my colleagues in the Scottish Government and as the membership of the Scottish Islands Renewables Delivery Forum has worked tirelessly over the years to deliver on the UK Government’s position. In 2013 in a previous consultation the island wind was a distinct technology that merited separate support. So we have made all these points to the UK Government. We have put in a strong submission ourselves to the consultation but the **Baroness** indicated in conversations with myself and the **Cabinet Secretary Keith Brown** that the consultation is genuine so we have to take that at face value however it’s that the timing of the consultation means projects will be excluded from the April CFD auctions which is obviously very much of concern to us behind the projects and we see no justification for a new consultation being undertaken given that such a clear result in the initial consultation in 2013. The Scottish Government has now submitted its response to the consultation and as I say this is available on our website and I believe it is a compelling case. It’s a case that’s informed by the UK Government’s own case that was made to the pre-notification state aid case that was made that was made to the European Commission so we have been able to play back some very strong point that were made in that to the UK Government. The Scottish Government and HIE have been working very closely with the island stakeholders, developers, communities and supply chain companies to generate a high level of participation in the consultation exercise. We have been very encouraged by the quality of the responses submitted and I would like to thank all the island stakeholders for their efforts and indeed HIE and other partners for putting in such a strong submission and we hope that common sense will prevail. Our own response highlighted the many advantages of island projects and how support for island projects would contribute towards the UK Government’s new industrial strategy and the prioritisation of cost reduction, value for money and economic gain in UK energy policy. Specifically it outlined the island projects will benefit GB energy consumers by generating greater competition - the auctions itself will allow for price reductions for energy – that the island projects can offset other burdens on consumers for example the Shetland Cross Subsidy which cost £28.5m annually – we have made the point to **Greg Clark** that this would mean round about £700m in total of subsidies which could be averted if there is an investment in the connections to the mainland grid which is a 25 year period – so there is a very compelling case from an economic point of view and a public sector finance point of view to make the investment in connecting Shetland to the mainland but to contribute to more balanced economic growth across Great Britain as sought by the BIS Green Paper: Building Our Industrial Strategy. It offers remote islands remote island and offers an unique scale of local community and reward and will deliver economic benefits through community ownership and community benefit revenue streams to some estimates of £725m or thereby of economic benefit to local communities if remote island projects are able to progress. We also commissioned an update to the 2014 Zero Grid Access Study that formed the basis for the earlier work of the Scottish Island Renewable Delivery Forum. The documents have been

circulated to the Orkney, Western Isles and Shetland Island Councils and are also available on our website. So in terms of turning to next steps - and this touches on **Councillor Davidson's** point earlier on – we 're now in frequent contact with **Greg Clark** and his office to confirm his visit to Scotland. Our latest engagement suggests this will be mid-March and we hope to confirm a date as soon as possible but it's our expectation that he will visit the Western Isles and we will co-chair the meeting of the Delivery Forum to discuss the consultation and the next steps for the islands however given previous occasions such as this we obviously remain mindful that there is potential that personnel changes take place but we are keen that **Mr Clark** does attend in person rather than delegating to one of his colleagues – but I would like to turn now to oil and gas. The strategy makes clear our commitment to the oil and gas industry in Scotland as a key contributor to security and stability of energy supplies through the transition to a low carbon economic model but around three-quarters of total energy consumption in Scotland is currently being supplied by oil and gas. The exploration and production of oil and gas in Scotland's waters will continue to provide high value employment and a stable energy supply for decades to come. Our ambition is that that our oil and gas sector will continue to make a positive contribution to the energy sector in Scotland providing the engineering and technical bedrock for our wider energy transition and exploring the role of new forms of energy and technologies like hydrogen and carbon capture and storage. We are receiving very positive feedback from the industry around increased levels of exploration in the current year. The industry itself is expecting to see a bit of an upturn in activity and obviously we have the Chrysaor deal with Shell which has seen a transfer of some assets which have gone to largely a new operator effectively in the Scottish sector. This is following the OJA's guidance around having the right assets in the right hands at the right time and we are very confident that that move will actually be net positive for the sector allowing Shell to focus its investments on its newer fields and exploring new fields and allow a specialist operator Chrysaor to take on assets which are more mature and actually get the most out of them in terms of maximising economic recovery. The government has been doing a lot of work around areas of decommissioning trying to ensure that Scotland captures as much of the value in the supply chain as possible and I am very confident that the Scottish sector and the supply chain is receiving a large proportion of the activity particularly in well plugging and abandonment but we are conscious of the strong interest from across the Highlands and Islands in the shoreside activity in terms of the disposal of top side structures and I just want to draw the attention to those attending COHI here today to the Decommissioning Challenge Fund which was launched by the **First Minister** which is a £5m fund which is to try and pump prime the work around innovation and disposal but also to help facilitate the work that is necessary to identify ports and harbour opportunities that there may be and to help identify the best options for investment for the sector. I want to turn now to new sources of energy and technologies. Advances in technology the mean that new innovative ways of using hydrocarbons are emerging and we can be confident that they will continue to do so in the decades ahead. Through our strategy we are committed to

review the role for technologies and energy sources such as hydrogen as transitional fuels for use in transport, heat and industry and bearing in mind that currently heat makes up 54% of Scotland's energy consumption at this moment in time and it presents a very large opportunity across the country for new investment for new players in the field to help with the roll out of district heating projects and other alternatives and we see the potential for hydrogen for example to substantially reduce the total system cost of decarbonisation providing a range of services to our energy system and integrated low carbon solutions across heat, power and transport. Such innovations are already here. As many of you will know in Aberdeen we host the largest fleet of hydrogen powered buses in Europe supported by 2 hydrogen refuelling stations. At the Levenmouth Community Energy Project in Fife renewable wind power is being used to run a fleet of hydrogen Fife Council vehicles including sort of transits and some refuse collection vehicles and that is a very exciting project and of course in Orkney wind power is also helping to generate hydrogen to be stored for future use in a hydrogen ferry fleet and the energy strategy is not purely about the supply of energy our energy strategy seeks to address the needs of those least able to pay for their energy; supporting energy solutions that provide warmer homes and better outcomes for consumers overall particular for the most vulnerable in our society and we're placing renewed focus on energy efficiency; taking a targeted approach to reducing demand and improving the energy efficiency of Scotland's homes and buildings including non-domestic buildings through Scotland's energy efficiency programme which is being promoted to being a national infrastructure project and we're currently projected in the budget - which will go before Parliament this week - to spend more than £500m of Scottish Government funding on that between now and 2020. So it's a significant area for investment by government. In the early years it's primarily focused on the domestic properties and trying to tackle fuel poverty as I'm sure you would understand but we're increasingly looking for opportunities on the non-domestic premises as well to try and help business to lower its carbon emissions and importantly make savings in terms of energy cost but under the strategy we're consulting upon the method by which we set an energy efficiency target for 2030 to best reflect the ambition set by the proposed European Union 2030 energy efficiency target of 30% and we're committed to helping Scotland's industry and manufacturing sectors to deliver enhanced energy efficiency and thereby improve their competitiveness. Scottish Water – one of Scotland's largest users of electricity - has already led by example by focusing on renewable energy regeneration energy demand management to reduce costs and lower its carbon footprint and just to give an example in just 3 years has raised annual financial savings to over £7m; cut carbon emissions by 15% and facilitated over £0.3bn of private investment on its estate making a significant contribution to national economic carbon and renewable energy target. Encouraging innovation in transport and low carbon vehicles will also be critical to supporting our energy transition with over 40% of new cars and vans targeted to be by 2032. Scotland will need a more flexible energy system which can accommodate the many choices that consumers and generators will make in the future and this energy

challenge represents an exciting opportunity to capture economic benefits of pioneering these approaches in Scotland. Turning to local energy systems - which will be of great interest I believe in the region - we remain committed to creating vibrant local energy economies as part of our response to the transformation of Scotland's energy system and we'll take a strategic local approach to planning for energy and explore the role of a government owned energy company and the creation of a Scottish Green Energy Bond to support renewable energy projects. There are specific questions in the consultation around the draft energy strategy on those 2 subjects and we would really welcome interest from around the table in those matters but as many members here will know many of Scotland's remote island communities are already successfully demonstrating complex energy solutions with innovations being driven by their isolation from mainland energy and supply networks. I've mentioned it earlier on but Orkney is home to the UK'S first Smart Grid enabling renewable generation to be connected to Orkney's distribution network at a considerably lower cost than a conventional network connection and the Surf and Turf and Big Hit Projects demonstrate a fully integrated energy model where hydrogen is produced using electricity from tidal and onshore wind turbines then stored in a fuel cell and used to provide low carbon heat, power and transport. There are many other good examples in other areas of Scotland which I'm sure you will be familiar with and before I conclude I just want to draw your attention to a couple of important points just for the record to make sure the details are circulated. I and my teams are supporting and hosting a number of events to support the energy strategy consultation in the Highlands and Islands including an event on renewables in Argyll & Bute Renewables Association in mid-March; a SEPA event in Inverness on 14 March following the SEPA workshop with island councils in December. There will be events with HIE , Highland Council and Scottish Highlands Renewable Energy Conference in April; and a large scale consultation event hosted by the Scottish Government is expected to take place at the end of April and we'll send details to members in due course so that you are aware of how to get involved in that. Another point which is very important for those who have an interest in marine energy is that the UK Marine Energy Programme Board has not met for some time and has no plans to do so in the near future – established this in a round table meeting with the industry and officials from BIS just before Christmas however we strongly believe that this is the pivotal time for the industry and we need to see a similar forum which will bring together the key stakeholders from across the marine energy sector which is why I recommended that Scotland host an equivalent group since there seems to be no appetite on the part of the UK Ministers to resurrect that discussion. We were disappointed at the UK Government's non-committal response to being part of such a group as well. So at the moment we haven't got a commitment from them to even participate in our group but we will continue to press for that. However the Scottish Government will continue to support the growth of the marine energy sector in Scotland with or without the backing of the UK Government and following the meeting on 20 December my officials met with industry representatives on 9 February and plans are now being developed to establish the

best way that this group can support the sector so I'm sure it will involve the Highlands and Islands Enterprise but we will also be keen to make sure that we're bringing in the best expertise from around the Highlands and Islands area as well. So in conclusion I am very pleased to be here today to present an update on this work. We recognise the many opportunities to learn from each other to explore the choices we face collectively and to work together to tackle the challenges that lie ahead. I am very keen to make sure that the energy strategy when it is produced takes very much account of the local context across the Highlands and Islands and that the policies that are designed to work across the entire coverage of Scotland. We're looking to stimulate well-informed debate on energy challenges in Scotland and the policies needed to meet our aspirations to deliver a secure sustainable energy future for all. We are very keen to engage with you and indeed your communities both today and throughout the consultation period. It's been helpful just to set out some of the key issues that we're looking at.

**John Swinney:** thanks very much **Paul**. A vast amount of detail in amongst all those questions. Can I open it up for contributions around the table on the issues that we need to address as a consequence of this. Obviously the island renewable's issue has been a persistent issue that has been on the agenda of COHI for some considerable time. **Norman:**

**Norman:** Thank you Deputy First Minister and thank you Minister for that very detailed update on the energy strategy particularly the consultation. I think it is hugely disappointing the response that we have had from the UK Government and certainly very appreciative of the work that has been done by the group set up by the Scottish Government which **Fergus Ewing** has been involved with over a number of years. I think that gave us reason for optimism in terms of getting a connection. We don't particularly care what they call it whether it's offshore wind or onshore wind as long as we have the same opportunity as other communities the length and breadth of this country to engage in renewable energy and provide energy for our communities that is more efficient and certainly more efficient in terms of the carbon footprint it gives and gives us the tools to rectify a number of other ills within our community. The Minister spoke about community land owners and the way they're embracing renewable energy and are using the financial benefits that come from that in very innovative ways. There is a community that is using it to eradicate fuel poverty in its community. It effectively pays out to the elderly people in the community what it costs them to heat their houses. It's not ideally what you would want to do. You would want to do something significantly more positive than that but in the absence of anything else they feel that that's an important thing to do as a starter within their community. They are also using it to subsidise their local shop and again that is something that allows them to provide produce to their community in a way that would otherwise be quite expensive. So renewable energy isn't just about creating energy and people making lots of money out of it or in terms of the green credentials that go with it. It is about supporting communities and the

mechanism we need in all of our island communities more than anything else is the connection to the grid. We are either part of the national grid or we're not. If we're part of the national grid then we should have that conn activity the same as every other community. If we can't be part of the national grid because we're offshore isles then they have to make some other mechanism work in a way that develops renewable energy but also gives us as communities the tools with which we can deal with many of the other issues we face and that's something that we're very comfortable with in general terms with the engagement with the private sector who ultimately are going to fund that connection over a period of 25-30 years. They will pay for the cost of it. What we need is for the UK Government and Ofgem to agree the business case that allows the infrastructure to be put in place . So we have the communities are very much in favour of it; we've also got the private sector developers who are desperately keen to make money out of it which is not a bad thing and we also have communities themselves through the community benefit clauses that are in place will make significant income from that that will help make these communities more sustainable. So we very much appreciate the support of the Scottish Government and the Delivery Group in terms of influencing the UK Government and it is something that is absolutely fundamental to sustainability of our communities going forward.

**John Swinney:** I think one of the issues that arises **Norman** out of your contribution and this issue in general is that as you correctly say we've been on this agenda for some considerable time and I think we need to think through what approaches have the potential to give us the ability to make more progress on this question. I think that's a very hard question but one that Ministers are very happy to engage in because of the strategic significance of these opportunities for the island communities so we'll perhaps reflect on that in the course of our conversation today. Ok. Others: **Fergus:**

**Fergus :** Thank you very much. Just to say that from Argyll & Bute's perspective renewable energy has been a great success in our regeneration in terms of a Giggawatt of renewable energy has been produced within the Argyll & Bute area; 14 commercial wind farms; lots of very detailed consents for innovative industries; a wind tower production plant but now the fiscal policy from the UK perspective is costing jobs in our area. It's holding back economic growth. It's denying opportunities for communities to make money or come up with innovative solutions to their own issues. So it's just to get that message clearly across that this kind of attitude is slowing up our potential as a region to contribute to the UK economy and how we could work more in a partnership across all the agencies and crucially the private sector to get that message clearly across to the UK Government that we need kind of immediate action.

**John Swinney:** Thanks **Fergus**. Anyone else? **Margaret:**

**Margaret:** Thank you. I'm sort of at the other end of the line if you like. I will be receiving the power from the Western Isles. I look forward to the day **Norman** because it will go into the big Beaulieu Substation and I don't think it can be exaggerated with the changed pattern of land ownership in the Western Isles how much that connector would make. I think it could turn the economy of the Western Isles completely around and it's at that level of importance and it is of national importance. So thank you very much for your continued lobbying on behalf of the Western Isles and of course the Shetland connector – whenever **Gary** tells me how much oil they have to burn up there for electricity –it's crackers; it's perverse - and I think you would be the first to say it - so those connectors are really of national importance so that we turn round the key issues there. What I would just like to speak about is community investment and about community benefit. The Scottish Government's support to run up the community benefit that we get from onshore renewable wind and hydropower are really very welcome. It made an industry norm and they haven't argued for some time although I do think we could perhaps push it up a bit now but never mind we'll put that one aside but they are being extraordinarily mean with offshore wind. Scottish and Southern Energy came to me and they're proposing six million offshore divided between Highland and Moray and I thought that was six million a year and I was thinking well now we can really do something for East Sutherland and East Caithness but no, no that's six million over 25 years. Now they are putting in - and it is expensive to put in - but effectively extraordinarily efficient moneymaking machines there for the investment that's going in there - and we really need to find a way that communities that will be living with this can get better benefits. So I would welcome some more conversation - perhaps with your officials initially - to see how we can make investment and communities being able to invest in what they're going to be living with for the next 25 years plus to make that work. At the same time what will also be happening with the big Beatrice Field when that begins next year is that Crown Estates will be making substantial income and I think it's really important that we get it clear again for the communities most directly affected how we can get some agreement to run - even if it is with pilot schemes - while we sort out the Nitti gritty. I know there are still huge bones that need to be chewed between the UK Government and the Scottish Government around Crown Estate investments and I doubt if there's been much progress in the last week while. I'm not seeing much willingness on the UK Government's part to discuss it. Whenever I raise it with the Secretary of State we go on to something else and I think that now we've got an interim body we need to be looking at ways that we can demonstrate fair use of some of that rental income plus there's the Coastal Communities Fund and I believe we now - well I'm only thinking that - that we now have control of that and it would be good to know how we're going to administer that and how we make the best of it. You travel up from the Dornoch Bridge to Wick you will see the communities in every village there going backwards not forwards. Dornoch is actually doing pretty good on the investment in golf and tourism but from Nairn north we've got communities where the schools are closing themselves; the balance of the population is now full of second homes and older folks and we really

need to reinvigorate these communities and the opportunities around renewable energy would to me be that chance plus the Crown Estate and how we deal with the income that comes from that. So that's good. I'm pleased you're having an event in Inverness. That's good. I understand your concentration on non-domestic buildings and **Keith Brown** was there and we sat in a factory that's producing modular units of a fantastic insulation quality and it was sitting in a factory which has no insulation at all – so we were all sitting there in our coats signing the City Deal and I completely understand where you're coming from on that and I think you're right to do some concentration there but the other thing is addressing our fuel poverty. It's been relatively - with the odd hiccup - straightforward where we've got local authority or housing association housing. You can get on with that. You can do that in the city. You can do that in the bigger towns but out in the country it's far more difficult because every house has been built to a different standard. I could show you 12 within half a mile and they are the poorest of the houses – private rented accommodation in rural areas is now the poorest accommodation we have in Highland and I think it is really important that we get to grips with that. The system you've got at the moment is Byzantium. It's just doesn't work for those and I would actually urge you to look at delegating more to local authority for you to sort it out because I think that's where we could sort it out because of the real local knowledge there. So I would encourage you to have further talks about that. If we could get the communities that really need the impetus that renewable energy could give them sitting at the table and understanding how they could invest or to be absolutely sure they're going to get a decent community benefit then I think we could again take a step change. Thank you.

**John Swinney:** Thank you **Margaret**. **Alistair:**

**Alistair:** Thanks. Just first of all it's really great to see the government taking forward a long term view on energy. I think it's really helpful to get that and allows us to get behind it fully. The particular things – some of which **Margaret** and **Norman** have focused on – that are pretty vital – island connections is one of them; I think fuel poverty is another area which I think if we try to address it more individually across the Highlands and Islands then we would get some benefits; decommissioning is another area which again it was mentioned but I think is an area that we need to focus on; marine renewables - really pleased to see the emphasis on that and again like to thank the government for the support for helping set up Wave Energy Scotland and the continued investment in that – I think that's been really helpful. There are companies and partnership collaborations that are trying to take this forward and that kind of investment has been absolutely essential in encouraging the type of innovation. You spoke about collaboration and partnership across the enterprise and skills agencies before and I was pleased to see that in this particular paper and it's absolutely essential that all agencies get together to try to make some of these things happen and whether it's Scottish Enterprise, Highlands and Islands Enterprise or Skills Development Scotland you can hopefully see what

would be the benefits coming from better and closer working on that both in training young people into future jobs but also retraining those that are perhaps suffering in the oil and gas sector. So I was really pleased to see this. I think it's great to take that longer term view and would thank the government for doing that. I can be positive as well John as you see.

**John Swinney:** Thanks **Alistair**. Any other comments? **Ian:**

**Alistair:** Can I just pick up one final point. **Margaret** talked about community benefit for offshore and you only have to look round the Highlands and Islands to see what local communities can do with that kind of injection of investment and I would certainly back her up on working together to try and get some of the bigger companies to be more realistic in the support that they can give to communities. There was a fight 10-12 years ago to get onshore community benefit to the level it is now and I think working together again could hopefully improve the current offer.

**John Swinney:** Thanks **Alistair**. **Ian:**

**Ian:** Thanks very much chair. Really just to emphasise just on the SNH perspective I think there's a long record of working particularly with local authorities in the production of development strategies and particularly landscape capacities and it's just to reiterate that that remains the case and I think there's a sound record of delivery there. So I just wanted to make that point - and also again just so that people are aware of this - that we also put a great deal of effort - particularly working with Scottish Renewables - and we've produced a number of - I think fairly highly - this is working together - good practice guides - and again it's to contribute to the successful development of renewable energy projects. Finally I think one of the things that we've been very keen to do - particularly working with other agencies - and regulators - is to see how we can actually join up effectively to give a more smoother and more effective public service and certainly there's been some very good work particularly with SEPA in that regard. So clearly if at any stage if any members of COHI would wish to have further discussions with us and look to how we can take things forward even more effectively then we're very, very keen to engage on that. Thank you.

**John Swinney:** **Amanda:**

**Amanda:** I was wanting to change tact slightly. Obviously there's been a lot of talk about wind and marine renewables but it was really just to emphasise the potential role that wood fuel has in relation particularly in addressing issues around sort of fuel poverty and some of the challenges in terms of domestic heating particularly in some of the more hard to reach areas. The figures speak for themselves. You said that the focus needs to be on heat because 87% of domestic energy consumption is focused around heat and we need to recognise the challenges that we have with our housing stock and the fact that many of these houses are so reliant on oil. So I think the fact that there is support for RHI I think is very positive but I welcome the

development of a bioenergy action plan because it's really important that we can actually match the resource that we have with the challenges that we have and certainly Forestry Commission Scotland will look to work very closely with the team in Scottish Government in terms of providing the input that you need from that perspective.

**John Swinney:** Norman again:

**Norman:** I would just agree with **Amanda** that we do need going forward we do need to look at other ways of providing heating in some communities and that ties in with the energy efficiency measures as well in new housing. The difficulty there is that that tends to be quite expensive to do and that's what mitigates against people doing that on a voluntary basis and I think there is a real dichotomy there between making houses more energy efficient – I'm sure there are homes within Western Isles that over the last 15 years - through a variety of different types of energy efficiency have been treated yet here we are - we're still finding that some of these houses we're having to go back to put in the newest most effective way of being energy efficient. I think there is a piece of work to be done there so that we're not going back almost every 2-3 years to the same houses to treat them again with something that is yet more efficient. I think we need to be clearer about what our intention is and there will always be changes in technology that will come up with something better than has been before but I think we need to put our focus on the ones that are still lagging significantly behind some of the other properties in terms of that. I think that's something that can be done at a local level as well in terms of using money but not necessarily in the way it is prescribed to bring about that efficiency and some of it goes back to what **Amanda** said in relation to using different means of heating homes as well particularly if you get them much more efficient then you will need much less of an energy source to maintain them at a level that is comfortable. I'm coming back if I can to the importance of the interconnector 2 to the Western Isles in particular. The private contracts and projects that are in the pipeline that have been consented will result in a £2bn capital investment in the islands. That's something that we've never seen before so even with nothing else that is going to transform our economy. The GVA of that is estimated to be over £100m so you're talking about nearly 300 full time jobs at the start of the project construction and 200 jobs going forward. Now that is something that is absolutely transformational and goes back to what Fergus was saying about small communities being able to do things that are significant within their communities. This is something that will impact on all communities throughout the islands and it will allow the local developments to happen as well and that's so important and I cannot understand for the life of me how government can't see the cost benefit of allowing Ofgem to allow SSE or whoever the transmission company is to submit a business case that undoubtedly works over the period of time that the developers will pay for that connection and the same is true for Shetland. It is ridiculous that we're putting almost £30m per year into diesel when having an

interconnector - that as has been said earlier by **Gary** - that can pay for itself over a period of 25 years. Even in a commercial sense it doesn't make sense not to do it. If this was your business and you were reliant on it you would do it immediately and it really is frustrating for all of us that despite all the work of the Scottish Government that's gone in that to be honest we've got absolutely nowhere with it until we get that consent from the UK Government to Ofgem to approve the business case. After that it becomes a commercial thing and we're very confident about that side but we're not so confident about the initial step and I think it is one of the most important things that this organisation has been involved in for years in terms of the transformational opportunity it presents. It's not just the Western Isles but all of Scotland and particularly the areas that are most challenging.

**John Swinney:** Thanks very much Norman. Any other contributions? **Fergus** do you want to say anything about this. Obviously you've changed in Ministerial responsibility but just on the island connections from your long term involvement.

**Fergus Ewing:** Thanks **John**. To address the issue of the island connections - plainly **Paul** is now dealing with that but I've handled it **Norman** for 5 years and was very disappointed that we didn't see it get to the point of agreement that the island connections could go ahead and obviously we're still working very hard. **Paul** is leading that work to secure these objectives and our determination is as resolute as it ever has been and the benefits you have just said **Norman** for all of the islands would be almost immeasurable in breathing new life of every sort into the islands providing economic activity and social benefits. The benefits to Shetland in respect of the 50% share would be enormous - I think the figure of £30m a year was mentioned at one point - and to the Western Isles of arguably greater benefit given the higher economic problems facing many of the communities in the islands. So it remains an absolute commitment to persuade the UK Government and I have to say when I read in The Scotsman today that the UK Government's contemplating connectors to Norway and also connectors to France and the vast cost of those connectors then one has to ask what the priorities are and why there would not first be the utilisation of the best possible wind resources anywhere in the world - in other words what conceivable argument would there be for the sanctioning of these schemes - connections to other countries when we haven't yet got connected up our own islands here in Scotland and the UK. So I am an optimist - and I remember when the consultation came out I had a chat with your convener and he asked me what I thought about it and I thought it was a good sign that there was a consultation albeit the framing of the consultation was not in encouraging terms and the reason I thought it was a good sign was that if they wanted to bury it they would have buried it - and let's face it they buried onshore did they not - and they did so in a summary fashion - and therefore I thought that in a political sense - so this is a somewhat political contribution - but in a political sense the fact that there was this decision to go for a consultation was an encouraging sign and one we should therefore use in every way. The last point I make is this: that I spent from 2012 when I first

suggested that the UK Government and the Scottish Government sit on a committee to look at this - I spent the best part of the ensuing 3-4 years as Energy Minister working with the UK Government on an ad hoc committee - there was no other committee of the 2 governments convened for a specific purpose as opposed to a generic policy responsibility - it was the only one of its kind and therefore it's not possible in working together in this constructive way which was the hallmark of our deliberations including with **Andrea Leadsom** – if it was not possible to reach a positive outcome working in this collaborative fashion then one can begin I think to question what the purpose is of that collaborative actioned that voluntary and enthusiastic and constructive participation but **Norman** it's absolutely essential for us for rural development as well as for energy and for social development on the islands that we do not give up and we carry on - and if anything I think we increase in the public realm the presentation of the hugely strong arguments that you have just set out.

**John Swinney:** Thanks **Fergus**. I think one of the key points that comes out of that is just to reinforce the necessity in the consultation process to be making this point as strongly and emphatically and from as many sources and as many perspectives as we possibly can do which is perhaps one of the actions that we should take away from today . Ok. I'll get **Paul** but **Margaret**:

**Margaret:** One final point which I omitted was to thank you for raising and continuing to raise support for pump storage hydro. We've got massive schemes ready to go and my experience – sometimes I feel as if I'm an elected member for substations and transmissions because I've got 4 major substations and Beaully-Denny running right across as a spine down the ward I represent – so I have a lot of discussions around stability of the grid and it's not as stable as it was. Renewables are great in many ways but the grid is not stable. Pump store hydro would help stabilise the grid and it would make it more secure and they've just walked away from the subsidy which is absolutely necessary to get this moving. Now it either has to be an upfront subsidy or it has to be over a period of time as the contribution to the grid does actually stabilise – don't ask me about the maths - but it does need a commitment and it is sitting with the UK Government and that would actually really help the stabilisation of the grid throughout Scotland and the UK. Thank you.

**John Swinney:** Thanks **Margaret**. **Paul** – just a brief response and then I'll move on to the item.

**Paul Wheelhouse:** Well just on that last point yes I absolutely agree on pump hydro storage and we have made the case to **Greg Clark** around having a similar pricing mechanism to interconnectors for a cap and floor type mechanism but I've not had a positive response – no response at all actually at this point but we're continuing to press him. On the points that have been made by **Norman** I think whether it's onshore or offshore – I think it is probably more important than we think in that the UK Government has they believe an electoral mandate for no continued subsidy for

new onshore wind. So there is I think a position here that if remote island wind is to be treated as different technology that gives them the wriggle room to be able to support technology without breaking their manifesto commitments. So we have to be aware of that. I do think there is certainly an importance around stressing the supply chain impacts as well. We have seen in recent days about the unfortunate announcement at CS Wind UK which is obviously a very important plan and we continue to support that plan in Argyll – vital plan for the Campbeltown economy and Kintyre – but with an unsupportive UK Government position on onshore wind which has hitherto been the main market for CS Wind UK and previous incumbents in the plan it's really important that we get movement so there is at the very least a zero subsidy route to market for new onshore wind projects of which there are many Giggawatts already in the system in Scotland and we're left with Giggawatts of renewable projects in the pipeline and we have to make sure that they come forward. The interesting point that **Margaret** was making around the Crown Estate and the wider debate around community benefit is a really important one and we've obviously get back to the group around the latest position around the Crown Estate – **Rosanna Cunningham** is leading that - so I mind what I say in terms of the process – but clearly it's anticipated that half the revenues coming from the leasing for the sites that Beatrice, Moral and other projects would develop offshore would go into the pot for disbursement either through CCF – the Coastal Communities Fund – or other means - but we can obviously come back to **Margaret** and colleagues on that issue. Around the point that was being made around fuel poverty just to update members led by **Angela Constance**, **Kevin Stewart**, myself and **Angela Constance** were in attendance at a meeting with the big 6 energy companies just before Christmas to talk specifically around tackling fuel poverty and just to reassure all here that the needs of off-grid communities – those who are dependent on electrification of heat – at this moment in time - which is obviously more expensive than other alternatives - and the higher preponderance of prepayment meters in Scotland more generally but also particularly in the Highlands and Islands were very much on the agenda and we will hopefully be meeting the big 6 companies again to take forward the work that was outlined there. I do want to emphasise there is a consultation in parallel with the draft energy strategy which is around local heat and energy efficiency plans for local authorities. So I would certainly encourage all the local authority members here to participate in that which would help inform our work around the rollout of district heating and heat in general and energy efficiency. So the points that are made about a number of colleagues around having to have potentially localised solutions to delivering investment in energy efficiency; tackle the housing stock - which obviously varies across the area - is important. **Alistair** made some very valid points – I'll not go through them all because I'm conscious of time – but in terms of the role around renewables I very much welcome his remarks about Wave energy Scotland – about two-thirds of the wave potential in the UK is in Scotland and so it's probably historically been a much greater importance to Scotland to us collectively as stakeholders and the Scottish Government than it is to the UK Government but we can obviously help through this

forum to try and push greater focus on UK Ministers on supporting marine energy which they have failed to do and one of the risks that we have of course of Brexit is that by withdrawing from the European Union just at the very time when they've created a €360m fund largely off the back of the pioneering work done in Scotland to support the industry and to develop across the European Union and Scotland clearly has a very important role to play in rolling that out. I'll take away **Amanda's** point about bioenergy and may be have a think about that. I think it's a very important one and I can't stress strongly enough the points that have been made by members and indeed by **Fergus** around interconnections. I'm very much aware that EDF have invested recently in purchasing a second site in the Western Isles to make sure they've got as strong as possible a case from a private sector point of view to underpin interconnection to the mainland and hopefully I'll be able to work with them on that. I take on board the points that Ian has said and we work very closely and indeed I would want to commend the work that SNH have done in partnership with SEPA to substantially sort of streamline processes because to date in my limited tenure in this post I haven't had any representations made to me about the process issues any more. There may be disagreements about decisions that NHS have taken in regard to particular sites which is inevitable in any planning matter but I've not had any complaints about process. So I think that's of great credit to SNH and indeed SEPA for working to address those issues which I think started at the Hydro Summit that Fergus attended - I think some time ago - but I'll leave it at that Deputy First Minister.

**John Swinney:** Thanks very much **Paul** and thank you to those for the contributions in that discussion. Let's move on to the last item before the break for lunch which is on digital and **Fergus** you're going to take us through these issues.

**Fergus Ewing:** Ok thank you **John**. Perhaps I could just say a few opening remarks and then pass to **Colin Cook** the Director of Digital in the Scottish Government and also invite **Charlotte Wright** from HIE to do I think a video presentation. There isn't a day goes by that I don't receive an email or letter from someone or a community around Scotland complaining about the lack of access to broadband. Literally not a day goes by. I feel very sorry for **Stuart Robertson** who works at HIE because he immediately receives the emails for a response as to what is happening in Nairn, in Cawdor, in Alness or where it happens to be and the truth is of course that to run a business of almost any sort without access to the internet and/or mobile is extremely difficult if not impossible. The internet is the window to the world. It's the marketing route and I'm delighted to see **John Thurso** here today and for tourism in particular if you're not on the internet then you're not there. So it couldn't be more serious and that's why we've made a very ambitious commitment. There's 2 stages to what we're seeking to do in broadband. Stage 1 is that we have entered into with BT the 2 contracts. The first on the Highlands and Islands and the second is the rest of Scotland to the total of £400m contributed by the Scottish Government, the UK Government, local government and BT and that contract has been fairly successful.

**Colin** and **Charlotte** will talk more about that but what I've been pleased about is 2 things. Firstly if we hadn't had this contract then instead of 86% connected in the Highlands and Islands – 86% of premises by the end of the year – commercial delivery alone would have secured only 21% - in other words two-thirds of the premises in the Highlands and Islands will have access – it doesn't necessarily mean that they take it up - but will have access to broadband only because of the way in which BT - and led by HIE – have delivered this contract and secondly it has been so successful that the clauses which recognises that BT have got a commercial interest in this – anyone who has access can obviously avail themselves of BT services – so the clause called gain share meant that if BT had more than 20% take-up then they would have to pay more into the contract. Now that has happened. The gain share has allowed us to reinvest the extra amount – the figure I have in mind **Colin** - correct me if I'm wrong - is £23m in total – that has allowed that extra £23m to be invested. So it's been – I think - a public procurement success story thanks largely to those at HIE and BT who have worked in collaboration to deliver it but it's not enough. We want to proceed secondly with the R100 so that every premise, every home, every business by 2021 has access to the internet. I'll let **Colin** go into the details of this because this is extremely challenging. A lot of work is going on to that. The second thing I would say is that in mobile coverage - for some – particularly people on the right side of 40 - the mobile phone really is all that is used. Everything is done on the phone – ordering everything, buying everything, looking at purchasing anything - is done not actually on a tablet or in an office but on a mobile and therefore a mobile signal is so important. We are doing a number of things and members will forgive me for covering areas that we've discussed before. We've had Ofgem here at the last conference and at the DFM's suggestion we've had the private companies here before as well but we are seeking to work with the UK Government and Ofgem to achieve 3 things for the Highlands and Islands in particular: the first is to ensure that future spectrum auctions prioritise rural not revenue. This is the 2 R's and it's not widely understood I think that the sale of spectrum by the UK Government brings in big money. The tighter the regulation that the mobile network operators are required to comply with the less the revenue. Germany, Denmark, Estonia and other countries have pursued an outside/in approach telling their mobile operators you must cover the rural island areas first and work from the outside/in. The UK Government has sadly followed the other approach of maximising the other R – revenue - which then is used for other purposes. So we are encouraging the Minister **Mr Hancock** that future spectrum auctions prioritise rural coverage rather than revenue maximisation. The second is to maximise the coverage benefits from the 4G based emergency services network which is an opportunity that requires joint working. I have to say I'm not yet satisfied that we're there and I would be interested in comments from the ground from council leaders in particular and thirdly to seek a share of the investment announced in the recent UK Autumn Statement to support 5G trials and deployment in Scotland. The last thing I would say is that we should remember that telephony is actually a reserved matter. It is the responsibility of the UK Government. It's the legislative

responsibility and under the Barnett Formula it's actually it's their financial responsibility as well. So we could well have just sat back and said we haven't got any money so we're not doing anything but that's not what we did thanks to decisions made by the previous session of the Scottish Parliament by the government then and we did agree to work with BT; we did enter into these contracts - they've been successful – yes - but for those that haven't got access then we're not there. We're not at the races. It's no comfort that people in communities 30 miles away have got coverage when they haven't. So this couldn't be more important for almost every area of business and rural life and it's something to which we're obviously devoting a lot of mind time and energy working with in particular the commercial operators. So perhaps I could pass to **Colin** if you want to add to that.

**Colin Cook:** Thank you Minister. This is very much a welcome back for me. If I may can I just start with a personal reflection because I was involved in coming to the meetings of this body when we were drawing up the original BT contract some 3 years ago and it's nice to come back and be able to reflect on the progress we've made. Also having read subsequent minutes of meetings of COHI looking back how the debate has started to shift away from its exclusive focus on broadband coverage through to other forms of connectivity. As the Minister said around mobile and now I think increasingly about how we use that technology for the benefit of the economy and society and actually at the moment the Scottish Government is engaged in a process of updating and refreshing it's overarching digital strategy and if I look at the comments that have come in from stakeholders and the public as part of that process you see a very similar transition and most of those are around how we maximise the benefits of connectivity for the economy and how we support our country through the very profound changes to our society and work patterns and jobs that are going to come about as a consequence. Having said that as I look forward to the next few years there will be – and is going to be - no let-up in our focus on delivering the activity – and the 2021 target that the Cabinet Secretary repeated is very much at the heart of that - and that is the only part of the UK that has that explicit commitment and one we will deliver on. It's important not only for its own good but also because it will enable the spine of connectivity that we've developed so far to go out further and equip ourselves for other challenges in terms of connectivity be that mobile and ultimately the preparation for the internet of things and other generations of connectivity coming forward. I was asked to say a little bit before **Charlotte** gives you an update on where the project is to date about the plans for the Reaching 100 Project. We've just completed the open market review which allows basically for us to get a sense of where commercial providers are already planning to go. That data is being analysed, challenged and tested with experts and will include the additional places that we've been able to go as a result of gain share. That process will be finished by about the end of March. We'll then go into a public consultation and take an approach based on how we rollout connectivity further based on premises rather than post codes to try and avoid some of the anomalies that happened last time. It's difficult to be too precise therefore about the specifics of

that programme but just to repeat it will take an outside/ in approach; it will be very much focused on trying to prioritise those areas that are furthest away from where commercial providers could reasonably be expected to fill in the gaps; and secondly it will also prioritise an investment in back-hall as part of that because I think if we do that then clearly that provides the spine for future investment but also generates the potential for more commercial competition. I'm going to hand over if I may to **Charlotte** to give us a brief update on where we've got to with the programme to date.

**Charlotte Wright:** Thanks very much. I think the figures bear a bit of repetition here and I'm going to highlight a few things from the report that you have in your packs and the Digital Scotland Superfast Broadband Programme has indeed been really successful in terms of its outcomes – today we're at almost 84% of premises – that's both commercial and project - coverage around 200,000 people – by the end of the year as **Fergus** referred to that will give us the opportunity to extend even further due to gain share to reach 86% of all coverage. When we started in 2013 there was only one place in the Highlands and Islands - that the town of Nairn that had access to mainstream fibre broadband covering only 4% of the premises in the region. So that progress has been really significant but what that has done is serve to absolutely raise the expectation – quite rightly – of those who haven't yet been able to access the service. So the importance of the R100 Programme is absolutely critical. We've also mentioned already the importance of mobile. Each of you in the local authorities will have received direct from us your specific report which updates on mobile. So I hope you continue to find that update useful. The aforementioned **Stuart Robertson** is here today so if you do have any specific queries or anything he will be around after lunch and happy to talk to you about anything and you can share the woes of his postbag if you like – but I also wanted to focus on why we're doing this because we have got a focus into laying the broadband which is critical but what we're doing this for is for economic benefit and the importance of that for the businesses and the people in the Highlands and Islands. Today in Inverness we have more than 250 businesses and individuals attending our second digital conference: Hello digital Extra – fantastic range of speakers – the UK's first doctorate of social media - a brilliant opportunity for our own specialist businesses to showcase what they can do - the marketeers, the providers, software developers, content creators, specialists – there's a whole range of businesses who are taking advantage of what digital has to offer business and the economic impact overall. Of course this isn't just about what we do in Highlands and Islands Enterprise. I think we're working with every one of you in the room today furthering this agenda. For example Highland Council with the delivery of the Inverness City Region Deal - £20m to focus on a digital initiative there – so each of the local authorities and Business Gateway working on Digital Boost. This is absolutely essential to reaching out to people – businesses and individuals - about what they can do with digital and particularly encouraging them when they do have access to broadband to take it up because that's helping the process as well. Tourism – absolutely fundamental - and

you would be surprised how many tourism operators actually still don't fully use the opportunities through digital – Digital Tourism Scotland is a national campaign which we are working closely with VisitScotland on which is furthering that agenda . We're seeing enormous support and interest in other areas such as cyber security and particularly I wanted to highlight the shared efforts through SDS and the Funding Council on skills. Every time we talk to businesses reflected in each of our regional and sectoral skills plans we see the need for improving sectoral skills in digital and that's absolutely fundamental to delivering the benefits of what we're doing in Digital and just harking back to this morning's conversation about the enterprise and skills review we have a fantastic opportunity as the public service to improve what we do and how we do it through digital. I think that's fundamental to making the customer journey whether it's through enterprise, skills or learning better and easier through digital and it seemed absolutely appropriate in this wind full venue where the focus is about creativity to let digital speak for itself. So we've put together a 3 minute video clip which will be more articulate than I can be about the benefits of digital. So we'll just play that now.

[Video clip now being played]

**John Swinney:** Thanks very much **Charlotte**. A very good film piece to capture the progress that has been made and a very welcome progress. Any thoughts/comments? **Gary:**

**Gary:** Thanks Deputy First Minister. I think from this forum in the past my comments have probably minuted brickbats and bouquets in equal order but I'm going to start with the bouquets today and really welcome the points that **Fergus** made around 5G trials in Scotland and I think that was something that I earnestly hope would happen ahead of the major rollout of the new technology. I definitely welcome the outside/in approach because I consider the islands to be the outside so hopefully we're first but I think allied to that is I think the agreement that we got from Ofcom at the last Convention of the Highlands and Islands to actually look at island proofing the licence and the rounds because often what we've seen in the past has been licences being granted to large operators on the basis that they cover 95% of the country and that's them off the hook and I think what we've found to our costs is that we are always the 5% that they forget about or leave to the last and we're sitting at the moment with 4G slowly – I have to say rolling out across the islands but in Faeroe they're already looking towards 5G - just to put that into some sort of context. I think 5G is going to be yet another transformational technology and it's one that I would welcome the islands being first in. Indeed we have an open offer from Faeroese Telecom to work with us on that and indeed I hope that civil servants and Faroese Telecom can meet shortly to discuss this. Turning to fibre broadband I think it's true that we have seen the fibre rollout across the islands and indeed the Highlands and Islands but I still have an awful lot of folk saying to me that I'm not getting good broadband. We've seen the cabinets go out through the islands mainly along the main roads and I think that does still leave an issue of how we reach the

last house and what technology is going to do that? Also aligned to that is the fact that if someone is on the wrong side of the green cabinet beside the road then they too have difficulty connecting. So I think it's been acknowledged that there's still some work to be done in that respect. It'll may be end by a question and that is around whether people here see the disaggregation of BT and Open Reach as being a positive step in attempts to create an R100 network – a network that reaches everybody in Scotland. Thank you.

**John Swinney:** Thanks **Gary. David:**

**David:** I think it's worth putting into the mix the fact that delivering health services for the future for the Highlands and Islands is going to be vitally dependent on all of this and I think it is incredibly exciting to see what the possibilities are. I think that's partly about the most effective way of accessing professionals; I think it's about storing and transferring information; it's about the most effective use of the emergency services because that's very often what communities are looking for – that sense of security – I think it's also about the technologies that can keep people safe and it's about health and care. My favourite example at the moment is about the difficulty of providing endoscopy clinics in some remote areas and there is technology being developed where you can swallow a pill with a camera in it and the image can be transmitted to where it can now be – I think we all know which we would prefer as the technology but there are exciting advantages there that we can make real with everything that's happening.

**John Swinney:** Thanks **David. John:**

**John:** Thank you. As **Fergus** mentioned for tourism connectivity and digital is absolutely totally important and just commend the government's work on connectivity. We call it the 5cs and the second one of those is capacity which is about mobile and our research is showing now that over 50% of bookings are being done on mobile so particularly the millennial but the younger generation are moving very quickly to mobile and this also opens up a really interesting area of work where one can communicate with the visitors while they are with us which enables us to extract more money from them and get a greater yield by telling them what's coming up as they go along but for me the really interesting thing are the other 3cs which are: content, conversion and capability. On the content we have work to do to be able to get high quality to attract people. Although we've got it - we've got some fantastic content it's actually getting it into the online public. The second thing is conversion. We have over 8500 businesses listed with VisitScotland.com but only 42% of them are capable of doing online booking and we have a real job to persuade people to actually use what's already out there to make the most of the business that's available and the last one's on capability is the actual capability of the business owners to use what is being made. I just say that we work with UHI on that. We've got a fabulous course that's been running right throughout the Highland area and I have met a number of B & B owners and others who've done that course

and have completed upped and changed their game - so much greater productivity - I think therefore one of the things we're trying to do - and I would encourage everybody else to do - is - by all means you can't do anything without the connectivity but when you've got the connectivity concentrate on the content, conversion and capability to deliver this.

**John Swinney:** Thanks John. **Margaret:**

**Margaret:** Thank you Cabinet Minister and I too would thank yourselves for the continued support you've given. If you hadn't pulled the mobile operators together I'm quite sure we wouldn't be making the progress that we are now. We've got mass applications coming in all the time. I see them floating across my desk and more to come I think this year will make a substantial difference in getting 4G across the Highlands but it's not going to sort it and it's Hans done well handling the BT contract but for those that haven't got it I'll tell you 2 words which are not in the vocabulary - deferred graphitisation. They're not prepared to sit and wait till 2021. They just are not. They know the excitement. They understand the potential but at the moment the systems are throttling them. People are not using online booking because you can't make it. It drops in the middle. You can hardly use the systems and it's a huge, huge frustration. This year we're rolling out Crone books in our schools to individual pupils - and most of them who go home to a rural area - and by a rural area I mean about 10 miles out of Inverness and you're into it - actually 4 miles out of Inverness you lose broadband. They won't be able to use them and the frustration that that will bring is going to be. People finding they can't sell their homes because they haven't got decent broadband and they haven't got connectivity. Tourism: they're just demanding it. They're astonished. I've seen people in tears because their phone isn't working because they can't pick up enough of a signal. So the improvements around telehealth are mindboggling if we can make the best of them but we can't and people are not going to wait till 2021. Since I came back from leave after Christmas I have had 4 communities approach me within my own ward about installing wireless broadband. Now they could be working with Community Broadband Scotland but they're not prepared to wait while they go through the tortuous procurement and all the rest of it. They're just not prepared to wait. We've got a huge project going in rural Inverness with Community Broadband Scotland which will take the best part of 2 years to deliver. Nobody's going to wait that long. What they're doing - and they will find guys who will do line of site and stuff; put up a mast; dig line of site stuff and give them wireless broadband. They don't know what the quality is going to be like. They hear the reassurances. They don't know if they're dealing with cowboys. They don't know many things. They're frightened to go for public money because they're afraid that something better is going to come along in 2 years' time and they won't qualify for it. So I think we've got to help people sort this out because they are actually running on the ground. They're ahead of us and I've now got some guys who've been working in Arran with some white space tv stuff and I have no idea what they're talking about. It's just another way to

get broadband and people are looking at that and they don't know if it will work for them. So I think the public sector - all of us - have got to get behind people and what's happening at the moment and not tell them hang on in 2 years' time we'll have a great project running here and it will be much better for you. They're not waiting. I'm really concerned that we're going to splinter all over the place and that people are going to start doing things which will preclude them from getting a really good broadband solution in 2-3 years' time. So I think we need a hand here. I'm going to speak to **Stuart** and **Charlotte** over lunch but I wanted you guys to be aware of what's happening and that's just the communities I represent. I could duplicate that from one end of the Highlands and probably the Islands too . it's on the move and it's not going to be the agenda that we're setting. It's actually moving.

**John Swinney:** I think the points you make on rural broadband – hard to reach – but it can be in close proximity to major areas of population – I think that many of us that represent rural Scotland are seized of these issues but we'll come back to specifically address these issues in the summary because they're very fair points to be addressed. **Stephen:**

**Stephen:** Thanks Deputy First Minister. The points been well made around the opportunities that possibly exist with regard to 5G if we can persuade Ofcom to adopt a licence lighter or regional licence approach appropriate to our region and Gary's mentioned the potential operator such as Faroese Telecom and we've been in discussion with Faroese Telecom – we've mentioned it here – and I hope we will be able to set up a meeting with the Scottish Government Digital Directorate, Scottish Futures Trust, Ofcom and indeed HIE to discuss that in the near future. The second paragraph in the paper mentions that a range of technologies: fibre, 4G, wireless and superfast satellite will be necessary and certainly that's the current situation and white space has been mentioned. I think white space has been demonstrated to be a credible and successful technology in a number of areas and maybe it's time will come as well and to be added to that list – but if we want to be truly futureproofed then fibre going to be the end point that we're going to get to under the current understanding or technologies and I wonder if the kind of successive investment and sort of interim technology to reach an end point which we think will truly be fibre to the premises then when does it come to the point where we think that well let's just invest I fibre to the premises now and really futureproof ourselves for all time or to have a policy whereby we invest in fibre to new premises is a way of kick starting that going forward. If fibre might be seen as an exotic technology for the rural areas - but essentially it's just wire that's going to all the premises at present - and fibre would be a better wire than the current wires because in our areas one of the most aggravating problems - which would not happen if we had fibre - is the interference from electric fences - and we would be completely immune to that and solve that problem at a stroke.

**John Swinney:** Thanks **Stephen**. **Norman:**

**Norman:** Thank you Deputy First Minister. I think first of all I'll comment on what **Margaret** has said at the start and that is the progress that has been made in the time – I think it was at the Convention meeting in Moray that we had the mobile operators and BT together – and where it was made very clear that there was an expectation that they would get together and sort it out with COHI acting as the honest broker in that process and I have to say that in that period of time quite a lot has been attained in terms of the work that has gone on. With regard to 4G we're now talking about in the Hebrides the number of masts going up from 25 to well over 50 and I think that's one of the things that people are looking for assurances on now. We see that as not the answer to the situation. Going back to what **Stephen** said - but it is something that can be done - and is committed to being done by the end of 2017 - in relation to the 4G installations. Now that is something that can help quite a bit in terms of connectivity - both for broadband and mobile phone access - and that's something that people are looking forward to seeing. I think we're looking for assurances that that is not going to be limited just to emergency services but it will be open to people to get access to that. It is not going to be something that's going to be blocked in any way and also some kind of commitment that that is something that is – and it's already in the papers today that that is being futureproofed because 4G is not going to be around for long – it's not going to be that long until we see 5G and people are already working on 8G. So the importance is the infrastructure that is put in place just now is not going to be obsolete within the next 5, 10 or 20 years but it is something that is going to take us to a point where hopefully there will be fibre to premises - although the last bit is probably much more expensive than fibre to cabinet and presumably that's why the constraint is there at the moment. So there has to be a recognition of that – that it's going to cost an awful lot more to fibre to every premises including options for premises that don't exist right now - and that's become a wee bit more challenging - but we do have to acknowledge the progress that has been made and I think we have to keep on pushing so that - certainly communities that aren't going to get any other way - and we're not just talking about rural parts - there are some houses within 200m of the telephone exchange in Stornoway who will be amongst the last to get decent fibre connectivity simply because of the telephone exchanges and that causes some of the issues that I think Gary mentioned that if you're on the wrong side of the cabinet you don't get anything in terms of the exchange. So there are technical issues here. Some of them weren't foreseen. Everybody took for granted - including BT - that if they've got the fibre to the cabinet it would work perfectly from there and that's not been the case in every situation and that's been worked through. So it will take time but we're certainly in a lot better place now than we would have been 2 years ago and the commitments that have been given by then but it is really important that work continues and that the futureproofing element is absolutely fundamental to it in terms of the infrastructure that gets put in over the next year or so.

**John Swinney;** Thanks very much. **Alex:**

**Alex:** Just to elaborate on something that **Norman** said are you talking about future proofing. I'm looking at the statement here that you are putting in speeds of 24 megabits per second. We know that in parts of Asia and parts of America that you can get 100 megabits a second immediately now. There is a danger that we are putting in the structure now at great cost that is going to leave us well behind the other parts of the world when we think we have completed it successfully.

**John Swinney;** Ok. Any other contributions? **Fergus:**

**Fergus:** Just to sort of reiterate what people have said in terms of the importance of digital and its rolling out and we're starting to see a major step change in delivery in terms of the masts coming through Argyll & Bute but there is still quite a lot of issues and one of the issues that kind of picked up from a local level in Argyll & Bute is that while we talk and report back that a cabinet's been switched to green a lot of people locally still don't have that superfast broadband so we've initiated our own survey and we're starting it with our staff and then we're going to roll it out to communities to actually really understand what is digital delivery within a local area? Have people got an understanding of what superfast broadband is? What is the thing on the ground - because one of the big issues is that while we get fibre through the cabinet from there it's copper and it really deteriorates extremely quickly so it's just an issue to be aware of.

**John Swinney:** Thanks **Fergus**. I think there's a number of key points that come out of the discussion. A couple of quick points before I pass back to **Fergus**. The first is I think to reiterate the effectiveness of the Convention for the Highlands and Islands because of the focus we've given to this issue and the addressing of what needs to be an understanding on the part of organisations such as Ofcom of their role and **Gary's** point at the very outset that it's very easy to come to conclusions which say that 95% of people are going to get digital connectivity but when you drill into what the last 5% of it represents unless you have something that's much more obligatory to ensure that service is achieved in a wider geography then we know what will happen and it will be the hard to reach areas that will be left behind which is precisely why we've done 2 things which is to gather those organisations such as Ofcom and also he mobile operators together to raise their understanding of our expectations and I think that has been successful. The second thing of course is to then take the approach that we are taking in terms of the rollout to make sure that it can be as comprehensive as possible and I think that twin approach is essential to make sure that we can establish the platform for connectivity that is so important. The second key observation is the point that **John Thurso** made about that once you've got it what do you do with it - and that actually does require a transformation of attitudes to make sure that people are maximising those and can those characteristics be utilised to create a much better approach to economic activity and a much more sustainable approach and that obviously opens up the way to creating more sustainable businesses, more economic opportunities and it obviously all flows into the issues around population distribution as well. The last point I would make is

about robustness and longevity. This is a very, very real issue for us. I think it would be scarcely imaginable in 2007 looking forward 10 years at the progress of technological change itself. Objectively in 2007 nobody would have looked at that and thought that was possible but it's happened and because it's happened so much has happened in 10 years and you can guarantee that even more will happen in the next 10 years at an even faster pace. So the points about longevity, robustness - **Stephen's** point I think is a really difficult one to resolve. At what point do you say let's stop the music and put the fibre to every house - and that's difficult because **Margaret's** point about I want it tomorrow is a really difficult balancing act - but ultimately Stephen may be right that we're just perhaps taking several convoluted routes whereas we may be better just saying nothing else happens until we've put the fibre to every property but that's a very - I could see some of my distinguished civil servant colleagues around saying that would be bold, courageous and ambitious **Minister** - all in the one go - perhaps even heroic - which is when you know that you're really in trouble when they say it's heroic - but I think we cannot ignore these issues and I think one of the other points - it relates again to one of the points that **John Thurso** was making - when people come here to visit they don't really want to have to go to the top of a hill round the corner facing into the wind to get the 4G signal to book their next B B. They want to be able to do it while they're having a cup of coffee wherever they're at. So expectations are very different from people that will perhaps come from jurisdictions where 4G is just perhaps par for the course and we have to be able to respond to that - but there's a lot of very difficult issues within that - but I think I certainly value and welcome the feedback from the Convention about the amount of progress that has been made on our own programme - but I would reassure you that the government recognises the centrality of these issues in the agenda that's going forward. **Fergus, Colin, Charlotte** any points to reflect on: **Charlotte**:

**Charlotte**: Some very helpful points I think have been raised and sticking with the theme of what do you do with it I was particularly struck by the remark from **John Thurso** about quality content and I think that's a conversation we need to have about how we're supporting our creative industry businesses - and there are lots of great ones in the Highlands and Islands to really take advantage of what they're doing and also make sure that it's pushed into other domains. So I think there's a conversation we can have on that. **Fergus Ewing**: I think both yourself, **John** and **Charlotte** have made points that I was planning to make so just let me make a few others. First of all we're going to meet Faeroese Telecom and we'll see what comes of that. I wouldn't hold our hopes up but let's be positive so we will pursue that. Secondly Community Broadband Scotland will want to perhaps have a word with you individually about that but we are obviously on top of that but there are challenges. Thirdly if we're talking about fibre then let's not forget that you can't snap your fingers and deliver it. Let's get real here. There's 5 stages to installing this. There's design, survey, install, connect and activate and at any stage things can go wrong. We wouldn't expect the A9 or railways to be upgraded immediately. It's not possible. So

let's just remember we're dealing with an infrastructure project in relation to fibre. It's important to get it right but the point needs to be made that we're not magicians. That said I think as **John** said the progress that has been made as a direct result of COHI – as I think **Norman** alluded to - going back to the Elgin meeting - has been pretty substantial and I think there is one further practical issue I would raise - perhaps I should have raised it earlier – I apologise – that is speaking to some of the companies that actually do the work of installing the fibre have said to me that there is a total lack of the required skills to do that in certain places. For example when work was being done in the Hebrides all the technicians had to be bussed in. Now I just mention that because it's a practical problem. It's one I'm sure you would be aware of but perhaps here is a role for HIE/SDS to look at this with some of the companies to see if we can do more - training up even a couple of technicians here in Orkney, in Western Isles, in North Ayrshire, in Argyll - would make a tremendous difference - and therefore it's the practicalities that are holding us back in terms of a speedy implementation of some of this infrastructural work. The last 2 points I wanted to make were: the permitted development rights enabling the swifter processing of the planning for masts has been a great step forward and I got a very – I think when we've discussed this before all the local authorities have basically said let's do it as quickly as we possibly can and if that's still the view then let's fire ahead with permitted development rights. I think it's gone pretty well and almost every case the masts have been consented and in one or two cases where there's been an issue then the alternative issues or solutions are being found which is good. The last point I wanted to make was really a suggestion to see if looking round the table if there's an appetite - perhaps **John** to bring back the commercial boys and get them round the table to have a further discussion. I am cognisant of the fact that our R100 tendering process is being looked at and being worked on and we hope to move to that tendering process this year. So we can't assume that BT - and we shouldn't assume that BT or any other company - and we must not assume that any particular company will succeed in winning the contract or contracts but it's plain that BT, Vodafone, EE or O2 may all have an interest in that and I wonder whether there's an appetite at either the next or successive COHI to bring them all here - perhaps with Ofcom as it did seem to me that doing so before was perhaps the most effective means of reminding them of their need to continue to work in collaboration with the public sector. So I'm just looking round to see if there's an appetite to do that. If there is - and getting a few nodding heads - then perhaps that's something that **John** could look at in the conclusions of this meeting - and that I think would extend to Ofcom as well to get them around the table too - and they have been I would say as regulators go good.

**John Swinney:** I think that's a helpful point at which to conclude this discussion because there's clearly a tremendous intensity of activity going on in this area but a number of colleagues have made the point at a lot of that has been created because of the focus that was established around the dialogue with the operators and with Ofcom. I wouldn't be too worried about the possible implications on the tender

process because essentially what we want the operators and Ofcom to be aware of are our views and our expectations – we’re not trying to come to some agreement with them; we’re trying to make sure that they understand very clearly what are our expectations around this approach. So I don’t think it would be of enormous value to pursue that but it has to be done involving both Ofcom and the companies because one of the points that **Gary** made was what we felt about the BT Open Reach issue and whether that would help or hinder the process. I don’t think there’s a definitive answer to that point other than the fact that we know that it will be influential whichever way it goes and it will either speed it up or slow it down. So we better make sure we’re on the side of speeding it up! So whatever happens helps to speed it up and I think as one of our conclusions to this item that there are probably 2 aspects to conclude this item. One is to reinforce that conversation with Ofcom and the operators and the second is perhaps to do a bit more work about the awareness raising of what to use all this for and to make sure that is effective and there’s perhaps a third point which is I think we should probably remain alert to taking stock of the kind of issue that **Margaret** raised which is where is the hard to reach communities; how the hard to reach communities are getting on with finding solutions because it is easy to look at proportions and say well there’s good progress being made; more and more people are achieving connectivity but we need to be mindful of the fact that there will be really tough cases to resolve as part of that process and we should perhaps look at that again. So there’s 3 issues for us to take forward from this session – firstly is the operators and Ofcom; secondly is what are we using all this for and is that being maximised within the community; and thirdly what progress are we making on the hard to reach communities and that I think would be a helpful summary of these items. Ok. Thank you all. We’re now going to break for lunch. When we reconvene at twenty past two **Kevin Stewart**, the Minister for Local Government and Housing will lead the next item on housing and **Humza Yousaf** will then lead the issues on transport and the National Health Service and I’ll see you after my visit to Anderson High School later on this afternoon.

**Kevin Stewart:** Good afternoon everyone. For those that don't know me I'm **Kevin Stewart** the Minister for Local Government and Housing and I'm very pleased to be here in Shetland today at the Convention – this is my first time – so bear with me if I don't stick to the usual etiquette but we'll work our way through quite sure. I hope everyone has had a good lunch and I believe there has already been some papers circulated but I would like to start off by talking about the opportunities of the government's housing programme. We believe that irrespective of background everyone should benefit from a fairer and prosperous Scotland and therefore tackling inequalities and deprivation is at the heart of everything that we do and of course housing is at the heart of doing that. Included in our plan is the commitment to deliver at least 50,000 affordable homes with 35,000 for social rent over the next 5 years and I've had the opportunity earlier this morning to see some of the work that's going on here in Shetland. The delivery of these homes are ever more relevant as we acknowledged last week's report from the Office of National Statistics that showed price increases across most of Scotland with Shetland in particular showing a 26% house price increase over the past year alone. The commitment to deliver at least 50,000 affordable homes forms the central part of our More Homes Scotland Approach; access to quality housing is a vital part in our drive to secure economic growth; to promote social justice; strengthen communities and tackling inequalities and we're determined to increase and accelerate housing supply and we will support industry and local authorities to deliver quality homes in mixed communities that actually fit local needs. In other words delivering the right homes in the right places. The more homes Scotland Approach includes all the actions we're taking to drive a major expansion in the supply of homes across all tenures. The approach comprises activity under 4 themes: the first being more investment for more housing including that delivery of 50,000 affordable homes - £3bn of investment over the Parliament supporting infrastructure land and housing delivery; more effective planning place making and design; and of course providing expert advice. We've already achieved a fair amount in the past few years. In the last Parliament we exceeded the 30,000 affordable homes target by more than 10% - 33,490 affordable homes were delivered; 22,523 of them for social rent; 3473 for other affordable rent and 7494 for affordable home ownership – and that included 5992 council house completions – almost 24% more than the 5 year target - and that was backed by an investment of £1.7bn. The Housing Scotland Act 2014 ended the right to buy for all social housing tenants in Scotland from 1 August 2016 protecting the existing housing stock of social rented homes and preventing the sale of up to 15,500 houses over the next 10 years. We've launched the More Homes Scotland Approach and that includes our investment of £3bn in affordable housing to deliver that 50,000 affordable homes and that £3bn is a 76% increase on our previous 5 year investment. The most important thing for me in all of this is the 35,000 homes for social rent which is a 75% increase on the previous social rented target. We've increased housing subsidies by up to £14,000 for social affordable homes for rent which are being delivered by councils and RSLs and the government is committed to a new offer of 5 year resource planning assumptions for councils following the

2016 Spending Review. We have a flexible grant and loan housing infrastructure fund and many of you have already spoken to me about applying to that fund and I know that there is an application for Staney Hill here in Shetland and I hope there will be many, many more - and we're also undertaking a wide-ranging review of the planning system to improve the effectiveness of the planning process. We're working with stakeholders to identify any critical areas that can prevent delivery of our ambition including engaging with every local authority chief executive. A new mid-market rent offer to alternative providers is also something that we are committed to doing and that is a further option to help us deliver the 50,000 target and we will continue to support the work of the Empty Homes Partnership and of course one of the things which you folks will be most interested in is our commitment to funding for the Rural and Island Housing Funds. In addition - and not included within the 50,000 target - £195m of financial transactions will be invested over a 3 year period in the Help to Buy Scotland Affordable New Build and Smaller Developer Schemes and this will focus on more affordable home ownership. It will support smaller developers and help up to 7500 householders to buy a new build property. We launched the Rural Housing Fund and Islands Housing fund last year and together and together these funds provide £30m over 3 years with the aim of increasing supply of long-term affordable housing in rural Scotland. The Rural and Islands Housing Funds adds a new dimension to the existing publically funded housing system to serve the interests of our rural and island communities by giving additional players such as community organisations and landowners access to subsidy to provide affordable housing of all tenures in remote and rural areas. These funds could deliver around about 600 homes. In the first year of operation we've had high interest with around 80 projects expressing an interest and we're now going through detailed consents and aiming for approval in the next year. I'm pleased that we have our first scheme completed with the successful conversion of a former schoolhouse in Achiltibuie and to 2 homes for affordable rent and there are a further 2 projects due to complete in the coming weeks. The Scottish Government also has a track record of investing to improve croft housing. From January 2007 the Scottish Government has approved grant payments of over £15m to help build and improve 800 croft houses. The Scottish Government continues to invest in this area as it contributes to the continued sustainability of crofting communities and helps retain people in our rural communities. In this financial year - and under the new croft house grant - £1.4m worth of grant funding has been approved. My officials are visiting all of the chief executives in all 32 local authorities as part of a wider programme of engagement on the More Homes Scotland Approach. The More Homes Scotland Approach is about maximising the opportunity to deliver local housing needs in the context of a significant and tapered increase in investment over the Parliament. We have a real opportunity to transform the delivery of affordable housing across Scotland in the next few years. I know that many of you see that is a daunting challenge but my door is open and I'm ready and willing to listen but I'm a practical man. I speak frankly as many of you already know and I'm not really interested in nebulous problems or vague promises. I have 3 asks of you

basically: be a player and not a spectator in increasing the volume of supply in Scotland in upping the quality of new and existing homes; be positive and practical – focusing on what we can do and now; and be specific about the barriers to delivery – we're more likely to be able to solve a problem if we know precisely what it is. I know that like me many of you are not backward at coming forward and we've already found a number of solutions to a number of problems that people have presented to us and I think if we continue on in that manner we'll deliver good quality homes for folks in all of the areas that you represent. So I would ask how are you taking up the challenge that Ministers have articulated on housing supply? What are the main barriers you see – it's important for me that we have a frank discussion about specific barriers so that we know exactly what we're faced with and we can work together to try and overcome them and what can we do to help with any of the issues that you have raised and the floor is yours. Thanks a lot for listening to me.

**Margaret:**

**Margaret:** Hello Minister. Thank you very much and can I begin by thanking you for your enthusiasm for doing not just more - but a lot more – and putting your name on it and putting a number on it – and I think that's really helpful because that helps us to keep our ambition up because the housing need in Scotland doesn't go away. It would be really wonderful in the next 5 years if we could take a really big bite out of it and feel as if we're making the progress we need to make. So thank you for that and thank you for getting behind that. Thank you also for the Housing Infrastructure Grant and loan fund – that's going to be really helpful in opening up some of the plots which have just been sitting there because of the high cost of getting access and moving that on. So that is really helpful. I'm going to have some asks of course but you said what can we do and I think as local authorities – all of us – we've got to look at our planning systems and how they're operating – there's a national discussion going on at the moment – I was hearing a UK discussion - and there was a clear discussion there about sort of you've got 2 years of planning and then may be it goes away from you and actually that would be a bit of a shocker for some of the developers - people who've just land banked or are refusing to sell their land in Scotland and around our city and our small towns that's a key issue. We can zone land for housing until the cows come home but we can sit there for 10 years. They won't move and there's been far too much land sitting on balance sheets for the last 5-6 years and any movement we can all get on that I would welcome because that's been one of the biggest obstacles – 2 things: first of all I think it would be really useful Minister if you could think about bringing together some of the utilities. They hold us up time and time and time again and by that I don't mean – Scottish Water – yes on occasions - although I don't know whether it was yourself but someone's been clattering at them recently - they seemed to have picked their game up - but we've got BT- that's enough to drive a saint mad – SSE – when you're needing power to places – British Gas – I could list them all but I think if you got some of the big players together in this room and gave them a clear message about you're now one of the biggest obstacles to us getting on with delivering our housing target I think

that would be really helpful and if you want any help from any local authority leaders just ask. We can all bring clear examples and tell them what the issues are but they can hold things up for years as they come and go back and forth - make an attempt at something and then not – and we need imaginative solutions from them. We've got so much of the Highlands off the gas grid so can we think a bit more beyond just the sort of tunnel vision that we've had for years on this. So it would be good to get more imaginative solutions and a clear political message from yourself would be helpful in that and then the final ask - and perhaps the most important because we've done the sums and they absolutely astonish me. If we could get the higher rate of intervention that you give to RSLs for councils we could build faster and we could build more. We had that discussion at COSLA about a month ago I think and we all got behind that. So it's a clear message: honestly councils can build quicker, cheaper and faster if you give us the tools. If you up the rate of intervention I've been astonished at how many more houses we could build. Thank you.

**Kevin Stewart:** Thank you **Margaret**. I think that in terms of the discussions we've had which have been very fruitful we've managed to bring down some barriers and help Highland and I think long may that continue. Let me start with the land banking issue which you mentioned first of all. On my desk at Parliament at this moment is a huge booklet of vacant and derelict land and the government said we would consult on vacant and derelict land and I'm looking very carefully at the situation. I've already met with a number of stakeholders around about this but I don't think that that's necessarily the way forward because there are other tools that we could use. I wrote to local authorities just recently about making much more use of compulsory purchase orders and some local authorities have been very good at using CPOs. Glasgow in terms of the Commonwealth Games Village; Dundee in terms of the Waterfront - and I would like to see more local authorities make use of CPOs. I realise there is a risk adversity around about some authorities using it. I know what lawyers are like - and I apologise to any lawyers in the room - but I think you should manage to export best practice to everywhere so that we can make much more use of them and we've also of course said in the manifesto that we would look at compulsory sale orders too. So I think we can do a number of things round about that. Beyond that my officials are also doing a general trawl as public sector land comes up to try and make it available and probably the best example in recent times of that is Craiginches Prison in Aberdeen which is now going to be housing for key workers and officials continue to do that at area level and they're probably talking to your housing folk about these things and we'll continue to do that too. Now let me turn to the utilities. At a very early stage I had discussions with Scottish Water – things have improved – they've improved dramatically – not everywhere as I found out here in Shetland today - but will go back and will talk to them about some issues that exist here - but as I've always said in these regards if I don't know about it I can't deal with it. It's not difficult for me to go across the corridor and speak to **Roseanna Cunningham** or to call in Scottish Water officials to actually deal with the difficulties that are there. So if you've got difficulties then let me know and we will

follow that up – but they have definitely improved. The next one that you mentioned was BT and broadband. I know that **Fergus** has been on to them a fair bit of late. In terms of SSE and gas I haven't had a huge amount of difficulties across my desk about them but if you want to highlight those area to me I'm more than willing to have those conversations and also talk to **Paul Wheelhouse** who talks to them more than I do, to see what we can do in that regard. You mentioned imaginative solutions and I'm more than willing to look at any ideas that are put in front of me. That's not going to say that I'm going to say yes to everything but in your own circumstance where you came with an idea not so long ago we said that we would look at it and I think that's nearing fruition now. So if anybody wants to come up with anything that's a wee bit different please feel free to do so. Finally - and probably the trickiest point that you made - is about higher subsidy and I'm going to give you the same answer that I've given you before and the same answer that I've probably given to most other folk in the room - is that I'm not going to revisit subsidy levels because it took a long while to get to the point of agreement that we got to – and I think that was only less than a year ago - so I don't want to revisit that at this moment but what I have said to you **Margaret** – and to others - is that I am willing to be flexible around certain things and if folk want to talk to my officials about the amount of money required to build homes for disabled people or to build housing with more bedrooms then you should feel free to have those discussions with officials. The rate itself is a benchmark. Now what I would urge folk is don't be daft about it because obviously if you come with some outrageous scheme then it's not going to happen but I think that common sense and logic should apply to this and officials will have those conversations with you - but overall I really don't want to open up a can of worms of subsidy again considering it's less than a year since we actually dealt with that subject. **Gary:**

**Gary:** Thanks Minister. **Margaret** rather stole my thunder around the question of the subsidy levels because that is an issue for us here and I hear your answer but may be just to put some meat on the bones. The difficulty that we have here in Shetland is that our housing association is mature and they are in a difficult situation whereby in order to build more they would necessarily need to raise rents and I think there is a question over when does affordable housing cease to be affordable housing. What is the rent level – add to that the difficulty that we have actually building anything in the Highlands and Islands because the uplift is significant. We're building a new high school at the moment and the uplift on that is around 30% and I think it's similar for housing too. Shetland Housing have also told me in the past that the particular difficulty they have is around the valuation of houses because they build a house and very often find it valued at say £10,000 less than it cost them to build it. So these are all issues that I think that face the housing association in respect of what they do. The council has worked extremely hard with the Housing Association to facilitate new housing and one of the ways that we've done that has been to get the sites to the housing association because we do have a land bank and we have on numerous occasions now gifted the across land to ensure that housing is actually built. I was

interested in your comment there about the size of properties because I think there is an issue at the moment. In order to actually free up and get some mobility in our housing stock we probably could use some bigger units because I know that there are people that are in smaller houses – one and 2 bedroom houses with children that would like to move up and similarly there are people who would like to downsize. So I think some assistance in that respect to actually get that circle moving would be very helpful from our point of view. I think lastly we really welcome the commitment to rural housing as well. I think that really is good news. Clearly we have a sizeable housing waiting list here in Shetland. It's round about 700 at the moment and a very large proportion of that is for housing here in Lerwick but I think we need to recognise it's not all about housing in Lerwick. There are other areas that would benefit from new build, social and rented housing as well. So thank you for that.

**Kevin Stewart:** Thank you for that. May I start with your last point first **Gary**. I am a toonser myself. I'm a city loon but this housing programme I recognise has to be for all of Scotland and you can put up a couple of hundred houses in Aberdeen and it's not particularly huge in folks' minds but some of the places where we have built in recent times has meant the continuation of communities. I was in West Harris the other week and 6 houses there will make a huge difference to a small community at Horgabost where the couple that I met – the man who was actually from Aberdeen and the last was from West Harris - they were actually considering moving back to Aberdeen if they hadn't got something. So I recognise that for communities to thrive they have to have the opportunity for the programme to succeed there too. So it is going to very definitely be an all-Scotland programme and I'm very keen to ensure that every part of Scotland benefits from this major housing delivery programme and I am as keen to see that happen here in Shetland as I am elsewhere and I recognise that waiting lists in certain areas are high and we will do what we can in every area and part to deliver. I met with the housing association this morning - which you probably know - and I've been to visit 2 of the sites that they have recently developed. I recognise that there is a major site at Staney Hill which I think is something that we need to discuss more about. I recognise that they have applied to the Infrastructure Fund to open up that site. I recognise there is some difficulties with Scottish Water at that site which we will deal with as well but 220 houses there will make major inroads into your 700 waiting list. So it's in the interests of all of us to try and make that a reality if we possibly can. We'll go back and look at it very closely indeed. I think in terms of the opening up of sites we have the Infrastructure Fund – it's the first time we've had the Infrastructure Fund – I have to say I'm surprised that there hasn't been as many bids as I would have hoped for although that seems to be picking up now – we've realised 2 lots of money so far. One to a site in Aberdeen - which I hasten to add is not within my own constituency - so there's no parochialism at play and the other is in Glasgow but I want to see that fund utilised to its max. So don't be afraid to apply to that fund. Obviously we have to be realistic about what's possible and what's not. If it's going to cost an absolute arm and a leg to open up a site which is going to provide us with no housing then

we're not going to look at it but if there's viability there then please, please do apply. Also you mentioned price scenario and I met with Bobby Elphinstone this morning as well. Along with others he had an excellent article in the Shetland Times the other week about some of the price changes that there have been. I will certainly look at that and see what's what in that regard. The rent levels scenario - I want to make sure that rents remain affordable. I also want to make sure that housing associations are not overburdening themselves and I'll look at all of this in the round but what I cannot do is open up that can of worms again particularly not when the previous discussions were only ended less than a year ago. Have I got all your points?

**Gary:** Yes.

**Kevin Stewart:** Grand. **Stephen.**

**Stephen:** Thank you Minister. Mindful of your challenge we're determined to be a player and not a spectator; to be proactive and positive and certainly take advantage of the programmes that's available. I believe 10 of our outer islands looking at Islands Housing Fund projects so the scheme is definitely of great interest to us and hopefully will deliver a lot of interesting projects in the smaller and most fragile communities. We also have a couple of bids for housing infrastructure funding for 2 very significant sites in the Kirkwall area. So that will enable us if we're successful to build a lot more houses in these areas and certainly welcome the flexibility you mentioned around the funding levels for certain types of properties particularly the larger 3 bedroom properties which we're planning to develop. There is a couple of things that in the report that's of great interest to us as well. Mention is made of the pilot project being run in Highland around the self-build loans and this is the type of project that would be huge benefit to our area in Orkney and would very much appreciate being kept up to date with developments and indeed express an interest *in either a follow-up pilot or the wider rollout of the of scheme.* One of the areas that is also interest to us is the issue of redevelopment of empty homes because we have a lot of them and there's perhaps not such a degree of support or funding for the redevelopment of empty homes and we understand of course the difficulty the government might have around grants to individual homeowners but we're suggesting that the sort of potential for the Scottish Government to take equity stakes in properties in return for funding or some similar approach.

**Kevin Stewart:** I'm glad to hear you welcome the Islands Fund and I am pleased that you've got 2 bids in for the Infrastructure Fund – self-build loans pilot – one of the first things which I did on becoming Minister was I had a look at the uptake in the pilot - which was not particularly high – but the loan level at that point was £150,000 and I put that up to £175,000 and I believe that that is beginning to make a difference. We'll analyse that very, very closely **Steve** and I'm keen to see much more self-building taken place so if that is proven to work well then I will be rolling that out to other places and hopefully eventually nationwide but I'll look very carefully

first at the analysis of all of that. As I say the uptake at the beginning was not great but my understanding is that the amount of enquiries has increased a fair bit. Empty homes is one of those areas – because the 2 funds are a bit complicated in terms of the way they are delivered. There's the Town Centres Empty Homes Fund and the Empty Homes Fund. They have been underutilised and I want to see more use. Obviously as you pointed out yourself what we wouldn't want to see is a huge amount of profitability for folks but often that's not the case and I think some of the best use of the town centre one has been the renovation of shops into housing in many places. So again it's one of those funds which I'll keep a close eye on and see if there is any need to adapt in any way without allowing folks who may be acting in a shark like manner if they're making lots of money out of it but I'm keen to hear any views on how that could be better utilised and I'm keen to hear of course from the likes of yourself **Steve** to see what difference empty homes officers are making in particular areas because obviously the investment that we've made with Shelter in certain parts of the country including in Orkney and I'm keen to see the difference these folks are making on the ground and whether they're helping to get back into use some of the houses that have lain fallow for a long while. **Norman:**

**Norman:** Thank you Minister. I think this morning I said that in terms of the agenda we have before us today it is an agenda with just about every item being critical to having sustainable communities in some of our remoter communities and housing is absolutely critical to that as far as I'm concerned. I would go as far as to say that in many of our communities housing is more important than jobs in that people are more prepared nowadays to travel some distance from a good home to a good job than may be people were able to do in the past. So I think housing is absolutely fundamental to it and I am heartened that in some of the discussions that are ongoing – and you yourself Minister was part of that in relation to Our Islands Our Future in the Islands Deal that is imminent and with the Islands Minister **Mr Yousaf** and his predecessor **Mr Mackay** there were some discussions about housing within an islands deal and I think within that we do need to be positive; we also need to be doing something very different to what's been done over the past 30-40 years - and if not - then we're going to have the same results. There are innovative things that are already being piloted like the Loan Fund for example that's being piloted in Highland. There's are a whole range of ways in which housing can be provided in communities and one of the things we've done recently is that we've now got about 70% plus of our communities living on community owned land and we had a conference in November I think where we were looking at our depopulation issues and migration issues within the islands and community landowners have given a clear signal that they are prepared to discuss with crofters the freeing up of land for housing that takes away the barrier of (a) not having land and (b) having to pay significant sums of money to acquire it and they see that as an investment in their community by having housing there. Without houses in rural communities you're not going to have young people and that's a really challenging for them. A house as **Gary** said in some of the islands in Shetland and Orkney and some of the remoter communities in

the Hebrides is 30% more than it is in Stornoway. There's a 30% uplift between Barra and Stornoway for building a house and it is a further 20% uplift if you're not going to be building the same house in Stornoway as you were in Ullapool. It's going to be 20% more just to cross the Minch. So these are the challenges that young people in particular cannot reach. They absolutely can't reach there and they have no choice but to put their names on our only RSL – Hebridian Housing Partnership – list in Stornoway because up to recently that's where 90% of their houses have been built which has thankfully now changed to a 60%/30% split - and should be going the other way in my view – there should be more houses being built – 60% in rural communities and 30% in Stornoway because that is what creating the migration from rural communities in the Hebrides into the likes of Stornoway – 60% of the population in Lewis and Harris live within an 11 mile radius of Stornoway which is fine for Stornoway but not so good for other communities where people are reaching a tipping point as to whether they should stay in that community or not because it's more and more difficult for us as a public sector agency to deliver services. So housing is absolutely critical to that and getting housing right is absolutely critical to it. Having the same solution in every part of Scotland and /or even every part of the Highlands isn't necessarily right. It has to be right for that location and the different needs and demands of the location and I get that message from other council leaders who've spoken. I think as a public sector we're more than up for that challenge in terms of coming up with different ways of providing housing that don't cost any more than is currently there but just using the money in different ways and if I make a comparison between the Croft House Grant Scheme for example where the government subsidy is about just under £40,000 and our RSL gets £90,000 subsidy to build a one or 2 bedroom house – we're building small units that young people either with families or who aspire to have families have little interest in and I've seen direct evidence of that in my own community where the first 4 houses built in the community for 40 years – they're 2 bedroom houses – and one family having lived there for just over 6 months is having to move out because they're expecting more family and the only option they have is to move out of the area. So we have to think about that and that one size literally doesn't fit all. We all think about houses. What people in these communities very often talk about is a home that they expect to live in for pretty much most of their working - if not most of their life - and that is the difference we should be - and **Gary** mentioned it as well – we should be building homes for people so that they can live in that community and support that community. I'm quite radical in my view about that because I think we should be - as a public sector - we should be providing young families with the means to build that house - and I know that the Loan Fund could be a significant part of that - and we should be saying to them if you live in that community with your family providing services to the elderly; in the community providing children for the school; then after 15 years we'll give you the keys. If you sell that house within 10 years we expect the money back but if you stay there for another 10 years – which is 25 years in that community - the house is yours - and that's the kind of investment that we should be making in young people with families - showing a degree of trust with them - not

blind trust - they would have to enter into contracts - but these are the things - we need to think outside the box - otherwise in 20 years' time we won't be in the same position. We'll be in a much worse position where young people cannot afford to live in rural communities. I have one family who have moved out of the community just today. They have 2 of a family and they're moving to another community in South Harris because they can't afford to pay the rent they're paying in a private house and not only are we losing people out of the community but we're also losing a fire-fighter and that is now putting the fire service in that community in jeopardy. That's something that can be seen right throughout the Highlands and Islands. It's not just a house but it's also about what the people who live within these homes can provide to us in terms of the service provision and the sustainability of the community which is the most important thing. I couldn't care less what people actually do for a job. It's the sustainability of the community because they have a job; because they have a home; and because they have a really good reason to be there rather than somewhere else and I think there are enough levers within what is being proposed here to do that but it has to be done differently. If we're looking to try and shoehorn them into the same process as previously then we'll get the same results. So I really enthused by it but there has to be some significant change otherwise it's going to be really, really difficult going forward and I genuinely don't think it has to cost an arm and a leg. You give young people the opportunity then they will work together and take turns to build each other's houses. We've seen loads of evidence of that. They club together and they can find some of the solutions but what they can't find is cash; what they can't do is get a mortgage and these are the difficulties. Horogabos was a great example of what can be done on West Harris – 6 houses, 14 people already living in that; businesses is on the doorstep; turbine on the hill; and that's the way to do it.

**Kevin Stewart:** Let's talk about that then and let's talk about the sustainability around about that because I was quite enthused going to West Harris – I have to say that I'm enthused almost every place that I go - but some folk say to me why do you bother going there in the middle of nowhere when they see the Twitter feed but these are the places that I want to visit to see what difference can actually be made to folks' lives and I think that family there - who's name escapes me at the moment – but the guy was from Aberdeen and he was quite frank because he said that if they hadn't had that house they would have went back to Aberdeen and they would have left their jobs at the distillery in West Harris because there was nowhere for them and their kids basically and they were quite frank about that I thought. So I think that it's an obligation for all of us to make sure that we create those sustainable communities wherever they may be and one of the things about the Rural Housing Fund is that it has those flexibilities to come up with schemes which are not the norm so I'm not saying that we will say yes to every single thing that crosses either **Stephen** and his as colleagues' desks or my desk but flexibility is there and I want to make sure that there is some out of the box thinking at times to make sure that we get it right whether it be for Horogabos or whether it be for somewhere in Lochaber or whether

it be anywhere within the areas that you represent. So take advantage of the flexibility; have the discussions with the folks on the ground; the area housing folk that I've got - every single one of them has been top-notch - take advantage of their expertise; bend their ear a little bit; and let's see what we can do. As I say not everything is going to be workable but I'm quite happy to look at things which have never been done before. Some folk may think that some of that is risky; I see all of it as a great opportunity. The smaller places which I have visited - sometimes with very small amounts of housing - you can see from the community's reaction themselves to the change that that has brought - it shows that it's worthwhile and means that that community is sustainable - Strathblane in Stirlingshire is a place that I went to very early on - 16 socially affordable houses for rent there - the first housing of that type build for 45-years - I think half the village came out to see the opening of that - the fact that those were houses were thought about long and hard meant that there was adaptations made; a wheelchair accessible house and various other things in that project which means that folks who would probably have to have moved out of the village if that hadn't been become a reality actually stay there and that I think is extremely important. As a homebody myself I understand why folk want to live in their own place and we've got to try and help folk be able to do that wherever it may be. **Alex** I think you were wanting to come in were you?

NO. Anybody else?

**Fergus Murray:** Thanks Minister. It's **Fergus Murray** from Argyll & Bute Council. It's just a couple of sort of side issues in terms of the debate that's been talked about. One of the issues in terms of we all want to deliver houses for as low a price as possible provided the quality is of the quality that we want but the capacity of the building industry is a big issue in Argyll. In terms of large areas of Argyll national house builders don't want to go. We've just asked them. They don't want to go north of Helensburgh. So that's a real big issue - difficulty of getting tenders put in that's cost-effective. We've delivered houses in Iona recently and it's been a great success for that community. Five young families moved in but the costs of those houses were horrendous in terms of the cost. So it's about may be looking parallel about trying to grow the capacity of the industry; look at the construction industry in the Highlands and see if we can get local people involved in that; and may be looking at the potential further impacts of Brexit in terms of material costs that are coming through the system now and then may be the availability of labour - because I was in Mull shortly after the decision and one firm was very distraught - it was a local firm but their entire workforce were Polish builders and they were worried about their future and how that will impact. Another thing in terms of something to look at in terms of the banks in terms of the availability of mortgages - especially for self-build - in Argyll we've discovered a lot of young people cannot access the mortgages until it's built and made virtually wind and water tight and may be get a mortgage and can something be done to try and widen that availability of young people taking things in their own hands and moving things forward.

**Kevin Stewart:** Ok. That's a number of things there. Let me start off first of all with the skills. We've got **Jim Mather**, whose the chair of Homes for Scotland helping us in terms of understanding what skills are required in the future and you're talking about some companies having a huge amount of folks from Eastern Europe on the books who re doing all of the work it's a conservative estimate that it's reckoned that about 10% of the folk involved in the construction industry in Scotland are European nationals. In some places that's much higher. I was on a building site in Aberdeen the other week where 40% of the folk working on the site were European nationals. So Brexit – if it is hard Brexit without free movement – it's going to cause some difficulties. So we will have to react to some of that. Hopefully we'll manage to persuade the UK Government that these folk should remain here. They've lived here and worked here in many cases for a number of years and they're part of the communities that we all represent and I for one will do everything that I can possibly do to make sure that the UK Government sees common sense in all of this and I know that all of my colleagues will do likewise. In terms of skills though one of the things which I have come across as I've been going around the country is the amount of small medium sized builders who are taking on a great number of apprentices. I wish that the big boys were doing the same. I can't say that that's the case for every single one of them but almost every small medium size builder that I've seen on site has recognised that they have a job of work to do in bringing folk on and have employed a lot of apprentices and of course one of the things which they always talk about is the stability of being able to do to do so. Obviously the government schemes help in that regard but the other key thing in all of this is the guaranteed sums of money that will come to you will help give some continuity for these builders. You talked about Iona. I remember reading a few months back now about 2 houses on Mull in the local paper where you would think the island had won the lottery because of these 2 homes and that is extremely important to me that that kind of work continues in all of these places. I recognise there are difficulties in attracting builders to certain places but again I think that's where we should be looking at the small medium sized builders and we have built in some flexibilities around about their use too. In terms of self-build you're right the banks are a pain. They will not give a mortgage until there's basically something up and running and that's why we've created the Self-Build Fund to allow folk that loan until they can actually get a mortgage. As I say I'm looking at what is happening there closely. If the analysis shows that that's working well the n I will consider rolling that out even further and I'm sure that my eyes will be looking at certain places like Argyll & Bute and like the islands next but I think we've got to give a little bit of time to see how that's working out and then we'll do what's necessary in that regard. In terms of the loans in general officials are constantly talking to the CML, the mortgage lenders organisation and if there are any weird and wonderful things happening in your cases then let us know and then we'll have those conversations with them too. I recognise that we're probably almost out of time but that doesn't mean to say that the conversation cannot continue. My email address is [ministerlgh@gov.scot](mailto:ministerlgh@gov.scot). If there are any problems that you have; any barriers that you have; any difficulties with

utilities or anyone else then let us know and we will get on to it and as I've said to all of you who I've met before my door is always open. I'm willing to hear whatever you have to say. Sometimes I am going to say no but as many of you have found out already where there is a possibility of something - even if it's a bit off the wall - we'll maybe give it a bash and I'll maybe say yes. So please, please - although we've had the opportunity today - don't keep your trap shut. Come and see me if there are difficulties and we'll work our way through. So **Margaret**:

**Margaret**: Can I thank you for saying that for a start. Secondly we've found for about over the last the 8 years or so that we've kept a lot of local builders going with the National Housing Scheme - the right to buy - it's very popular. We've had queues of 100 people and more waiting when we put anything up and think of how we can continue that if we can and it's really meant that we've kept a good solid handful of small local builders in Highland that are keeping many of our communities going. I'm mindful of what you say about the apprenticeship thing too.

**Kevin Stewart**: Yes I think again in terms of contracts for small and medium sized builders if you're using them in your programme the fact that you have the guarantee over the course of the money that you're going to get will help in terms of continuity and that gives them the ability to plan as well as the ability to plan and I think that's good for all. Small and medium sized builders are not backward at coming forward either in terms of expressing their views and I'm always grateful to hear from them too as I was from Bobby Elphinstone this morning and I think you're absolutely right. I think the Help to Buy Schemes have helped a huge amount in the small and medium sized sector and that's why we'll continue on in that vein too. Thank you all very much and I'll pass over to **Humza**.

**Humza Yousaf**: Thanks **Kevin** for that. Again a real pleasure to be at COHI – my second one – my first one chairing a session – my thanks as well on record to **Gary** and the team at Shetland Islands Council for the hospitality so far. Before we go on to the discussion in and around transport, technology and the opportunities therein - just to add and to supplement what has just been said by **Kevin** - going back to the points that were made by those representing communities that have islands in them – Argyll & Bute - of course Orkney, Shetland and indeed Western Isles Council – that's why I think the work we're doing on island proofing is going to be so, so important. So when it comes to house building, when it comes to the Regulations around house building, insulation and all that kind of stuff in the future we should be ensuring that island proofing is helping to tailor a more unique and nuanced solution for island communities. Moving on to the discussion at hand this is entitled transport, technology and the opportunities. The advancement of technology is absolutely vital to creating sustainable transport and the reason why sustainable transport is so important - as you know just as well as I do – it helps of course in the green agenda, most certainly where we have very ambitious targets which of course all of those round the table are helping us to achieve – clear sustainable travel also has economic benefits - again in the time of financial

constraint it's very important for us to look at but perhaps most importantly - or just as importantly - it allows us to provide a better service to those that we represent. So to passengers, to islanders, to residents, to constituents – it helps to provide a more reliable but even a better service than they already have. Around issues of future provision of aviation services this was something that we mentioned at the last meeting that I chaired of the Island Transport Forum - very useful scoping paper provided to us - and on the back of that HIAL had been tasked to take forward some of the work around that but this specific topic that we're about to talk about and this presentation we're about to receive is looking at aviation and technology developments. It will be led by **Mike Cantley** chair of HIAL and previously of VisitScotland and **Gary Robinson** and they're going to be telling us about the experiences that they've seen on the continent of how aviation and technology is used again to provide that more efficient and sustainable service. So over to both **Gary** and **Mike**.

**Mike Cantley:** The purpose I think of the next hour in particular is to take a somewhat light-hearted look at what is going on – because what is going on is mammoth – we're going to look at new technology and not just aviation - in fact we're going to be a double act - where **Gary** is going to focus on aviation and I'm going to give a bit of a broader look at transport in general. Some of this will come as a bit wacky to some folk though interestingly all the technology that we're talking about today is presently rolling out. In fact if you don't see it rolling out in the period between now and 2030 it's probably because it's been superseded by something else and something even more wacky. So that is the environment that we're living in. The hope is that we will present and get you thinking and then we'll have something of a brainstorm as to some of the ideas and some of the thoughts that you have. We're almost in the Arctic Circle up here and to set the theme and to have a bit of fun I thought that we would have a little look to put you in the mood of winning at a certain football match which did not take place in this part of the world but did take place in terms of our Icelandic cousins from just up the road and I've got a very short video clip which I will explain why it is pertinent to transport.

[Showing video clip]

**Mike Cantley:** Now that is Arnar Trottsen – he's the commentator and we're going to hear a little more from him a little later – but I wanted to put in perspective something very special that's happening in Iceland in particular. Iceland of course were broke - broke in 2007 - and to take themselves forward they decided to focus - and to focus very hard on certain things – and one of them as you know was football. They didn't end up in the Euros by chance. They decided that they were going to be successful in football. They would focus on football – indeed they put a great deal of effort into the coaching skills – something like 10 times the number of coaches that you would usually expect to see in a European country – they even pinched the Thunderclap – as you may know they came to Motherwell and noted the Motherwell football supporters doing something similar and they said well we'll have that and we'll make

it a global phenomenon - as you know – but Iceland of course is a country the size of North Lanarkshire in terms of population and what they managed to achieve in football has been remarkable – but what they've managed to achieve in their economy has been similarly remarkable. You can see the graph in detail. That's their GDP over the last few years and considering where they were and what they've achieved they've done something very special and one of those areas of focus has been of course transport. In terms of transport they decided we will get people to fly to Iceland and good things will come as a consequence. In 2007 when they hit the buffers if you wanted to go to Iceland frankly you flew with Icelandair. Today you can fly with pretty much every European and American airline to Iceland. Their passenger numbers over the last 4 years have increased by 133% and on top of all of that one of these entrepreneurs who went through the crash – a chap called Morgansen started this airline called Wow – in addition to Icelandair – so another Icelandic airline to connect not just Iceland but to use Iceland as a hub of course between America and Europe and the result in certain sectors has of course been absolutely spectacular. This is a tourism operator. His business has increased fivefold – 500% in the last 4 years – Mattius is his name – he calls it a tourist tsunami. He says it's crazy. It's important to say – especially when I'm sitting next to the chair of VisitScotland – yes they're good at marketing but they're not better at marketing than we are. We are particularly good at marketing and you know that well from the campaigns that we do. This is the Scot Spirit Campaign that Ministers were involved in supporting – which has been particularly successful in positioning Scotland. So yes ok they did a bit of marketing but it hasn't been the marketing element that has made the difference to Iceland or indeed to many of their Arctic cousins. It has been the focus on transport and our own First Minister is well aware of this attending the Arctic Circle Conference which was held in Iceland in October where transport was a very key feature and a very key feature amongst these countries running from Canada right the way across the Arctic Circle to Scandinavia – because something very special is happening in transport. Every now and again – every 40-50 years or so something profound happens through a short period of time. I'm suggesting the last time round was 1970 when the jumbo jet was built. The jumbo jet profoundly changed air travel. Motorways were built - the M1, the M8 in Glasgow, the Kingston Bridge and the high speed train that we still rely on to this day accessing the Highlands and over a very short period of years transport transformed fundamentally and what I'm suggesting – and why we chose 2030 as that period – 2030 strikes me as being about that point where people will perhaps in decades to come and go wow look at the transformation that happened at that time. In aviation one of those areas is of course down to these fellows – this is an A380 – not landed in Shetland recently I have to say – this is the only A380 that ever landed in Scotland – an Emirates A380 – but we're seeing a period of growth in wide-bodied aircraft which is quite unprecedented. We're about to see another 5 years of massive, massive growth in capacity in wide-bodied aircraft. This is Emirates – they now have 80 of these but they're only about halfway through. They'll have almost 150 by the time their finished and many of their other compatriots are doing the

same. After those 5 years we move into the next period which will be growth in ultra-long range wide-bodied aircraft. These are the aircrafts that will be flying from anywhere in Australia to anywhere in Europe which will release some of the capacity from these guys to do other things and the result will be massive, massive, massive capacity in aviation through the period of the 20's up to the 2030 or so. So Highlands and Islands Airports is predicting that our traffic will double. We're not terribly sure at which point. We suspect it will be before 2025 but we suspect it will be by 2030. If you look at the rate of growth in air travel in the Highlands and Islands this now if we kept going at this rate it would be sooner than that. It would be about 2022 or something of that order. If you look at Inverness - Inverness has grown by about 30% at the moment and you may have noted just yet another announcement of a second KLM service overnighting into Inverness to add to the one that just launched last year to add to the British Airways flight etc - all focused on linking to the big wide-bodied aircraft that are taking people all over the world. Anyway that isn't the fun bit of the story. The fun bit of the story and why I chose this specific aircraft is because as I say this was the first aircraft to come to Glasgow and he nearly didn't come. Well he got here but as he was coming into land he knocked of the glideslope and went off in what we call a go around which at the time I have to say I was taken in and thought well that's just a very snazzy marketing move to your A380 around Glasgow but actually the truth of the matter is the last person to decide if an A380 is going to land is the plane and if the plane decides it's not going to land then it's not going to land and on this occasion that is what happened and I know you'll be thinking oh no it's always the pilot who decides well it's not. The last person that decides that decides if an A380 is going to land is the plane itself and for good reason because the plane's looking at a myriad of different pieces of information and he's not just deciding I'm not going to land here the aircraft has other alternate airports that it's thinking about and in this case ironically it was Prestwick that it had in its mind and it wasn't comfortable about landing in Glasgow. It went round once and the pilot and the plane talked through their differences and the plane landed successfully. Undoubtedly the plane will have landed itself because that is what they do. You need a buffer of about 75m of visibility these days and that's what a pilot requires to actually physically get the thing off the runway once the thing has landed itself. The point is we're talking about self-navigation and the incredible growth in technology in all forms of vehiclisation. I think you're all well aware of that. The point I'm trying to make though is that in the period from now to 2030 the point will come where pretty much every form of transport becomes safer to let the technology drive the machine – whatever it is – than us as individuals and that is absolutely profound. So I say that transport is the next digital that is what people are expecting for that particular reason. Having said that this isn't new to us. We have been saying this kind of technology for farming for instance for many years. It's the concept of what the sheepdog is doing in the cab of the tractor is to bark if the farmer touches something or even you just get rid of the cab altogether and let the tractor do its thing but this kind of technology is well advanced in Scotland in farming and the Scottish Government is particularly focused in one area which is absolutely

crucial which isn't the self-navigation but is the electrification of vehicles which is the key component to what is happening in terms of the vehicle industry. As I think you're well aware we have electrification programmes all over the place – North Coast 500 Electrification Scheme and perhaps one of those predictabilities might be that in terms of fuelling vehicles in the Highlands and Islands which for so often was regarded as being so very expensive but by the time we get to 2030 you can imagine that fuelling vehicles in the Highlands and Islands will be very affordable if not almost free. If you think about the strength of our renewable energy industry as electric cars become more reliable and as electric charging becomes a feature for overnighting when renewable energy is cheapest you would like to think that our Highlands and Islands might well be one of the cheapest possible areas in the United Kingdom if not Europe to run vehicles. So there you are. There's a personal prediction - before you suggest that that's any kind of government policy - but that's the kind of thing that you would expect to see. The area that is most controversial is of course this one which is self-driving cars because people assume that's not going to happen and if it does happen then it's certainly not going to happen in our part of the world and here is Ford - and I've chosen Ford of all people because Ford are talking about manufacturing self-driving cars with no pedals and no steering wheels. So you can't drive it. It drives itself and that is by 2021. They might not make 2021 but of course I am looking at 2030 so you can assume we'll certainly be there by then and here is a Tesla. We've all heard about Teslas. This is a Tesla in Scotland. One of the key features that I wanted to highlight is with this kind of technology with vehicles. We think about the concept that the car can see itself and that's fair enough. That's how they are designed. Teslas are leading the way in cars. They don't just see themselves but they talk to each other and as an application for the Highlands and Islands that's an amazingly powerful tool. So before your Tesla takes off down the A9 it's already talking to all the other Teslas that have driven down the A9 and are sharing information and road conditions etc. Some of these tools are going to be key opportunities for us to exploit the Highlands and Islands going forward and certain island communities I daresay are perfect test beds for some of this technology. Rambling on I've talked about my Scandinavian cousins – here's a Volvo – because Volvo are right in the middle of all of this. Uber - of course you know well – Uber actually are turning from a taxi firm into a car rental firm and of course part of the movement we're going to see between now and 2030 is a movement away from individuals owning cars and vehicles and people sharing vehicles and the concept that wherever you go across the Highlands and Islands if you live in the Highlands and Islands there will be heading elsewhere or coming to the Highlands and Islands then the expectation is that these kind of vehicles will be about and readily and easily accessible. There will be less need to have to take your own vehicle to where you want to go . Here is a lady called Jess. Of course one of the key features of the Highlands and Islands is accessibility and as you get older when some of the roads and the travelling distances are more difficult then there will be not just full self-navigation but partial navigation assistance to folk who find driving difficult for whatever reason and that that should make life much easier for them and

living in the Highlands and Islands far more appealing. Back to another Volvo – this is Auto. Just to give you a feel that we're not talking about pie in the sky ideas. This is an actual truck driving on an actual freeway in California. He's driving Budweiser. Auto is a self-guiding self-driving truck project recently bought by Uber for \$1bn. If you look very carefully there is a guy in the back of Auto but he certainly not driving. As it happens Auto is driving round Colorado delivering Budweiser he can't actually get the Budweiser at the back - so maybe that's what the guy is for – but the whole idea of freight and transport of heavy goods around the Highlands and Islands by 2030 will have changed dramatically. Here's an interesting concept. This you will remember as a campervan. Well Volkswagen are putting this back into production as the future of public transport. It's not a bus. It's a buzz and buzz -0 this little fellow here – is a self-driving electric vehicle that is completely emission free as you would expect and does 0-60 in 5 seconds because electric vehicles are very fast and the concept is that this fellow is the service bus of the future. The kind of public transport that you would see fast and frequent around the Highlands and Islands and around Scotland as a whole. With our many political friends round the table you will be listening to all of that and thinking well this has profound implications for professional drivers across the Highlands and Islands - well it does and across the world - but it has opportunities as well and this young lady is the bus driver of the future because just because we don't actually need people necessarily to be driving vehicles it doesn't mean to say that we won't have people in vehicles. We will have people with more time to spend communicating and doing other things with people who are actually in the vehicles. In this case a tour facility and of course one of the features is that the bus driver of the future by 2030 will have fabulous communication skills, language skills etc and the bus driver by 2030 who's coming out of high school at 2030 I already in the primary school system today and hence it's a real priority and finally from me just now – back to our Scandinavian cousins – this is an Embraer demonstrator demonstrating biofuels and Highlands and Islands Airports have a very close relationship with many of our Scandinavian cousins and Artic cousins but in particular around Norwegian cousins – Avinor is a very similar business to ourselves. It is a government owned organisation that runs the 46 Norwegian airports. It really is 45 plus one because one of them is Oslo. It's a very large organisation but a government agency in a similar setup to HIAL – very, very focused on green technologies driving the agenda on biofuel but also on hybrid technology that looks to be a real game-changer that we would expect to appear in aviation design through the period of the 2020's but aviation in Norway is set up completely differently from as we see it here. Dag – who is the chief executive of Avinor is charged with ensuring that people from every one of those 45 airports across Norway should be able to fly from wherever they live to Oslo and back and do a day's business in that one day and as a consequence to that they have airports opening at 6 am; they have airports open in the furthest reaches at midnight to ensure that that can be done; aviation - despite the fact that there are environmental issues around aviation today is the absolute route development tool that Norway uses to get people about. I think the phrase they use is it's less of a lifeline issue as

it's so often regarded in Scotland and more of a lifestyle issue. It's what people do and young people in particular – they do to encourage young people to remain in some of these more remote areas. On that note seamlessly here's Gary to give you a most amazing example of what can be done in a remote community very close to us here.

**Gary:** Thanks **Mike**. I asked **Mike** if he would leave his last slide up just to prove that although we hadn't rehearsed this that we were absolutely on message. The aircraft you see here - and as **Mike** has explained it's an environmentally friendly model of an Embraer – but that is an example of the type of aircraft that can operate to our airports across the Highlands and Islands and Similar has actually been recently to Shetland but I'll move on because I really want to speak about technology and what happened in Faroe. In September 2016 the convener and I accepted an invitation to go up to Faroe to see what they have been doing there across a wide range of things but principally what they've done around transport and how they've transformed their airport and their air services. I think it's fair to say that they had an idea about what they would like to do quite early on and they were looking to - clearly as we are here - reduce the price of tickets because that was identified as a real barrier to people coming to the Faroe Islands. They also had issues around the reliability of the service because like Shetland they're effected by fog and high winds and such like and they were prone to having 20-30 fog days a year sometimes which really impacted on their services. So I'm not going to read off the slide there but that was basically where they were at before they had aircraft in Faroe that gave them the range of about 1400km. So you can see they could make it down to London to Stansted which they did and to Copenhagen which is clearly critical for them. These, believe it or not, are the space shuttles - or so Atlantic Airways called them - that was their marketing campaign that they had at the time and it was a fantastic marketing campaign they did. If you were on the London Underground it was quite common to see the Atlantic Airways space shuttle advertisement and what they were really trying to attract was people from the South-east of England who were living in fairly confined conditions and giving them the opportunity to come to Faroe or to Shetland to spend some time; get some fresh air; some wide open spaces – and that all went quite well in fact that was the only scheduled jet service ever to operate in Shetland using these aircrafts. These were the original which they called whisper jets they were built to operate in and out of city airports and London City Airport is like Sumburgh Airport a 1500m long runway so these aircrafts were ideal. Unfortunately they're rather long in the tooth now and they're not nearly as economical as even the ordinary versions of the Embraer that we saw in **Mikes'** slide earlier. So what do we have operating at Sumburgh at the moment and what might the future look like/ I'll just quickly go through the pictures here. At top left we have ATR 72 - and I'm very grateful to **Ronnie Robertson** who lives near there for allowing me to use some of his excellent pictures in my presentation here – but the ATR 72 was up here a couple of weeks ago when Loganair brought it up to do some trials. That aircraft can hold I think just over 70 passengers as the name suggests. Moving across to

the right there's another British Aerospace 146 there. In this instance that's a Royal Air Force one that was in and the top right picture there shows just how busy Sumburgh Airport can be - not counting up the aircraft there I think there's 2 on the runway and a number in front of the terminal building there. So that I think belies the fact that there are a lot of people that travel to and from Shetland and it also belies the fact that we still have pretty much the same aircraft travelling to and from Shetland that we did before we expanded the airport here. The bottom left picture there is a jet aircraft belonging to the Danish Air Force I think. The middle - I think my slides have been censored because I did have a picture of the Danish Air Force C130 Hercules but that seems to have been replaced by the Vidairous ATR 142 and I think that's the aircraft that Loganair have been looking at to replace their SAAB 340. So a fair incremental increase in size. I think that aircraft I think is 42 seats again as the name suggests. There are round about 40 seats but I think what we would like to see is a bit more ambition in terms of the numbers of seats and a bigger aircrafts. The last one there - the purple Fly B one - is the Dornier - the Dornier 228 which does operate up here sometimes but they have quite a poor crosswind capability. Certainly nothing like the SAAB 340 and SAAB 2000 that Loganair are currently using. So that's actually quite rare visitor in Shetland given the weather conditions that we often experience. Moving on I think this does just show how dominant the SAAB aircraft are in Shetland. the SAAB 2000 - at the left there - the SAAB 340 that's only recently started the mail service to Shetland in the middle there - and to the far right at a jaunty angle there is a SAAB 2000 making its final approach on I think it was 19 December - I think it was the day that we were returning from the meeting with the Transport Minister in Bute. It was rather windy that day and that aircraft in spite of the jaunty angle is on its final approach and it did land safely. The bottom left again is the selection of SAAB aircraft and the Vidairous one creeping in there again - but the bottom right is actually - and you might recognise it - although it is a different delivery is actually the Embraer 170 in Sumburgh and Eastern Airways that operate charter flights to Shetland have started using that aircraft although I think on this occasion it was just in for a trial visit. I think the disappointing thing for us is that in spite of the investment that has gone into the airport we haven't taken the step change in air transport in the Islands. We're still using 20<sup>th</sup> century aircraft and we haven't made that leap into the 21<sup>st</sup> century and certainly the Embraer is there - that aircraft the capacity of about 70 passengers but that aircraft type - it's one of a series the 170, 175, 191 and 195 - goes up to almost 100 passengers and 100 passengers is the magic number that most airlines look at when they're looking to see if they can actually make a service that profitable and sustainable. So I think really that is where we need to be pushing to get air services across the Highlands and Islands. That aircraft can land in Sumburgh, Kirkwall and Stornoway. So it is a possibility and I think the obvious trade-off would be less frequency for more passengers but the Faroese example certainly proved to us that if you get the reliability right then you actually build your passenger numbers and that was critical for Faroe as indeed it is for us and in fact Faroe only has one passenger ferry and improving their air services was something they saw as being vital in

relieving at least some of the pressure off their ferry service. This picture just shows just some of the improvements that were done at Vagar Airport in order to allow bigger aircraft to come in. You can see that there are a fair extensive improvements to the runway lighting and sizeable extension to the ends of the runway there and that's as it is today. Again I won't read through the slide but the runway is just shy of 1800m and the reason for that was that they needed at least that length to accommodate the Airbus aircraft that they intended to use but if they went beyond 1799m then they had to widen the runway as well as lengthen it. So that I think that brought in a whole new level of cost but that meant that they had a runway that met the needs and they were able to transform their air services as a result. After the airport expansion these are the sort of aircraft that can now land and take off from Vagar Airport. The Airbus A320 there is a Lufthansa delivery but the Faroese have actually just bought their own Airbus 320 at the end of last year. So they're operating the Airbus 319 there with 144 passengers and also an Airbus A320 and I think their version has may be got 168 seats on it but this is a profitable service. This runs without public subsidy and actually accounts for 6% of the GDP in the Faroe Islands. So I think that really is significant. The other aircraft there is an MD 83 and again since they've expanded the airport not only have they had scheduled flights but they've also had a lot of chartered flights as well and I understand that SAS are now looking at running scheduled flights to Vagar. Just a few more examples of the type of aircraft and you can see the Embraer 170 creeping in there again and I should say the main reason that the Faroese upgraded to the Airbus is the availability of a particular navigation system. It was called the Honeywell RNP AR01. It is in fact a state of the art navigation system and unlike most navigation systems that we think of it's actually on the plane. It's not the air traffic controllers. It's not the Radar drones. The system is actually on board the plane and at the time that the Faroese did this upgrade the Airbus was the only aircraft that that system could be on. The beauty of the system was that instead of being like a traditional navigation system that uses way points and altitudes basically a GPS tunnel was created in the air space at each end of the runway and that narrowed down towards the end of the runway and the on-board system in the Airbus was able to ensure that the aircraft stayed within that tunnel the whole length of the airport. That was quite critical in Faroe because the approach both from the east and from the west has a dogleg in it. So it requires the navigation on the final approach to the runway. The real beauty of that system though was that it brought the safe landing height and visibility down to from several hundred feet as it is at Sumburgh at the moment to just under 200 feet and coupled with the improved lights that we saw in the earlier slide that meant that there were very few occasions where an aircraft couldn't land because of fog as it was coming down so low that it had to be really, really thick before he couldn't actually see the runway lights and that drastically improved the reliability of travelling into Faroe and indeed when we were there in September 2016 they had gone from having 20-30 days of fog to having one last year up until September. This chart here just shows the improvements in reliability that they had. The left axis is the percentage of flights actually getting in

and then the bottom axis shows delayed flights but they went from under 98% to well over 99% actually getting in close to the time that they're scheduled and that is a real issue because some of the impetus for this at least came from their experience of operating the Vagar-Sumburgh-Stansted Service because what they found was that very often when there was fog in Vagar there was also fog in Sumburgh and if they couldn't land in either of those 2 places then their options were Iceland, Norway or Scotland and unfortunately for us that all too often meant that people from London or from Shetland landed in a foreign country with no passport. So you can understand the reasons why that caused the airlines some considerable difficulty. This shows the new extended range that is now available from Vagar Airport with their Airbus – 5300km - and that's really allowed them to expand their route network because when it was only 1400km they were limited pretty much to Iceland, the UK, Denmark and Norway but clearly they've managed to increase that hugely now. As well as the improvements to the runway and the new aircraft they refurbished and rebuilt their airport terminal - just as we've recently done - and that shows the terminal after its completion – I think the shelter over the entrance is something that we can be quite envious of here in Shetland – and again the improvements didn't stop at the aircraft and the runway. This is the inside of the terminal. It's extremely modern. They don't have check-in desks at all. You come in; you put your passport in the reader which prints your boarding card; you move to the next machine; set your luggage on; it prints you off a ticket and then you go and put it on the belt yourself. You just scan the bar code on the ticket and off your luggage goes - and Faroe being Faroe - the top right picture there is actually duty free - and when we arrived in Faroe - I think ourselves and **Lesley Riddoch** who was on the flight with us – were among the few that didn't actually just dive in there with a trolley. It's the first time I've seen duty frees with a trolley - and people just cleared drink off the shelf into their trolleys – amazing – I've never seen anything like it before! I'm going to ask you to take this with a pinch of salt because what I've done here is actually got the passenger figures for Shetland from the CAA – this is both airports. This is actually Scarscare Airport in the north as well as Sumburgh Airport in blue and Faroe there in red – so that's capturing a fair amount of captured flight passengers as well as the scheduled flight passengers – I think that goes to show that it's justifiable to look towards having larger aircraft in Shetland because if Faroe can do what they've done - and the passenger numbers that they've got – then clearly this graph I think would suggest that we could to. The figures from the CAA here say that they excluded transfer passengers - and that's I'm asking you to take this with a pinch of salt – because I'm not convinced that the transfer passengers are excluded from this – but certainly the figures I've seen from HIAL suggest that passenger numbers are at least as high as Faroe and probably higher. Again this shows what the Atlantic Airlines route map was last year. We travelled to Iceland, Edinburgh – which was the route that we used to get to Faroe – also Copenhagen – I think is that Barcelona and Majorca. This year I understand they've added Kos in the Greek Islands and Tenerife and that's an island that's roughly little more than twice the population that we have here in Shetland but it shows that the demand is there for these direct flights – and this

shows the kind of investment that they put into first of all the airport and then to the marketing and you can see that since 2012 they've more than doubled their marketing budget and they've been reaping the benefits there in terms of visit numbers to the islands. As we aware there is quite a bit of interest in Sumburgh Airport. Atlantic Airways have maintained an interest. Loganair clearly have an interest and indeed Loganair this year have started flying to Faroe but I think - certainly to my disappointment - the flight from Shetland to Faroe goes via Aberdeen which seems a bit nonsensical - but I do understand that's something that they would like to iron out so that they could actually have the flight emanating from Aberdeen and picking up passengers in Sumburgh on their way – but there is a degree of interest from the Faroese, Norwegian and Scottish businesses in increasing travel on the route if we can get the right service in place. I think the last slide here – I suppose main messages – I think we need an efficient and effective air transport service in the Highlands and Islands –that's given – we need modern aircraft and we need bigger aircraft if we're going to drive costs down and I think 100 seats certainly seems to be the magic number that the industry is looking at now to make flights more profitable and sustainable. We need the airports to accommodate these aircrafts aircraft because I think part of the problem we have at the moment is that we have to get an operator to buy aircraft that fit our airports rather than having mainstream airlines using aircraft that they've already got into our airports and certainly I think there is an opportunity there to grow the charter business. When Commissioner Hand was here - European Commissioner Hand was here a number of years ago – then he certainly highlighted that he thought that Shetland was the kind of place that could build a charter business from mainland Europe and again along the same lines as what the Faroese did so that people could come from places like this and get wide open space; get fresh air and hopefully trouble free travel in doing so. We need to have the latest technology both on the ground and in the air to ensure that kind of reliability and while in the American muscle cars they say there's no substitute for cubic capacity in terms of the engine so I think the Tesla in **Mike's** earlier slide might have something to say about that. In terms of airports there is no substitute for the length of the runway. So I think those are the kind of issues that we do need to look at if we're to improve the air services in the Highlands and Islands. I will hand back to **Mike**.

**Mike Cantley:** Just for one minute. Just to say 2 things really I suppose. Self-evidently we invented the modern world – we most certainly invented transport and indeed lead the world still with 2 massive transport giants – you can argue about which technology is going to reach first etc – it's all coming at us in the next 15 years. Transport takes time. If you want to build an airport then you won't do it from scratch in 15 years yet all this kind of kit is going on - all this development at such pace. So speaking personally on behalf of Highlands and Islands Airports our customer is you out there – the communities across the Highlands and Islands – we need to get a feel for where you want to go as communities in terms of this transport revolution and selfishly on aviation in terms of the 2 air links that you will want -

because it will be different. Shetland is the only island community that we serve where there are more people who fly back and forward to the islands than come by ferry. That is starkly different from the rest of the patch in Scotland and we are going to see this kind of change. Yes we can do great things but just because you can do it that doesn't mean to say that we should do it or we can afford to do it and it's that kind of debate and discussion that we want to have. What do you want us to win for the Highlands and Islands for that period through to 2030? I said I would have Arnar as the last word because it is just a bit of fun. It's very short but to leave you we have the video of Arnar. Of course we showed you the Austria game note English game and this is Arnar – there's no football here it's just Arnar himself commentating on the English game and to rarely enjoy it you have to try and watch the subtitles towards the end.

[Showing video clip]

**Humza Yousaf:** Now if only the Scottish game had as many passionate commentators like that we would have won the World Cup ages ago! Thank you very much to **Mike** and to **Gary** for that. What I'm going to do as other chairs have done is open up this session. There's not actually a lot of time so let's get as many contributions and then come back to **Mike** and **Gary** and of course I'll even try to chip in around this piece on technology and transport and the opportunities and the suggestions. So let's start straightaway with **David** from the NHS.

**David:** Thank you. That was inspirational. Two quick comments: one's about the electrification of transport. I think something that's easy to miss is that as well as the obvious advantages that a large scale distributed way of storing renewable energy and linking back to the item earlier on the energy strategy it's that together with pumped hydro storage you get the 2 main ways of storing renewable energy and I think it's a key bit of the jigsaw. So we should be particularly well placed in the Highlands and Islands to make use of that. The other point is also linking back to something earlier in the agenda. Fifty years ago when HIBD was formed one of the first things that they did was to bring together and publish a single fairly hefty booklet of all the public transport information in the Highlands and Islands. So armed with that you could plan a journey by public transport anywhere that it was available in the Highlands and Islands. That integration – I think the instinct was absolutely right – that integration of the information about transport – you need to know the bus to the airport; the bus from the airport; the rail links and it seems to me that if we're looking at the technology there are - I think - large parts of Europe that are further ahead than us in being able to provide that readily accessible integrated information about transport.

**Norman Macdonald:** Thank you Minister. I think one thing that we are clear about is that the air services we currently have in and out of our island communities and the Highlands as well are not sustainable going forward. I think Loganair have made that fairly clear in terms of the longevity of the aircraft they have and I think now is

the time to be starting to look ahead the way **Mike** and **Gary** were talking about there and we need to project up and we shouldn't lack ambition in doing that and I think that's a point that came across best in the presentation that we shouldn't be seeing ourselves as having to make do with what will just about work. I think we should be more ambitious than that. I think this is a critical time because of the issue to do with the aircraft is forcing us to think differently and I think we should all embrace that opportunity and not have a glass ceiling on what we should be aspiring to do.

**Humza Yousaf:** Let me come back with some points and I can pass over to **Mike** and **Gary** and then we can take some final comments. I think people will probably be needing a tea or coffee break before the last final session. In terms of **David's** point - the storage of renewables and how you can kill effectively 2 birds with one stone – I think that's a point that's been very rarely made. So I think it's one worth putting on the record and thank you for that and in terms of integrated transport and the rail time information again no point in me going over what he said other than I agree entirely. In terms of the wider picture on air services to our rural and island communities there could not be a more opportune to be talking about this because of exactly what you say in regard to the aircraft, the discussions that are taking place by Loganair around the new fleets that will clearly replace the ageing aircraft and I know many of you hear have a relationship with **Jonathan Hinkles** and a very good relationship with him and I think what he's told me most recently in the last discussion we had a few weeks ago – this idea of looking at aircraft with more capacity but actually not trading off frequency which was interesting considered there was a natural trade-off there. They weren't discussing that. They believe that there is a potential there to have bigger aircraft but also to maintain that frequency because I think that frequency is important. It goes back to **Mike's** point of should we - and I think we should in some respects as a long term view have the same ambition that Norway have in getting to Oslo and wherever else in Norway in a day and back for business – should be - the Scottish Government, local authorities and others - be saying that actually we should be able to get to anywhere in Scotland – to Edinburgh and back or to Glasgow and back or wherever else and back – in a day and do business. We should have that same level – most certainly – of ambition. I suppose where we didn't really touch upon **Mike** - and you might want to expand on this in a second – is how we do that and do it in an environmental and emission friendly way because that is a big, big challenge that the government has set and can I go to **Mike** and then may be to **Gary** and then we'll open it up for very final remarks and then we'll get tea and coffee before the final session.

**Mike Cantley:** On environmental grounds and environmental sustainability where transport provision is moving at the moment is everything that is fast and light is moving quickly and there's massive investment and that's cars and the little buzz example I gave you and planes. If you take the example of our Scandinavian cousins - and to give you a feel for the significance of their environmental creditable – if you take SAS as an airline and you look at their annual report you will

realise that two-thirds off it are full of the traditional numbers that you would expect and one whole third of the document is its environmental assessment on itself and its performance which is incredible actually. So these guys are very, very wedded to driving technology in the areas that they know they're going to need going forward and they're true belief is that aviation is a core driver of their rural communities going forward and we're very keen to tap into that obviously but what we expect to see by 2030 is cars and aviation continuing to become more environmentally sensitive to the extent that certainly cars around the Highlands and Islands we expect to be effectively zero in terms of emissions for the reasons that you suggest using good energy that isn't well used overnight.

**Gary Robinson:** I'll just pick up on a few points if I might. Just starting off with **David's** point around using electric vehicles as a source of storing electricity and I think that's absolutely right but we have to be conscious as well that there is an issue – it's almost chicken and egg certainly here in Shetland - around having renewable energy on supply and having the electric vehicles to actually store that because at the moment we're largely reliant on oil fired generation and if you're charging up your car from oil fired generation you're really missing the point. So there is a bit of a chicken and egg there and if we're going to have more electric vehicles then we certainly want to be charging them from renewable sources and not the Lerwick Power Station. I think as you say **Jonathan Hinkles** does speak about not trading off the size of aircraft with the frequency but I would challenge him on that because I think he's been speaking about an incremental change in the size of the aircraft that as I showed there going from SAAB 340s with 23-24 seats up to the ATR 42s with 42-44 seats depending on the configuration - and that's fairly incremental - and I think if we're really going to make an impact in this and really get the costs per seat down then we need those bigger aircrafts and I don't know if any of you - if you're on a flight ever flick to the back of the in-flight magazine - most of them have a section on the carbon footprint of their aircraft and in most of them you'll find when you go up to a bigger size of aircraft the carbon footprint per seat comes down dramatically. So I think there's more than one good reason to aim for bigger aircrafts and I don't think it's any mystery at all as to why most airlines are looking towards 100 seat aircraft as a minimum in terms of running efficient and sustainable services. I think **Norman's** point was absolutely right that we shouldn't lack ambition in this. We shouldn't allow either Loganair or Highlands and Islands Airports to lack ambition in this. I think we need to look at what is going to deliver the best and most efficient service because in this day and age and we all know how public sector finances are so our ability to continue to supporting unsustainable services is diminishing all the time. So I think we really need to be looking at maximum sustainability in whatever it is that we do. Thank you.

**Humza Yousaf:** Thanks. **Margaret:**

**Margaret Davidson:** A couple of interesting things **Gary** said there but where my new friends in the Green Party – he'll have the same friends – berate me for long

distance air travel I can say but I go on Airbuses and therefore they're green! The carbon footprint per seat is less! I'll try that one and see how far I get. I'm just back from New Zealand you travel from town to town on aircraft and they fill them and they fill them because they've got a pricing structure which means that if they've got 8 seats left at the end of the day you get them very cheaply and you have walk on luggage and they fill their flights. They hold up Air New Zealand as very, very successful and increasingly so. We've got everything to learn from the rest of the world in how they keep their countries tied together. **Gary's** right about unsustainable services. We only put so much effort into that because we need to look to the future and get to the future. You can't run round the Highlands yet in a sensible way with an electric car but it can't be that far out. So let's look at how far it will be and then what do we do in the meantime to make it sensible for people but cars and aircraft - I couldn't agree more. The man's right.

Thanks Minister. I really enjoyed the presentation. I'm not an expert on all different types of aircraft and there's no doubt that transport is an essential part of visitor development in the Highlands and Islands and you've come from both aspects **Mike** but can you just clarify what you're asking for today? Are you saying there should be greater government investment in runways and navigation systems? How do you take this forward?

**Mike Cantley:** Well the challenge from government's end as you know is we've incurred a significant budget cut like everybody else and that's the reality that we live with. So I don't think that should in any way inhibit our ambition but if anything I suppose similar to the Icelanders these tougher financial periods actually spurred on their ambition to be bolder and I'm attracted by the boldness of **Gary's** comments in terms of what he thinks would work best in his community but I do think every community is different. Speaking to our Norwegian colleagues the concept of doubling our passenger numbers over the period from 2025-2030 they thought that we were pretty unambitious with that yet that's a whole doubling of our numbers. I think it will be different answers in different locations in different circumstances but this is the time when I think we will set our programme for the next 15 years or so. We have the Islands Forum working on these issues - and well versed in these issues now - so I think we will get light and vision from that - and we too are doing a fundamental root and branch review of strategy to ensure that as best as possible we're geared up not just for the technology and some of the technological advances that are coming but also in terms of the potential capacity requirements that individual islands and Highland communities will wish.

**Humza Yousaf:** Can we leave it there but **Norman:**

**Norman Macdonald:** Just very briefly. I think we need to strike a balance in terms of what we're looking to achieve - and I know that the signals the government are sending out - air passenger duty for example is something that could be a significant driver of change in terms of infrastructure but the reality is that for most of the air

services in and out of our island communities in rural parts of the Highlands are commercial services and for **Jonathan Hinkles** to go to his directors and make the business case for investment in aircraft will be dependent on his confidence in how many bums will be on seats how often. In terms of the commercial interest and anything other than that would be hugely challenging not just for us as a community but for government as well. If these services become commercial as a result of either having to go for bigger aircraft and not enough people to fly on them. So the market has to grow and I think that's the point that both **Mike** and **Gary** were making but we need to have a balanced balance to that otherwise we could find that the whole thing will fall apart and we will be much worse off than we currently are but I do think we need to follow the line that is being taken. We need to be ambitious but we also need to have these checks and balances all the way through the process.

**Humza Yousaf:** A cautious note to end on from local government but a right one - that there must be a balance - but I think the growth in passenger numbers that we've seen - and just taking Sumburgh Airport as an example - over the last few years - 41% of an increase in passenger numbers shows that actually if we collectively put on the services; have the correct pricing structure etc then we could create that increase in demand. The Deputy First Minister will summarise at the end but that's been a useful discussion. Can we be back here for twenty-two - so about 10 minutes for a coffee break if we can. Thanks folks.

**Humza Yousaf:** I know how short we are of time and it's getting towards the final straight and I know people have to leave to catch flights etc so let's just get straight into the final session for today. It's going to be a short presentation about the natural health service. On arriving here yesterday as I was leaving Glasgow I was told by the weatherman that we were going to be receiving a blast of Caribbean air and I'm not convinced as I was out at Sumburgh Airport that we've quite got the Caribbean air but nonetheless the gorgeous scenery, the environment and the natural environment that's around us is one of the great benefits of the Highlands and Islands and how we marry that with the health benefits that natural scenery and that environment can provide us. We know the natural environment is good for our mental as well as physical wellbeing. So our friends at SNH have put together this concept of the natural health service. So I will hand over to **Ian Ross** who in turn between him and **Nick Halfhide** will give you a brief 20 minutes on their concept of the natural health service. So over to you **Ian**.

**Ian Ross:** Thanks very much Minister. Just some short opening remarks. Much of SNH's work is about partnership and collaboration and very crucially how nature and landscapes can be a means of enabling and delivering wider public benefits. A key example of that is health and wellbeing and in particular this case through what we call the natural health service hence today's paper. So what I would like to do is introduce my colleague **Nick Halfhide** who is SNH's Director of Operations the and he'll briefly talk to the paper but I would also like to introduce my fellow board colleague **Cath Denholm** who's just sitting beside **Nick**. **Cath** is a non-executive board member of SNH but also is an executive director of NHS Health Scotland and as well as being here for COHI we're also here in Shetland because tomorrow we have a stakeholders meeting on active travel and place-making and we will also be holding a public reception tomorrow evening. So I think it gives a feel for the wide range of areas of activity and interaction that we have. So I'll now pass across to **Nick** to briefly talk to the paper.

**Nick:** Thanks very much **Ian**. I'm not going to speak for very long because I think it's important that there's a bit of time for discussion and you've all got the paper but I'll say a few words of introduction. First of all we all know the benefits of an active lifestyle. We're repeatedly told this by our doctors, by lifestyle gurus and we're also increasingly aware of the costs of inactivity. Just to give you a few headline statistics: some of the recent research has suggested that inactivity costs Scotland more than £94m a year and that's a considerable underestimate. That's just based on costs of primary and secondary care for Scotland's 5 major diseases. We also know that an inactive person spends 37% more days in hospital and seeing their GP than an active person and more broadly studies have shown that mental health costs Scotland £10.7bn – that's all the costs associated with mental health. So these are very significant figures. That's the paper in front of you is about is how we can make better use of the outdoors to improve people's health; to keep people healthier and happier for longer. The benefits of this to the individual and to wider society is as I

say well documented. A healthier population reduces demands on the NHS and other parts of the care system. It reduces sick absence from work; it reduces dependency on drugs and alcohol and it gives young people the best start in life. Nature and the outdoors are free to the user but there are many barriers to making this happen. Some of these are clearly behavioural – persuading people of the benefits and giving them the confidence to participate but some of these barriers are also practical. Is there somewhere outside that is close by that is safe; is it welcoming; is it attractive and are there simply activities I can do with other people if I don't want to do them on my own – but perhaps the biggest challenge – and I think this is the one where we all here have the greatest potential to address – is to align existing budgets and initiatives. Fortunately this is not about finding big pots of new money but about better brigading existing resources into a natural health service to be part of our NHS. As the paper shows there are lots of good initiatives throughout the Highlands and Islands. These are already in place but the pace I think is slow given the size of the challenge that we have to the health of our population but the opportunities are huge. So I think what would be useful for us to discuss today is how all our organisations can work together to increase the scale and the speed. Thank you.

**Humza Yousaf:** Thank you very much. As **Nick** and **Ian** have said previously the paper had been circulated so I'm more than happy to hear from those around the table.

I very much welcome the paper and I think **Nick** is correct in highlighting that the connection with the natural environment is good for everybody - good for mental health; good for physical health - and as we look from a Highlands and Islands perspective and look at the population of the Highlands and Islands the good news is we're all living longer; there are more older people – but it's vital for our community that we don't just assume that people get frail and incapacitated. There is a natural process of ageing but a lot of the fragility that is about goes beyond what is natural and it comes about sometimes just because it's just an assumption that we'll get old and we'll get frail and we need to challenge some of these things. I think we've gone through a period in children's services of getting rid of the idea of cotton wool kids that we wrap up and don't let them do anything while there's a danger of cotton wool adults as well and I think we do need to be allowing people to take the risks that they want to take to keep active when they want to be active and very often the priorities for older people who - yes might be frail - but their priorities are keeping in touch with people; being out; and the natural environment is a vital part of that .

**Fergus:** Thanks very much. Just to say that I really welcome the paper as well. The thing that I've been involved a little bit in - in terms of Argyll – there are a number of initiatives. One of these initiatives I think I would like to emphasise was that you can't be too early to start with young people appreciating the outdoor environment and getting active. So you have things like the Stramash – which is an outdoor nursery that's spreading from Oban to Fort William to Elgin where kids are basically

emerged into the outdoor environment which is there all around us and is just a free asset that we should sort of make them appreciate from the earliest of ages and then that's followed through as they go through their school career. Active miles – getting out there and enjoying the environment we have which will hopefully create them an active life for the rest of their life. So prevention is better than cure as always. One thing to may be help this expand a bit more is quite often I find things like Branching Out - which I'm involved through the Argyll Countryside Trust – which is really transforming people's life's with mental issues - about going into the forest; learning about things; learning about doing things; getting their confidence back - it's project based. It's not really mainstream in terms of you can't be prescribed to go on a branching out course instead of a drug dependency but maybe that's something worthy of further investigation because it's certainly been very successful in Argyll - and may be the last thing as well is that you don't always have to create new assets or new green gyms but we also have to maintain what we have in terms of our footpaths and make sure that they're accessible to everyone in our community.

**Humza Yousaf:** Let's go to **Mark** and then **Amanda** and then I'll take **Margaret** after that.

**Mark:** Thank you. I'll start off by making a confession which is that I'm very keen on walking, off-road running and off-road cycling. I'm not nearly fit enough to keep up with **Gary** cycling on the road so I don't even try that. Going back to the point about you don't have to throw huge sums of money at this – but there's just one thing I would invite Scottish Natural Heritage to think about and perhaps have a little revision of is: we benefit hugely - certainly I do as a walker from the right to roam – but it has a downside and the downside is we do not have a well-developed public footpath network with circular routes and signposts etc. There are some abilities to create such a thing and in Shetland we've made a big effort on what we call our core path network but I would suggest that a review of the available legislation and the legislation relating to land; the legislation relating to town and country planning and highways - and perhaps taking a leaf out of the book of community land legislation to make it easier for local highway authorities to create appropriate safe and accessible off-road circular network of footpaths and cycleway. This might be a useful piece of work.

**Amanda:** I was just going to follow up on what **Fergus** was saying about the likes of Branching Out which obviously the Forestry Commission had been involved in supporting and just to make the point that the likes of Branching Out and other similar initiatives is that they are incredibly cost-effective. If you actually look at traditional treatment methods in terms of supporting people with mental health conditions I think the figures show that traditional sort of treatment methods relating to - whether it's drugs, talking therapies etc are something like 4 times more expensive than it is to deliver Branching Out and I think the other thing to note is that actually retention – so effectively people keeping it up – and effectively seeing through the prescribed course - is actually significantly higher for the likes of

Branching Out and sort of natural health than perhaps more traditional treatment methods. So I think there's actually a win/win there and that's the case that we need to be making in terms of mainstreaming support. **Fergus** is right. A lot of the support tends to be sort of project focused. It's quite sort of limited in scale and again we need to acknowledge the role of our community organisations in actually delivering this. Abriachan Forrest Trust - where **Margaret** lives have been absolutely instrumental in delivering Branching Out both within their own forest but also in terms of training people who can deliver Branching Out across Highland. So we're putting expectations on our communities to actually deliver these sort of support mechanisms but we're effectively asking them to do it on a shoestring. So I think there are a range of different issues that we actually have to tackle there and **Fergus** is right that the more we can look to mainstream this type of sort of treatment - whether it be in terms of prevention or in terms of rehabilitation - I think the better it is.

**Humza Yousaf:** Can we go to **Margaret** and then **Norman** and then I'll probably go back to SNH just for final remarks before I hand back to the Deputy First Minister to chair.

**Margaret:** I'm not going to repeat what **Amanda** has just said about these projects have been going on - Branching Out - Forestry Commission have been extraordinary at supporting communities to either purchase or get into partnership with their own woodland. They have been great over the years. Some of these projects have been evaluated; they've been proven - the Branching out Project in Abriachan that **Amanda** mentioned has been proven to reduce the dependency of the people who have been in it on drugs. Their pills go down and they are healthier and happier. I was speaking with **Steve** about this - and I'll come round to what I was - he thought I would take a different tact - but he was reminding me that a large percentage of the absenteeism in public bodies especially local authorities as far as I know is around stress related issues and the best cure for stress fresh air and exercise is. **David's** right too. There are far too many older people sitting in overheated rooms being cosseted and being inactive and even if they can only manage to walk 50 yards they should be encouraged to do that every day because it will give them a quality of life that will extend their lives. So it is about mainstreaming. Why do we allow these things to prove themselves and then to go away? I'm enormously disappointed in our own education system in the Highlands. We note that forest school works. It's been working from one end of the country to the other in isolated places but are we mainstreaming it? Are we investing in it a bit? No. We're expecting the community organisations that deliver it to sort of lurch from one funding application to the next and not know whether or not they can sustain what they're doing. So I think there are some real issues. Some are for us to look at ourselves but others are perhaps for government to encourage us to do but what I would say though is that as we go forward I think SNH - and to make this work and to make it not patchy which is what it is at the moment - it's good there but over

there there's nothing and I think what we need to do is – yes we need a plan – please not a strategy- because my experience of too many strategies is that they gather dust – we need a plan and an action plan – around delivery at a very local level. So it's about involvement in the new community planning process and then making sure that it's action focused and delivering. Please do not spend any money that is around on intermediate organisations. We've done enough of that. I think that is money that could be better spent in sustainable delivery at a local level - and then go with the flow - find where there is success - and it's been evaluated - and it's really not that difficult to find. There are some outstanding examples and I would give a gold star to the Forestry Commission for the work they have done.

**Norman:** Thank you Minister. I think this paper makes it very clear the connection there is between fiscal exercise and the natural environment and I think that's something that goes a long way to determining people's lifespan. I don't think there's any doubt about that. I think there is a great deal of work going on just now as **Fergus** said in the terms of the early years – encouraging – in the pre-school and in the primary school young people – to be taking activity on a daily basis and I think that is something that is a very welcome start and it is something that should be expanded. It's much more difficult in upper primary and secondary years to engage as fully with young people and the environment because most of them will spend all day tied to something like that or something even smaller. I think that's where the challenges for us are – how do we maintain the impetus that starts in the early years? You don't have to encourage young kids – and I'm talking about very young kids – to go outside. That's what they want to do most of the time. They want to go out. They want to run about. They want to feel things and touch things. I spend quite a lot of my time working in outdoor activities and I think it's fair to say that most local authorities - but not all local authorities – have shied away from doing that in any kind of structured way - and even when it is being done in school it's spoken of in terms of extra curricula activities. It's absolutely should not be. It should be a fundamental part of the curriculum. If something can be done with young people to encourage them to live better - for their benefit as much as everybody else's benefit - and I think that's something that local authorities and local government has shied away from in terms of encouraging people to experience the environment in a very positive way and then very many of these people who do that who are able to sustain that through their school years will as an adult they will continue to carry these activities and that's where the benefits are going to come – not necessarily when they're primary school children or when they're teenagers – it is in their adulthood that that this is going to pay dividends in terms of their health and also the health of the country and the ability of the country to sustain services to those who actually need it. It's not something that's going to work absolutely for everybody but most people are able to walk distances. All they need is the encouragement and the mindset to do that and I think what's happening now with the early years offers a great opportunity to do that but it has to be sustained right throughout their early years and their teenage years. Thank you.

**Humza Yousaf:** I'm going to hand back to **Nick** just to pick out any points and then I'm going to hand back to the Deputy First Minister to take on the last session.

**Nick:** Thanks very much. Just to pick up a few points. First on the Core Path Network – the review of how you get better footpaths – I'll very much take that away. I think the other 3 things I want to pick up on are: **Amanda's** point about we've proven that this is a very cost-effective way of helping to improve people's health. So the evidence is there. What the challenge I think is – and another one **Amanda** picked up around mainstreaming – and also the challenge around prescribing – how do we – and I don't think we've solve the problem today – but how do we take these fantastic examples and mainstream them through the education service; through our health services - and I think if we get this right we can be an exemplar – because I'm not aware of anyone else - with the possible exception of Finland - having cracked this yet and mainstreaming it. So we have the evidence; we've begun to put together the action plan at a national level that **Margaret** talked about but we haven't yet seen the commitment that we all need to do to mainstream it but if we get it right we can lead other countries in how we do this not only in having a healthier population but in also the techniques. So we can export our expertise in this if we can crack it here. Thank you.

**Humza Yousaf:** thank you very much. Ian do you want to come in?

**Ian:** Very, very briefly. I just want to thank you for your positive comments and they're very, very welcome. I think it is very much about the recognition and promotion and I think there is more that needs to be done in that direction and I think that will also help in terms of the mainstreaming point. **Nick** has covered everything else. I've nothing else to add. Thanks again.

**Humza Yousaf:** Thanks **Ian**. Thanks **Nick**. Thanks **Cathy** as well - and over to the Deputy First Minister to do the outcomes and the forward look and close.

**John Swinney:** Thanks very much **Humza** and I'm glad that we had the opportunity to consider that last issue because I know it's something that **Ian** has raised as an issue of some significance to get us to think more broadly about how our natural environment can be used as an asset in the wellbeing of individuals and I think a number of – reflecting the impact on individual wellbeing; on educational opportunity – there are some very strong connections there that need to be made and I think there is a lot to apply in that respect. So a very welcome conversation. We've not – you might help me with an outcome that comes out of that when we come to the next part of this discussion. We tend to focus our conversation ultimately on outcomes and there are a number of outcomes which we've drafted in the light of the conversations that we've had today and I have in front of me 5 outcomes - which don't include the points we've just discussed on the natural environment – on the enterprise and skills review Ministers reiterated that the future of HIE was not in question with the review focused no how to strengthen

collaboration and enhance the support delivered through HIE and the other agencies to drive economic performance across the Highlands and Islands. **Mr Brown** reiterated the government's commitment to consider all the points members made. There was general agreement about the need for change and for the positive contribution that a new strategic board could bring. COHI members highlighted the importance of governance arrangements for effective delivery and successful reforms to proactively address strategic economic challenges at national level and COHI will continue to be fully engaged in progressing phase 2 of the enterprise and skills review and members are encouraged to engage directly with individual phase 2 projects. Any observations: **Stephen**: I think the last sentence paraphrases in a way that doesn't really reflect the strength of feeling around the room that we need differentiated governance that can be brought to bear through a HIE board in the area with representation from the area.

**John Swinney**: Ok so what suggestion have you got there **Stephen**?

**Stephen**: I would need to think about that I'm afraid.

**John Swinney**: Right ok well you have a think about that and we'll come back to that. Energy strategy: COHI notes the consultation on Scotland's draft energy strategy and the publication of the draft Climate Change Plan and agrees to continue to work in partnership with the Scottish Government and shared energy priorities under the strategy in particular fuel poverty and energy efficiency, community benefits from onshore and offshore renewables, island grid connections, pump hydro storage and bioenergy as well as oil and gas decommissioning, regulation, skills and innovation. COHI also notes the Scottish Government's intention to establish a new group to continue the work of the now lapsed UK Government's Marine Energy Programme Board supporting the successful deployment of marine energy and associated supply chain benefits from Scotland. The Deputy First Minister and the Minister for Business welcomes the strong support from COHI members in response to the UK Government consultation on non-mainland offshore wind and will continue to press the UK Government in accepting the strong economic and social case for a separate support mechanism for island wind including when the Secretary of State next visits Scotland. The UK Minister for Energy should again be invited to attend COHI in the autumn and the Scottish Government will continue to seek reassurance over the Secretary of State's commitment to co-chair with the Scottish Ministers future meetings of the Scottish Islands Renewables Delivery Forum. On digital: COHI members welcomed the ongoing work by HIE and plans to revise and update the Scottish Government's digital strategy and acknowledge the need for further progress at pace. COHI recognise successes to date: residual and emerging challenges and opportunities and potential benefits of adopting the outside/in model which more effectively focuses investment on the hardest to reach communities. Members also agreed 3 priorities for action on building on current connectivity to increase business capability and confidence in using the connectivity which exist to unlock economic potential across the Highlands and Islands including the specific

skills required for infrastructure upgrades; inviting Ofcom and private sector providers to future COHI meetings to reinforce the importance of dealing effectively with rural connectivity issues and the status of communities with severe connectivity challenges is also recognised as a focus for ongoing COHI consideration. Housing: Highlands and Islands authorities working in a collaborative integrated way with utilities and all parties within the sector to maximise the opportunities made available from the More Homes Scotland approach and deliver as much affordable housing as possible in the Highlands and Islands over the next 4 years. This includes highlighting where the Scottish Government can help to reduce blockages in the system and where housing can help foster community sustainability.

**Margaret:** Yes and no. that's more or less what we were presented with. The issues we then came back with: were around rolling out the loans for community self-build. There's still issues around the utilities and we raised that with the Minister and even though he said no I've always regarded that as just an opening position statement for negotiation. We raised again the level of subsidy available for councils as compared with RSLs housing associations.

**John Swinney:** Consideration was requested for loans to be available for self-build properties.

**Margaret:** We've got a pilot running in Highland and there was a lot of enthusiasm for evaluating and rolling it out as soon as possible.

**John Swinney:** Consideration for availability of loans for self-build properties and an examination of subsidy levels for council house building in comparison with RSLs.

**John Swinney:** On transport, technology and opportunities COHI endorsed HIAL work on what air services in the Highlands and Islands should look like in the future taking account of local, national, international and technological developments in wider transport and energy infrastructure. Proposals which are affordable, deliverable, sustainable and demonstrably better for passengers and the economy should be developed. A suggestion for the outcome on the natural health service: COHI agreed that Scotland's natural environment is an important aspect of improving public health and there is an opportunity to improve mental health by accessing the outdoors. Members will consider how they can each help mainstream effective partnerships between health and social care and environmental sectors at a local level to maximise the promotion and use of green assets and facilities for physical and mental health and wellbeing. This should include consideration of how to equitably improve access to the outdoors for individuals and communities including understanding what legislative considerations may need to be reviewed.

**Gary:**

**Gary:** Wider than just about health.

**John Swinney:** Members will consider how they can each help mainstream effective partnerships between the education, leisure, health, social care and environmental sectors at a local level.

**John Swinney:** Let's go back to – COHI members –

**Stephen:** I have a suggested form of words for a starter for 10 - I felt that it was a lengthy discussion that focused on 3 issues: the local decision-making, the distinctive nature of the area and the need to reflect the various characteristics of the area. So as a starter for 10: COHI members highlighted the importance of governance arrangements for effective delivery and successful reforms etc – and then add to that – through retention of a HIE Board to reflect the distinct social, geographic and economic characteristics of the region and retain local decision-making with representative membership drawn from across the area - and the other members can reflect on whether that reflects their own opinions.

**John Swinney:** COHI members highlighted the importance of governance arrangements for effective delivery and successful reforms through retention of a HI Board to reflect the distinct, social, geographic, social and economic need of the area and retain local decision-making with representative membership drawn from across the area.

**John Swinney:** What do you mean by representative membership across local areas?

**Stephen:** That the board members should be drawn from the area but from across the area recognising that the Highlands and Islands is a large area with diverse interests.

**John Swinney:** Does that mean that nobody that lives outside the Highlands and Islands can be on the Board?

**Stephen:** It's not exclusive. It's membership but the membership of it should include –

**John Swinney:** We need to be clear so that people don't leave the room with a different impression than the one they've got.

**Stephen:** I appreciate that what I've suggested isn't perfect. So some iteration may still be necessary.

**John Swinney:** Well I think: through retention of a HIE Board to reflect the distinct, social and economic needs of the area and retain local decision-making with appropriate representation in its membership.

**Margaret:** It's the area like **Stephen** said but it doesn't preclude. I think it just needs an extra word in there maybe with more appropriate. It's not exclusive - and that's the sort of level of detail that will yet to be discussed.

**John Swinney:** That's why I don't want us being half-prescriptive about these things because that can then create difficulties further down the track.

**Margaret:** Increased representation – **Stephen** what do you think?

**John Swinney:** Well why don't we just - through retention of a HIE Board to reflect the distinctive, social and economic needs of the area and to retain local decision-making.

**Margaret:** We're all agreed that it shouldn't be exclusively Highlands and Islands and we can have that discussion but if you can just find a form of words and may be a qualifying word in there that means that we're well open to discussion on that but we want representation from across the Highlands and Islands.

**John Swinney:** Including representations – Through retention of a HIE Board to reflect the distinct social and economic needs of the area and retain local decision-making including representation from across the Highlands and Islands. All right with that? Ok thank you.

**John Swinney:** We'll put those outcomes around everybody in the aftermath of our discussions today. In terms of forward items for our next discussion - which will be in Argyll on 30 October – some of the discussions that we had in the run-up to this meeting focused on looking at the implementation of health and social care integration and the transformation of that service – which we've not included in this agenda – the Highlands and Islands priorities post-2020 – which we touched on to some extent today but are still significant – and the issues on digital and the energy issues on national network pricing and fuel poverty. So there's sort of 4 topics in some of which we've covered today – some of which are still needing to be covered – but obviously there's the opportunity for that to be considered as part of the formulation of the agenda for the meeting on 30 October. So colleagues can take part in those discussions around the formulation of the agenda. Anything else?

**Amanda:**

*Amanda:* Just another suggestion in terms of forward agenda items. Given the importance of agriculture, forestry and rural developments support from the European Union to the region - and obviously the potential impact that losing that might have on the region - and particularly our most fragile communities - I wonder if it would be worth hearing about the work that the Scottish Government are doing to look at that – the work that I think that **Bridget Campbell** is leading – so I just think that might be quite a helpful discussion at a future meeting.

**John Swinney:** Ok. As I say this is not prescriptive. This is just issues going into the mix – and there will be the usual COHI Secretariat dialogue to firm up on any of these items but that's a very important point. Anything else at this stage?

**Margaret:** I'm sure my colleagues have got the same issues but the changes in welfare reform are set to really impact upon our communities over the next year and

we've been doing a fair bit of examining how we're supporting our communities because of the poverty this is going to increase in our communities. So there maybe something in there that we can be sharing and agreeing on. I would like to give it some more thought and may be as the Secretariat comes back round. It's a major, major issue.

**John Swinney:** Obviously there's an awful lot of work going on within government. We have colleagues who are at a Joint Ministerial Committee on these very questions today as we speak. So there's a lot of work going on in that area. So I would be very happy to consider that **Margaret**. That's grand. Thank you very much. Thank you to Shetlands Council for hosting this event and there is a dinner tonight. Thank you very much for your contributions today. We look forward very much to reconvening in Argyll in October and thank you very much for your contributions today.

END OF THE CONVENTION OF THE HIGHLANDS AND ISLANDS MEETING  
HELD ON 20 FEBRUARY 2017