“Townfolk know pleasures, country people joys.”
Minna Thomas Antrim
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INTRODUCTION

I was asked last year by the Scottish Conservatives to convene a team of experts to develop ideas from which policy recommendations could be drawn. Our only brief was to develop ideas which would make rural Scotland a better place.

The report has taken over a year to complete, partly due to the Commission being peopled by busy men and women but mainly due to the enormity of the subject. Each Commissioner had responsibility for one aspect, but each recommendation has been agreed by all.

Those invited to comprise the Commission were selected in their capacities as leaders in their respective fields, and not for his or her individual political affiliations. We started from afresh. Clearly we could not ignore where we are at present but there was no attempt to dovetail into existing policies or current thinking. As a result, these recommendations are cross-political and non-political, and are presented to the Scottish Conservative and Unionist Party to provide guidance in developing its rural policy.

This report is not intended to be a research summary for specific topics but is an amalgam of the opinion of six individuals using their own experience and those of the many witnesses who gave evidence both in writing and orally.

We did restrict ourselves to a degree. We have concentrated primarily on devolved matters, and therefore decided that deep-sea fishing, as opposed to inshore, would be outwith our brief. We have also steered away from giving recommendations on a national energy policy, dealing instead with lower level matters such as energy efficiency and community benefit funds.

I would like to express my personal thanks to all the witnesses who gave their views so willingly and succinctly, to all the Commissioners who gave up so much of their time in their busy lives, but most of all to Marek Zemanik for bringing this all together.

Hughie Campbell Adamson
August 2013
COMMISSIONERS

**Hughie Campbell Adamson** (Chairman)

Hughie is a Qualified Land Agent (Royal Institution of Chartered Surveyors) who worked for Knight Frank and Rutley as well as Strutt & Parker. He has run the family agricultural and rural business for twenty years. His interests are predominantly in rural affairs, especially housing and tourism.

He has at various points in time held several voluntary positions: Member and Chairman of Inveresk Community Council; Chairman of Association of Salmon Fishery Boards; Chairman of Esks Salmon Fisheries Boards; Chairman of the Angling and Tourism Development Group, Chairman of Central Region and member of Executive of SLF (now Scottish Land & Estates); Chairman of Angus Angling Initiative; Lord Dean of Brechin Guildry; Lord President of the Court of Deans in Scotland; Chairman of Brechin City Football Club and Director of Scottish Football Association (chairing appeals, referees, coaching and disciplinary committees); Director of Angus Marts Ltd.; Chairman Salmon and Trout Association-Scotland.

**David Fyffe**

As well as looking after the family estate in Aberdeenshire (the arable acreage is farmed in partnership with Co-operative Farms under a contract farming arrangement and the grazing is leased out to local farmers) David is a board director of Scottish Land & Estates and chaired the strategic working group that relaunched the landowners association in 2011.

David is a land manager representative on the Aberdeenshire Local Access Forum, and sits on the North East of Scotland Agricultural Advisory Group. He was a member of the Rural Development Council, set up by the Cabinet Secretary for Rural Affairs, Mr. Lochhead, which prepared an advisory document for the Scottish Government “Speak Up for Rural Scotland” between 2008 and 2011. Prior to that, he also spent some time helping the Scottish Executive Planners develop their planning guidelines for rural development in Scotland, published in 2005 (SPP15). He created Scotland’s first Rural Business Centre at Fetternear as long ago as 1992 and which still forms a key part of the estate’s commercial activities today.

David is particularly interested in the development of wider rural business opportunities in Scotland and new initiatives to create thriving rural communities.

**Andrew Hamilton**

Andrew is a rural practice Chartered Surveyor and a Partner with national land and estate agency firm Strutt & Parker, based in Inverness in the Highlands. He is the managing agent for a number of sporting and agricultural estates and he has specialist interests in rural valuation, land management, agricultural holdings, nature conservation, land reform and crofting matters.

He is an agricultural arbiter and member of the Chartered Institute of Arbitrators. He is the former Chairman of the Rural Practice Faculty of the Royal Institution of Chartered Surveyors and of the RICS Working Groups on Land Reform, Crofting and Agricultural Holdings, and represents the RICS on the Tenant Farming Forum.

He was a Commissioner on the Board of the Deer Commission for Scotland from 2005 until 2010. He was Chairman of St. Cyrus Community Council from 2003 - 2007. He is a member of the National Trust for Scotland's Countryside and Nature Conservation Advisory Panel, the Scottish Land & Estates Highland Regional Committee and has lectured at Aberdeen University in agricultural & countryside law and estate management.
Sarah Troughton
Sarah is a Committee member of the Historic Houses Association for Scotland, Chair of the Scottish Tourism Group, member of the Tourism & Commercial Development Committee as well as Director of Scottish Land & Estates.

She is also Chair of the Scottish Country Sports Tourism Group, a group set up with public and private partners to develop and promote Scotland’s exceptional country sports for commercial letting.

In addition, Sarah is senior and resident trustee of Blair Charitable Trust and Director of Blair Castle Estate Ltd. - the trading arm of the Blair Charitable Trust.

Sarah is particularly interested in historic houses and gardens, tourism, ski-ing and contemporary art.

Andrew Wallace
Andrew Wallace is currently chairman of Rivers and Fisheries Trusts of Scotland (RAFTS) a network of 25 charities that assist in the management and conservation of Scotland’s freshwater and coastal environments.

Andrew has been involved in Scottish freshwater and fisheries management since the mid-90’s and has held a variety of positions including: director of the Association of West Coast Fisheries Trusts, director of the Association of Salmon Fisheries Boards (ASFB), joint managing director of the ASFB and RAFTS. He is also a Board member of The Rivers Trusts (England and Wales), of FishLegal which specialises in freshwater environmental law and holds a position on the advisory board of the Sustainable Inshore Fisheries Trust.

Andrew has been actively involved in a wide variety of Government forums and initiatives relating to freshwater and fisheries management and legislation. He also was previously a regular contributor (now only occasional) on rural / freshwater management matters in a variety of magazines and newspapers.

Fenning Welstead
Fenning has been involved in forestry and rural property for over 30 years and is widely regarded as one of the leading experts in forestry valuation, acquisition, sales, and management; and various arbitration matters.

He has acted for a wide range of clients ranging from the Forestry Commission, Pension Funds and numerous Private Forestry Owners, principally in Scotland and Northern England but he operates throughout the UK and in France.

His ecological background has served him well in matters relating to the current environmental climate.

Fenning is a Fellow of the Institute of Chartered Foresters and their current President. In addition, he is a Fellow of the Royal Institute of Chartered Surveyors and is a Registered Valuer; undertaking forestry valuations on a regular basis for government bodies, institutes, private companies and individuals.
Statistics draw an interesting and indeed mixed picture of rural Scotland. The Scottish Government’s Urban Rural Classification defines rural areas as settlements with a population of less than 3,000. It then further divides rural Scotland into accessible rural areas (within a 30 minute drive of a settlement with a population over 10,000) and remote rural areas (more than a 30 minute drive). Based on this classification, rural Scotland has a population of around 950,000 people. Rural Scotland also makes up as much as 94% of Scotland’s land area, with 69% classified as remote rural.

Rural Scotland overall has a faster rising population than the rest of Scotland, but also has a much lower percentage of people in lower age bands, with high percentages of people in pension age. It has lower unemployment rates, but over half of workers living in accessible rural areas commute to a non-rural area to work. Rural Scotland also has a much greater dependency on primary industries and tourism. It has a higher percentage of households with a net income of over £20,000, but it also has a higher rate of households in fuel poverty.

We all want to see rural Scotland flourish and we were tasked with developing policies to achieve this. We must appreciate the unique problems the countryside faces, but also build on its advantages. We must also acknowledge the inherent tensions rural policymakers have to tackle.

The Rural Commission opened its consultation document by asking one fundamental question: “what do we want from our land resource?”

We consulted a long list of interest groups, each of which made a compelling case for their own agenda. We have seen evidence of policy conflicts between different levels of government, we have heard of tensions between various rural sectors and we have experienced misaligned policy-making emphasising the urban-rural divide.

Equally, we have seen encouraging examples of original thinking in the face of shrinking funding, instances of cooperation between business competitors and of communities coming together and working with landowners and elected representatives towards a common goal.

This then is the greatest challenge for policymakers: the need to pursue social, economic and environmental objectives in the spirit of cooperation, not of competition. It requires the rejection of narrow parochial views and the adoption of the bigger picture.

Nowhere is this more pertinent than in land use. We recognised immediately that of the many uses of land, none should in policy terms have precedence over another. We must make best use or uses of every piece of land in the context of society, economy and of the environment.

Our policy recommendations are rooted in the desire to see more land used well, to see land managed for the benefit of the many and not the few and to secure a sustainable, healthy, living and working rural Scotland.

We do believe we have found a good set of principles that have guided our policy recommendations in each of the areas we looked at.

**Rural policy must be:**

a) Progressive rather than stagnant

One of the obvious points from our evidence sessions was the impression that present policymaking is often stuck in decades-old paradigms. We have heard several witnesses say that if they had the chance to start from scratch, they would probably devise a different legislative system or structure, but they are constrained by laws dating back decades. This is entirely the wrong approach – the focus must be on outcomes without being tied down by conventional thought.

Progressive policy-making does not only apply to drafting legislation, but also to recognising the opportunities of technological advances which have now defined a whole generation. Throughout this report we will make the strongest possible case for significant broadband infrastructure investment, which simply must become the top priority.

We have also seen that policy is too often guided by reactionary short-term goals, without proactive long-term thought. This, of course, is not universal - some pieces of legislation have been drafted well (e.g. the 2011 WAN E Act). We however recognise that when it comes to, for example, dependency on public grant money, very little has been done to refocus policy in all areas. We are conscious of Single Farm Payments, for example, not being there in the long run and policy-makers need to start looking at future options now – is there perhaps...

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1. Scottish Government - Rural Scotland Key Facts 2012
2. Ibid
scope for the introduction of localised carbon funding (supporting environmental goals) to replace SFPs (supporting social goals)?

Another area that was highlighted is conservation. It is clear we need a more pragmatic approach to conservation and that there is a need for relaxing some of the rules that may now be anachronistic. In this area, we want to emphasise the importance of the bigger picture – why should flora and fauna conservation be Scotland-wide or even UK-wide? It makes perfect sense to approach the issue on an integrated European level.

b) Localised rather than centralised

While often reduced to buzzwords, the phrases “community-led” and “community-focused” should be at the heart of rural policy-making. We strongly believe that local knowledge should guide local policy. We understand that civic engagement (or social capital) is not something that can be forced, but we do believe that, given the power, local communities will step up to the challenge.

The last few years in Scotland have seen power centralised even though the Scottish Parliament has significant scope to shift powers locally. Notwithstanding the current constitutional debate, we believe local devolution and community empowerment should be the focus in future years. This should in turn enhance civic engagement over time.

People living in rural areas can have a better sense of community and joint responsibility compared to urban areas. We have seen evidence of many locally-led projects which did not need anything apart from some guidance and little financial support. In the grand scheme of things, small start-up grants for, for example, community transport initiatives or broadband have an exponentially bigger positive effect on local people.

One of the most obvious sources of local frustration is the planning system, which has consistently come up throughout the evidence sessions. We have outlined some proposals in relation to the planning system, which may be radical, but would both address concerns in relation to local decision-making being overturned as well as unlock the potential of enterprising communities currently hampered by delays and regulations.

c) Co-operative rather than competitive

We have mentioned encountering competing interests during evidence sessions in the introduction. The countryside cannot be seen in black and white anymore, cross-sector cooperation is absolutely crucial. Some recent developments in land use strategy are to be welcomed as land management has to be integrated closely. This is a running theme throughout this report. It is only through cooperation that we can achieve informed, evidence-led decision-making.

Forcing cooperation, of course, can be counterproductive, but we do believe that policies should be devised that specifically incentivise strategic development. There are great examples of stakeholders across public, private and voluntary sectors working together, but this needs to become the norm. Providing public grants linked to cooperative strategies or “calling-in” powers of bodies that do not integrate are some of the straightforward options available. This has to go hand in hand with best practice sharing and guidance.

There is also a need for a closer integration of public bodies themselves. There is evidence of duplication across agencies, especially in grant provision. While this is understandable given the historical context, there is scope for the harmonisation of some of the streams and the help available when accessing them. We also recognise that while there are good reasons for keeping them separate, closer cooperation between SEPA and SNH should be pursued, perhaps in the form of a regularly convened joint board.

d) Reliant on independent rather than public funding

We always aimed to ground this report in reality, without basing our policy recommendations on unrealistic levels of public spending. Throughout the document we emphasise the need to recognise that present levels of public spending are unsustainable in the long run. This applies to all levels of the public sector – Local Authority, Scottish Government, United Kingdom Government and the European Union.

In particular, rural Scotland is certain to be significantly affected by any changes in Common Agricultural Policy (CAP), which will come regardless of any changes to the UK-Scotland-EU relationship.

The need for more accurate targeting of public funding, a realignment of policy priorities and the opening up of independent funding streams will become crucial in the near future. The only way to achieve this is by innovation, close cooperation, best practice and waste elimination. Furthermore,
public policy-makers have to understand that private investment will not pick up without confidence – often lacking in short-sighted decisions taken today.

e) Enabling rather than punitive

Throughout our evidence sessions we have heard of the tension between enabling policies and punitive policies. A case in point are recent changes introduced with the aim of bringing empty properties back to use – either via an extra council tax levy or empty property relief changes. An alternative approach would be offering discounts on council tax or stamp duty if properties are brought back into use.

Throughout our recommendations we argue that the focus should largely be on the proverbial carrot and not on the stick. The evidence seems to suggest that punitive measures do not have the desired effect and we believe fiscal incentives have greater potential.
## LIST OF POLICY RECOMMENDATIONS

### 1. Viable Communities

1. Encourage closer integration between local authorities
2. Encourage the adoption of an Area Committee structure across local authorities and provide funding to facilitate local coordinators
3. End the council tax freeze to restore local accountability
4. Ensure the business rates system incentivises councils to promote business growth
5. Allow community bodies to take over assets and services from local authorities
6. Conduct a review of Community Planning Partnerships
7. Develop a rural-specific model for assessing housing need in rural Scotland
8. Roll back empty property relief and council tax levy changes
9. Introduce conditional stamp duty and/or inheritance tax exemptions for properties brought into the affordable housing sector
10. Take steps to incentivise home improvements
11. Conduct a mapping of energy efficiency issues throughout Scotland and ensure a rural area-based targeting of the National Retrofit Programme
12. Promote and introduce council tax and stamp duty incentives for energy efficiency measures
13. Carefully monitor progress on energy efficiency before introducing renting restrictions
14. Introduce provisions allowing rural tenants to opt-out of the EPC renting restrictions
15. Commission the Rural Housing Service to produce a rural affordable housing guide for local communities
16. Simplify legislative provisions for the long term leasing of land by community trusts
17. Housing grant funding should be opened up to private and community landowners
18. A proportion of housing grant funding should be directed at renovations
19. Planning fee setting should be fully devolved to local authorities, with a central cap set at £250,000
20. Public Local Inquiries should be the norm during call-ins as well as appeals
21. Encourage the extension of schemes of delegation
22. Better align Strategic and Local Development Plans with Scottish Planning Policy
23. Improve local consultation during the development of Strategic and Local Development Plans
24. Spread information and encourage the use of rural housing exception sites
25. Legislate to allow community bodies to opt-out of the planning system and create Neighbourhood Planning Authorities
26. Share best practice and provide guidance on the best use of Community Benefit Funds
27. Encourage top-slicing of Community Benefit Funds to reinvest in local energy efficiency measures
28. Rural broadband delivery has to become an absolute priority and focus of policy-making at all levels of government
29. Public investment in broadband should be targeted to rural areas, with superfast-cities funding diverted there
30. A Universal Service Obligation should be introduced for broadband delivery
31. Double the Community Broadband Scotland fund and focus on advice and guidance
32. Open up rural broadband funding beyond communities to individuals, businesses as well as third sector organisations
33. Allow non-commercial community-based transport providers to use rebated fuel (Red Diesel)
34. Develop a national strategy on community transport and introduce a Community Transport Capital Fund
35: Extend the National Concessionary Travel Scheme to community transport providers
36: Ensure the delivery of the announced electric transport package and consider roll out beyond trunk roads
37: The new ScotRail franchise agreement should consider an obligation to install electric charging points at train stations where practicable

2. Agriculture, Forestry and Land Tenure

38: Recognise that farming tenants and landowners should be on equal terms entering a commercial relationship
39: Decisively reject Absolute Right to Buy
40: Legislate for statutory compensation to be payable to ‘91 Act tenants who choose to give up their secure tenancies
41: Introduce “retiring farmer exceptions” and/or “new entrant farmer exceptions” into planning legislation
42: Gradually phase out 2003 SLDTs and LDTs following the introduction of freedom of contract-based Agricultural Tenancies
43: Introduce Agricultural Tenancies based on the freedom of contract
44: Recognise and address the long term challenges arising from CAP subsidy dependency
45: Single Farm Payments to be converged across the UK on a temporary transitional basis
46: Crofting tenure and grants policy should be re-examined within a social policy framework
47: Recognise the value of commercial forestry
48: Forestry must not be seen in isolation to agriculture and vice versa
49: Introduce fundamental reform of the state-owned and state-managed forestry estate in Scotland
50: Ensure the retention of UK-wide shared forestry resources
51: Take steps to transform the Forestry Commission into a Land Use Commission
52: Increase forestry maintenance grant support
53: Lobby Westminster to introduce a low tax on timber sale profits and tax relief on forestry start-up costs
54: Tie more grants to commercial activity
55: Open the Scottish Land Fund to provide continuous funding for long leases alongside community land purchases
56: Reform Community Right to Buy provisions in the Land Reform (Scotland) Act 2003 in relation to community bodies
57: Recognise that a willing seller must be the norm for community purchases and reject an Absolute Community Right to Buy
58: Consider state ownership and exclusive community use of land bought with public funds

3. Sustainable Management of Scotland’s Wildlife Resource

59: Pursue a closer strategic integration of SEPA and SNH through the creation of a joint board
60: Recognise that there is scope for an amalgamation of DSFBs and FTs in some areas
61: Introduce provisions requiring DSFBs to adopt and adhere to an industry-produced Code of Good Practice or face losing their powers to Scottish Ministers
62: Legislate for statutory representation of councillors and conservation agencies (SEPA/SNH) on DSFBs
63: Extend DSFB requirements to include a duty to protect or improve the environment that surrounds freshwater fisheries
64: Legislate to include a DSFB responsibility for trout stocks and develop a funding model that can combine private and public funds
65: Steadily decommission all Mixed Stock Fisheries, with appropriate compensation from rod fisheries
66: Any expansion of finfish and shellfish aquaculture should be done under the precautionary principle
67: Require individual farm-level sea lice statistics to be published regularly

68: Require the salmon farming industry’s Code of Good Practice on sea lice numbers and benthic deposits to be mandatory, and failure to abide to be actionable

69: Steadily move towards closed containment in finfish aquaculture

70: Support the commercial expansion of seaweed aquaculture

71: The socio-economic benefits of a diversified inshore fishing policy should take precedence over the short-term economic benefits of shellfish trawling and dredging

72: Initiate a long-term inshore fishery spatial management pilot in the Firth of Clyde to provide a research base for future policy

73: Evaluate IFG performance against their economic, social and conservation benefits and consider strengthening legislative representation requirements

74: Consider the introduction of Coastal and Marine National Parks across Scotland

75: Pursue a closer integration in species control and protection on a pan-European level

76: Species protection should be balanced and pragmatic and guided by the holistic environmental and social needs of the countryside

77: Transform Deer Management Groups into Habitat Management Groups with wider duties and responsibilities

78: Introduce requirements to produce habitat management plans on a voluntary basis, but with refusal included as one of the grounds for SNH intervention

79: Advocate a looser approach to protected species licensing from SNH

4. Rural Tourism

80: Recognise tourism as an essential ingredient of rural economies

81: Encourage cooperation between public bodies and independent providers for both sectoral and geographical tourism groups

82: Promote a close working relationship between the Scottish Tourism Alliance and VisitScotland

83: The tourism industry should respect the geographical area it operates in and cooperate with other interests – private or public

84: Encourage voluntary agreements between providers (landowners), facilitators (tourist operators) and users (tourists)

85: Responsible access should be cumulative to commercial tourist activity organisers and not individuals

86: Encourage the creation of BIDs through the provision of information and advice

87: Promote a closer dialogue between public and private transport providers

88: Facilitate a one-stop-shop approach to grant funding advice

89: Introduce a standardised evidence-gathering model across Scotland with collected data publicly available

90: Clarify the roles and improve the coordination of VisitScotland and VisitBritain in respect of international marketing

91: Give preference to all-weather tourism and tourism that prolongs the seasons when determining funding and policy on local and national levels

92: Refocus the Quality Assurance scheme on providing advice, limiting the star rating to accommodation

93: Adopt a light touch approach to regulation and a proactive desire to find solutions to encourage tourism development

94: Encourage a consistent application of regulation across local authorities through close cooperation and best practice

95: Introduce VAT incentives for the maintenance and repair of historic properties

96: Advocate the scrapping of Air Passenger Duty

97: Loosen the tourist visa regime and lessen their cost
Nowhere is the urban-rural divide more obvious than in broadband provision across Scotland. Access to the internet has evolved to being absolutely essential for individuals and communities, the public and independent sectors, for business, education, health care and leisure.
1. VIABLE COMMUNITIES

1.1 Rural Governance

1.1.1 Local authority level

Our Key Messages of this report stated a strong commitment to localism and the devolution of power closer to local communities. We note with concern a clear trend of reverse devolution since 1999 in a number of areas, which has steadily stripped local authorities of power. While we understand the constitutional debate is set to dominate political discourse over the coming years, the devolution of powers beyond the Scottish Parliament is just as important.

We believe that while the current local authority structure is not ideal, any reviews or restructuring in the near future would be too disruptive and therefore undesirable. We also feel that there is currently little political will to pursue such a policy, although starting from a blank piece of paper a two-tier structure might be preferable. In the present, closer cooperation, best practice sharing and service integration is something that should be encouraged across local authorities.

Some rural local authorities cover vast areas of land and we have seen how some approach this by operating under an Area Committee structure. Aberdeenshire has been particularly highlighted as a good example of such a structure working very well. We believe the success of these would depend, at least in the interim, on the appointment of local coordinators who could facilitate interaction with local stakeholders including potential community bodies.

**Recommendation 1:** Encourage closer integration between local authorities

**Recommendation 2:** Encourage the adoption of an Area Committee structure across local authorities and provide funding to facilitate local coordinators

Councillors, as democratically elected representatives, have effectively lost all revenue raising powers following the introduction of the council tax freeze. This loss of accountability and fiscal flexibility is a worrying development which serves to the detriment of local decision-making. Recognising a fundamental difference between rural and urban areas, we emphasise that the ability to shape and fund services according to local priorities is central to the principle of localism.

While the business rates system goes beyond our remit, we do recognise the need for policies that incentivise business growth and therefore local authority income. The Business Rates Incentivisation Scheme (BRIS) is a step in the right direction, but recently concerns have rightly been raised over its implementation.

**Recommendation 3:** End the council tax freeze to restore local accountability

**Recommendation 4:** Ensure the business rates system incentivises councils to promote business growth

1.1.2 Community level

Devolving power to local authorities, of course, should not be an end in itself. We believe that power should be devolved as close to local communities as possible. This does rest on local involvement and public policy cannot simply conjure up “citizenship” and civic engagement. There, however, seems to be a vicious circle that needs to be broken at central level – a lack of real powers translates into a lack of interest which is followed by a lack of involvement which is in turn used as an argument against more powers being devolved. While this will require a period of adjustment, we do believe policy-makers should step in and devolve powers to local communities.

The definition of “community”, however, can be problematic in itself. Sometimes there are community councils, community trusts and other community bodies competing for influence and power in the same area representing the same community. We do address this issue below in sections 1.3 and 2.5, but as an overarching principle we believe that community bodies, provided they are appropriately structured and sufficiently representative, should be accounted for in the planning system in Scotland, giving communities unprecedented powers over their areas.

We also note the recent developments at Holyrood in the form of the Community Empowerment and Renewal Bill as well as the Localism Act passed in Westminster. We welcome the moves that would allow communities to take over assets and certain services from local authorities in Scotland and will be pleased to see legislation pass.

We also welcome the legislative basis for Community Planning Partnerships in principle, but are concerned with its application in practice a decade after it was introduced. Research suggests that CPPs have not been successful in fulfilling the
ambitious objectives envisaged at the outset\(^1\) and more needs to be done at Holyrood level to support and guide CPPs.

**Recommendation 5:** Allow community bodies to take over assets and services from local authorities

**Recommendation 6:** Conduct a review of Community Planning Partnerships

### 1.2 Housing

Housing was identified as one of the most crucial issues in many parts of Scotland. Depopulation of rural areas is a complex phenomenon, but we believe that housing provision must be the first step that will attract people as well as employment opportunities back.

The provision of affordable housing\(^2\) in particular is of essence. We have heard of so-called “hidden waiting lists” and the fact that housing need has traditionally been underestimated in rural areas. This is a combination of a lack of systematic evidence-taking and lower self-identification of those in need.

Furthermore, policy-making has traditionally been skewed towards supporting urban and suburban areas – it is, naturally, easier to hit housing targets by focusing on densely populated areas of Scotland. This meant that funding was not targeted to rural areas due to diminishing returns, but instead flowed mainly to the Central Belt.

A big part of the problem is the ideological presumption against the private sector for the provision of affordable housing. Privately-rented accommodation has a more significant role to play in rural Scotland, with a higher percentage of private lets in rented housing, but policies do not reflect this.

**Recommendation 7:** Develop a rural-specific model for assessing housing need in rural Scotland

Rural housing policy, guided by viability, sustainability and affordability has to be at the centre of rural regeneration. We include policy recommendations which apply to existing as well as new stock. We also include energy efficiency measures in this section.

#### 1.2.1 Existing stock

Housing policy cannot depend on new housing stock alone. In rural areas especially, we have a range of empty properties that could be brought back or converted to be used as affordable housing. We believe incentives and not punitive measures are to be used to this end. The recent empty property relief changes and additional council tax levy powers will likely prove counterproductive. The funding focus on Registered Social Landlords has a detrimental effect in rural areas, where traditionally private sector providers have had a significant role to play.

**Recommendation 8:** Roll back empty property relief and council tax levy changes

There is a range of options for policy-makers to consider when adopting an incentivising approach to affordable housing. In terms of rural Scotland, it has to be recognised that private owners often provide housing to families that would otherwise not be there due to the small scale of such projects. Fiscal incentives that help rural private owners bring properties into the affordable sector would have an exponentially positive effect. Stamp duty control transferred to Scotland offers an opportunity to specifically target rural development. Even though a reserved matter, we recognise that inheritance tax also disincentivises privately rented affordable housing stock to be moved to the next generation, where descendants are often forced to sell property to cover the tax.

**Recommendation 9:** Introduce conditional stamp duty and/or inheritance tax exemptions for properties brought into the affordable housing sector

Linked to the above are measures that make it easier for existing stock to be maintained, improved or extended. The Scottish planning system changes introduced in early 2012 removing the need for planning permission for a range of works were a good step forward, but we believe there is scope to go further. Delving into reserved territory again, there is a clear discrepancy between new build work being VAT exempt, while existing home improvements are burdened with the full rate. While we recognise the present fiscal climate, we do believe there is scope to introduce discounts, especially if they can be targeted at affordable housing.

**Recommendation 10:** Take steps to incentivise home improvements

Energy efficiency measures go hand in hand with housing policy and we believe that reducing energy

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1. Audit Scotland - Improving Community Planning in Scotland, 20 March 2013
2. In Scotland this definition has traditionally been broad and for the purpose of this report we define affordable housing based on rents charged below Local Housing Allowance rates
Demand should be the focus of energy policy as a whole. For obvious reasons, energy efficiency issues are a lot more pronounced in rural areas, with a higher proportion of old stone-built properties. It is clear that investing in energy efficiency has significant environmental as well as social benefits and the cross-political support for energy efficiency is evidence of that.

However, we have encountered a level of frustration with the implementation of certain policies and while big measures like the Green Deal are to be welcomed in principle, they seem to stall at the ‘on the ground’ delivery stages. It also seems that the targeting of energy efficiency measures falls at the first hurdle – we only have anecdotal evidence of the energy efficiency shortcomings in rural Scotland. While a National Retrofit Programme was announced in 2012, it is difficult to see how it can be appropriately targeted without an “energy efficiency map” of Scotland.

**Recommendation 11**: Conduct a mapping of energy efficiency issues throughout Scotland and ensure a rural area-based targeting of the National Retrofit Programme

One of the issues highlighted with the Green Deal, and public energy efficiency grants in general, is the lack of take-up due to a lack of information and an overall suspicion of significantly disruptive measures. While energy efficiency benefits are obvious to policy-makers, these often do not trickle down to individual households.

We believe there is scope to not only step-up an information campaign, but introduce further fiscal “eye-catching” incentives that could improve the take-up of energy efficiency schemes. While council tax discounts already exist in Scotland, it has been consistently highlighted that these are not taken up. Furthermore, stamp duty exemptions or discounts could also be introduced to incentivise prospective homeowners to buy energy efficient properties and in turn incentivise sellers to make their properties more attractive.

**Recommendation 12**: Promote and introduce council tax and stamp duty incentives for energy efficiency measures

The other side of the coin are punitive and restrictive measures that have been announced on a UK-wide basis. The Energy Act 2011 includes provisions that allow for renting restrictions for properties that do not reach a set level of energy efficiency (unless all Green Deal measures have been implemented). The intention is to introduce renting restrictions from April 2018 at the latest across England & Wales and April 2015 in Scotland at the earliest, although regulations have not been tabled yet. We are concerned about the timeframe of the measures (especially 2015), which will likely prove to be too ambitious, although we do support the proposals in principle.

We also believe the risks to the housing market are much more pronounced in rural areas of Scotland. Introducing punitive rent restrictions might make a bad situation even worse, with even less affordable housing available. The Scottish Government does have the discretion to lay regulations that set out exemptions under the Energy Act 2011 s56(1)(b) and we believe opt-out measures for rural tenants should be considered. The presumption against renting will remain, but since energy performance is reflected primarily on the tenants’ energy bills it should be up to the tenant to weigh up the costs and benefits of renting properties – the tenant should request exemptions, not the landlord.

**Recommendation 13**: Carefully monitor progress on energy efficiency before introducing renting restrictions

**Recommendation 14**: Introduce provisions allowing rural tenants to opt-out of the EPC renting restrictions

**1.2.2 New stock**

As mentioned above, the provision of new housing stock in rural areas is more problematic due to a variety of reasons. Chief amongst these is the availability of land and we do recognise this. We do not, however, accept the conclusions of some that a move towards community ownership is the solution. This sits within a much bigger topic of land use and ownership patterns across Scotland, which we deal with in chapter 2 of this report.

There are a number of measures that are available or can be made available for the provision of new affordable housing. Some relate to the planning system (e.g. rural housing exception sites) and are discussed in section 1.3. Often access to information is the problem. It has been suggested to us that the Rural Housing Service should be commissioned to produce a guide outlining the different options communities have for the delivery of affordable housing. A very brief guide exists online already, but this could be expanded on, printed, made available and promoted across rural Scotland.

**Recommendation 15**: Commission the Rural Housing Service to produce a rural affordable housing guide for local communities
There is no reason why making land available for affordable housing should immediately be linked with ownership issues. Legislation in Scotland already provides measures that allow community trusts to lease land long-term for the provision of affordable housing. There is, however, an unnecessary complexity in which Scottish Ministers must designate community trusts as Rural Housing Bodies to allow them to enter long leases – a process that requires secondary legislation passed by the Scottish Parliament. This is understandable for the provision of Rural Housing Burdens, but these should be kept separate from long leases.

**Recommendation 16**: Simplify legislative provisions for the long term leasing of land by community trusts

The Housing portfolio in Scotland is one of the larger components of the Scottish budget. The vast majority of grants are provided to local authorities and Registered Social Landlords and this puts rural housing providers at a distinct disadvantage. A small proportion of grant funding was available for alternative housing providers in the form of an Innovation Fund (£10m out of a total £260m housing budget), but this was discontinued in 2012.

Challenge funding is now minimal, with the focus on local authority-led planning. It remains to be seen how local authorities respond to these changes, but making more funding available to private and community housing providers – for both new and existing stock – would undoubtedly have an exponentially more positive effect in rural Scotland.

**Recommendation 17**: Housing grant funding should be opened up to private and community landowners

**Recommendation 18**: A proportion of housing grant funding should be directed at renovations

### 1.3 Planning

The Scottish planning system was identified throughout the evidence sessions as the biggest barrier to any progress. Issues with planning are well-recognised, well-known and there are no easy fixes. Some have simply suggested scrapping the planning system and starting anew, although that remains in the realm of fantasy.

The most common complaints on the side of applicants are that decisions take too long and the bureaucratic burden is extensive, while on another level communities feel a tension between central decision-making and local involvement where local input is minimal or late and local priorities not taken into account.

Funding of the planning system is a major issue and increasing staff funding for planning departments would be a straightforward step that should result in better performance. There is a significant difference between the approach to planning fees in England and Scotland, with the former setting fees as high as £250,000 as opposed to a maximum £15,950 (for most developments) in the latter.

There is evidence, however, showing that more funding does not always translate into faster planning, with Audit Scotland reporting a rise in the per-application processing cost overall without improved performance. Businesses are in general not opposed to paying higher fees on the condition of improved performance. A consultation is ongoing in Scotland and it will be interesting to see if such a link can be found. Our approach is rooted in localism and local authorities deciding on their own priorities. If a proportional link can be established between business growth and local authority income, a localised planning system should be the norm.

**Recommendation 19**: Planning fee setting should be fully devolved to local authorities, with a central cap set at £250,000

The concerns raised on a local level were regularly aimed at central decisions overriding local decisions or taking away the decision-making power altogether. It is right and proper that central authorities retain a level of control over some applications considered to be of significant importance, just as it is appropriate for applicants to have the option to appeal to central government if they feel the decision taken locally was taken without good reason.

We do, however, believe that these central powers should be used lightly and public local inquiries should be the norm in call-ins as well as reporter appeals. Legislation stipulates that Scottish Ministers must allow a public inquiry into any called-in application if this is requested by the applicant or the relevant planning authority and it is also one of the options a planning reporter has when dealing with an appeal. This discretion for planning reporters is important and should be exercised on a case by case basis. We see local inquiries as crucial for call-ins, but do recognise the

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3. Audit Scotland - Modernising the Planning System - September 2011
cost and time involved can be considerable.  

**Recommendation 20**: Public Local Inquiries should be the norm during call-ins as well as appeals

It has also been noted that some of the biggest sources of delay in planning occur at local authority level, especially in planning committees. This was meant to be addressed by the introduction of schemes of delegation, which devolve planning decisions to planning officers as opposed to elected representatives. Appeals on these decisions go to councillors and not to Scottish Ministers. Evidence we received suggests that these decisions are taken promptly and with a great deal of expertise. We believe there is scope to extend local schemes of delegation, but this should be at local authorities’ discretion.

**Recommendation 21**: Encourage the extension of schemes of delegation

We also took evidence on the value of Strategic and Local Development Plans. It was generally recognised that the overall approach is a positive one, but we feel that there is room for improvement in two areas.

Firstly, there seems to a disconnection between national Scottish Planning Policy and Strategic and Local Development Plans. The reasons for this can be multiple, but steps should be taken to ensure a better alignment of planning policies. Whilst SDPs and LDPs have to be approved by Scottish Ministers, it is imperative that early dialogue occurs between the two levels of government.

Secondly, local communities and individuals often find out that plans have been passed, without any knowledge of a consultation period in the months before. Early local consultations, advertised through information campaigns, have to be conducted.

**Recommendation 22**: Better align Strategic and Local Development Plans with Scottish Planning Policy

**Recommendation 23**: Improve local consultation during the development of Strategic and Local Development Plans

Rural developments have traditionally been hindered by restrictive planning policies preventing planning permission being granted on agricultural land or in the so-called “Green Belt”. In rural areas, as mentioned above, this is especially problematic in relation to affordable housing. An option available to planning authorities is the designation of “Rural Housing Exception” sites.

The policy has been in use in England since 1989 and while Scottish local authorities do have the power, they very rarely use it. Where housing need is identified, local authorities can designate areas as exception sites in order to grant planning permission.

With planning granted, the value of land goes up, but planning conditions can stipulate a low ceiling for the sale of land. Another option would be to allow developments of mixed use, with a proportion of houses earmarked for direct sale (covering land cost) and the remainder for affordable housing – which is the aim of this policy.

**Recommendation 24**: Spread information and encourage the use of rural housing exception sites

The most straightforward way to alleviate concerns over local decision-making being overturned would be a complete devolution of planning to local communities under specified conditions. We are fully aware that this proposal is a radical one and would require detailed work on how to align such a policy with major developments, national Scottish Planning Policy as well as European Union legislation. The principle, however, is clear – local communities are best placed to make decisions about what developments they want to see in their local areas.

We envisage community trusts, with an appropriate legal structure and the continuous backing of the community, to opt out of parts of the planning system, creating their own “neighbourhood plans”. These would extend to small developments which do not require significant investment in infrastructure.

Neighbourhood Planning Authorities would operate within the national planning framework, but would not be required to subscribe to Strategic and Local Development Plans produced by local authorities. Appropriate safeguards would need to be introduced to ensure the community trust has the continuous support of the community and close cooperation between neighbouring planning authorities would be essential. The Land Reform Act already sets out a basic definition for community bodies and popular support (requiring >50% support for a community buyout to occur). We believe these definitions could be used, provided legal structures, continuing support and exit provisions are clarified.

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4. AWPR (Aberdeen Bypass) inquiry, for example, lasted 14 weeks
There is of course a need for an overall consistency of approach and respect for the countryside and historic architecture. Planning design is an essential part of Scotland’s character and national design guidelines would have to be observed.

**Recommendation 25**: Legislate to allow community bodies to opt-out of the planning system and create Neighbourhood Planning Authorities

The rapid increase in renewable energy developments has sent shockwaves through the planning system. It is beyond the remit of this report to comment on the developments themselves, but we feel we need to recognise the opportunities arising from Community Benefit Funds. These funds do have their critics who say that they amount to nothing more than outright bribery and we do agree that planning applications should be decided by merit on a case by case basis. However, it would be inappropriate to ban any community negotiations or, on the other hand, make CBFs compulsory.

Community Benefit Funds have taken very different shapes and forms across Scotland and the lack of central guidance and direction is blatant. Highlands and Islands Council, for example, introduced a policy which splits every CBF into funding that is retained on a local (55%), locality (30%) and pan-Highlands (15%) level. This is an approach that may or may not be suitable, but we believe that this is another area in which the Scottish Government can and should provide assistance to local authorities and, by extension, local communities.

CBFs, due to their prevalence in rural areas, also offer yet another opportunity to improve energy efficiency across existing housing stock. Some local authorities do implement such policies, with Aberdeenshire taking 25% off every CBF to invest in energy efficiency measures. We believe that while this should be at local authorities’ discretion, such approaches should be encouraged as much as possible.

We also recognise that community benefit does not have to stem from a separate fund, but can also come from private landowners reinvesting profits in their communities, as, contrary to impressions, is often the case.

**Recommendation 26**: Share best practice and provide guidance on the best use of Community Benefit Funds

1.4 Broadband

Nowhere is the urban-rural divide more obvious than in broadband provision across Scotland. Access to the internet has evolved to being absolutely essential for individuals and communities, the public and independent sectors, for business, education, health care and leisure. Statistics on rural Scotland make for grim reading (comparatively with other UK nations) and anybody living, working and even visiting rural Scotland is well aware of the issue.

Investing in rural broadband helps maintain and increase rural jobs through supporting rural businesses. It allows internet-based business diversification and allows people to work from home. Welfare system changes are now linked to online access and developments in telecare and online education offer unprecedented opportunities for the future. Rural Scotland must not be left behind.

While there are many supportive voices, strategies and funding streams out there, delivery on the ground is patchy at best. Capital funding is misaligned and fragmented, with different funds at local authority, Scottish Government and UK Government level.

**Recommendation 28**: Rural broadband delivery has to become an absolute priority and focus of policy-making at all levels of government

The rural-urban divide is obvious in funding provision. There is a very clear bias in broadband delivery – money has been set aside to provide superfast broadband across UK’s cities whilst some remote rural areas don’t even have proper access to slow broadband.

We understand that business hubs in cities account for a much higher GDP percentage and employ thousands more than rural businesses. It is, however, unclear why areas where markets can operate effectively should receive preferential public investment. Rural businesses are the backbone of rural life and if public money is targeted, it should go to rural areas first and foremost.

**Recommendation 29**: Public investment in broadband should be targeted to rural areas, with superfast-cities funding diverted there

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5. Legal challenges mean the superfast-cities scheme is being modified
The importance of broadband has been recognised worldwide, but some countries have taken unprecedented steps to ensure this is reflected in legislation. Finland, for example, enshrined a legal right to broadband in legislation, effectively promoting broadband access to a human right level. While this might seem theatrical, it does serve as a powerful symbol and has seen a final push to delivering broadband to the most remote rural areas of Finland.

In the UK, policy-makers can make use of Universal Service Commitments and Universal Service Obligations, with the latter including legal sanctions if broken. Broadband access is being rolled out under a USC, although a USO requirement was lobbied for by several rural groups. A USO has existed for British Telecom (and Kingston) for the provision of phone and narrowband access to everyone since 1984. The costs incurred are effectively covered by cross-subsidies from other users.

The technological landscape has changed incredibly in the last 30 years and there have been several reviews of the USO requirement since then. All have broadly concluded that a USO for broadband was not desirable at the moment due to the complexities of market interference. However, the House of Lords Communications Committee, for example, argued that future developments should be anticipated and considered now. Their report anticipated that broadcasts will be increasingly done via the internet and not through the spectrum and concludes that if Public Service Broadcasting moves to the internet, the case for a USO becomes much stronger.

We have come to the conclusion that market interference at this stage is desirable and necessary and that a USO should be introduced. This would incur significant costs on broadband providers, but there are several options of delivery that would influence the detailed impact of the policy. It is not for this report to give the answer, but we point to Finland again, which has chosen individual universal service operators to deliver its obligation across 27 different regions. We believe this is a model worth considering across the UK as well.

**Recommendation 30**: A Universal Service Obligation should be introduced for broadband delivery

Rural communities, however, have several other innovative options at their disposal, which have sometimes delivered incredible results for broadband availability. Satellite access, for example, has become significantly cheaper than in the past - some providers offer £130 start-up costs and then £25-£80 per month for individuals. Enterprising communities often only need guidance and potentially some start-up funding, but there are ways of getting broadband to most rural areas wirelessly.

Allanton in Scotland, to the South of Shotts, is an excellent example. With only 10 residences, the community worked with High-Speed Universal Broadband for Scotland (an initiative linking several Scottish universities) to install an antenna at a visible church in Newmains, around 5km away. They now enjoy speeds up to 100mb/s at a cost of £10 per month and an initial installation of under £200.

The Welsh Government offers a Broadband Support Scheme, where it covers the start-up and installation costs for individuals, businesses or third sector organisations which do not have access to broadband from mainstream providers. This can apply to individual satellite connections, community satellite (spread by wireless networks) or other innovative methods (e.g. FTTC). Since its launch in 2010 it delivered broadband to 4,700 premises and 31 communities across Wales.

The Community Broadband Scotland fund, launched in August 2012, allocated £5 million over the next three years, but this needs to be significantly higher. It is also only available to communities and should be extended to individuals, businesses and third sector organisations. We do note that CBS set up a one-stop-shop (helpline and website) and welcome this.

**Recommendation 31**: Double the Community Broadband Scotland fund and focus on advice and guidance

**Recommendation 32**: Open up rural broadband funding beyond communities to individuals, businesses as well as third sector organisations

### 1.5 Transport

Rural communities depend on good transport links. Taking steps that make individual, community or public transport more affordable are some of the most straightforward ways of helping rural Scotland flourish. A cut in fuel duty would have a disproportionately positive effect in rural areas due to their dependency on road travel, although we do recognise the budgetary pressures of today and do not include it as one of our recommendations.

There is, however, another measure that we believe would be helpful to rural communities – the use of
rebated fuel. Under the Hydrocarbon Oil Duties Act 1979, certain categories of vehicle are not defined as road vehicles and can therefore use rebated fuel, otherwise known as “Red Diesel”. For comparison, in May 2013 Red Diesel averaged 68 pence per litre, while the Diesel Pump Price averaged 138 ppl. The rules on Red Diesel have been relaxed recently to allow tractors to use it when gritting roads and we believe there is scope to extend the categories of allowed vehicles to non-commercial community-based transport providers in remote rural areas.

**Recommendation 33:** Allow non-commercial community-based transport providers to use rebated fuel (Red Diesel)

Community- and charity-run buses are essential to rural Scotland. For older people especially, these are often the only direct link to health care as well as friends, family or recreation. Research\(^6\) suggest an ageing population, more pronounced in rural areas, can also lead to higher levels of isolation, with subsequent detrimental health effects.

We have heard of commercial operators withdrawing services from the most remote areas as they are simply not financially sustainable. Some local communities step in themselves, with charities operating elsewhere, providing services that can be flexible (offering door-to-door, dial-a-bus or drop-off services). The funding for these schemes is patchy and inconsistent at best, with a comprehensive national strategy absent. A start-up transport capital fund should also be introduced as the initial costs can be the most discouraging element when considering community transport projects.

An impressive national campaign also exists (Still Waiting) that is lobbying for the extension of the National Concessionary Travel Scheme beyond commercial operators to community transport. The campaign is urging the Scottish Government to reimburse the full value of a ticket as opposed to the 67% for commercial operators. We fully support their aims and have included them in our recommendations.

**Recommendation 34:** Develop a national strategy on community transport and introduce a Community Transport Capital Fund

**Recommendation 35:** Extend the National Concessionary Travel Scheme to community transport providers

Alternative green transport is another area where progress is necessary and requires active intervention by central authorities. We are conscious of the environmental effects of road transport in rural areas, but it should not come as a surprise that alternative technologies are not taking off – without the infrastructure in place little progress can be expected. There have been encouraging steps taken in some urban areas, but rural roll-out is still lagging behind.

On balance, we believe that investment in electric transport can yield the best results – it is a well-developed technology and, compared to other sunrise technologies like hydrogen, is relatively cheap. In February 2013 the Scottish Government announced a £2.6m package for electric transport, which included free installation of home charging points throughout Scotland as well as public charging outlets within at least every 50 miles on trunk roads – a welcome announcement. The on-the-ground delivery of this will be crucial, as we have seen similar initiatives fizzle out at local authority level.

We also believe there is merit in a closer integration between the rail network and electric transport and we argue that a new franchise agreement should consider an obligation to install electric charging points at train stations where practicable.

**Recommendation 36:** Ensure the delivery of the announced electric transport package and consider roll out beyond trunk roads

**Recommendation 37:** The new ScotRail franchise agreement should consider an obligation to install electric charging points at train stations where practicable

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\(^6\) Age Scotland - Driving Change: The case for investing in community transport, August 2012
We need a holistic look at land use including forestry, tourism, housing or energy in policy choices. It is in the interests of all of us that more land is used and, crucially, is used well.
2. AGRICULTURE, FORESTRY AND LAND TENURE

Scotland’s farmers produce output to the value of £2.3 billion every year and agricultural production covers 75% of our land mass. Around 65,000 people are directly employed in agriculture, making it the third largest employer in the country. It is of no surprise then that farming policy has traditionally been the focus of rural policy-making. The statistics, however, can deceptively hide underlying problems in the sector that have been highlighted to us during evidence sessions – subsidy dependency, a declining tenancy sector, barriers for new entrants or increased cost of productivity per hectare.

Scotland has a long history of farming tenancies, but we need to recognise that legislation is stuck in paradigms that don’t apply anymore. In today’s markets we fortunately do not have to worry about food security, which was the primary reason for farming-specific policy-making.

We argue that farming is a business just like any other and there is little reason, providing existing farmers’ social benefits can be protected, why it should enjoy special protection over other land-based businesses. We need a holistic look at land use including forestry, tourism, housing or energy in policy choices. It is in the interests of all of us that more land is used and, crucially, is used well.

The farming workforce is ageing (in 2008 51% of working occupiers were over 55 and 25% over 65) and while the reasons for this are complex and varied, it is clear that the 2003 changes had a limited effect on the tenancy sector. This can be contrasted with English reforms that had a clear positive effect. We believe that there are some steps that can be taken to incentivise young entrants – freedom of contract, planning system changes, retiring farmer compensation and SFP changes.

We also address the controversial topic of land ownership, which has attracted renewed attention following the setting up of the Land Reform Review Group. We do not subscribe to populist statements on millionaire landlords preventing communities from fulfilling their potential. We proudly highlight the positive contributions most landlords make to their local communities and emphasise that community ownership should not be an end in itself, but one of the several vehicles available towards an end - the end being a better use of our land resource.

2.1 Agricultural Holdings

We embarked on this process aiming to start from a blank sheet of paper, largely unburdened by past policy decisions regardless of their political source. Agricultural holdings policy can be a politically difficult topic, but we stress that our recommendations are non-political and guided by what we believe is best for the future of rural Scotland.

We fundamentally recognise that agricultural holdings policy is presently in a state of deadlock. New land is not made available to new tenants which can result in the underutilisation of the asset. Tenants with security of tenure often pass on their tenancies to descendants not enthusiastic about farming in order to protect their tenancy value. If they do not have anyone to pass their tenancies to they have no legal right to a set amount of compensation if they decide to retire. Landowners can serve notices to quit under certain conditions, but often choose to simply wait and let nature take its course. Our recommendations throughout this section are aimed at breaking this deadlock to the benefit of existing and prospective tenants as well as landlords.

As mentioned above, we approach farming in a business policy framework, as opposed to, for example, crofting, which has to be seen in a social policy framework (more on that in 2.3). This puts farming on equal terms with other land-based businesses and it becomes difficult to see why farming should deserve significantly more legislative security. Our policy recommendations are rooted in this fundamental principle.

There is, of course, a social element to existing secure tenant farmers who have lived with families on their farm often for decades, but we do believe this can be addressed by changes in planning policy discussed in section 2.1.1.

Recommendation 38: Recognise that farming tenants and landowners should be on equal terms entering a commercial relationship

The next sections look at three separate areas in agricultural tenancy legislation – the traditional 1991 Act tenancies with security of tenure, the new 2003 Act tenancies and possible future tenancy legislation.

2.1.1 1991 Act tenancies

In 2012 there were 5,914 agricultural tenancies under measures introduced by the Agricultural

8. Statistical Publication: Agriculture Series - Results from the June 2012 Scottish Agricultural Census
Holdings (Scotland) Act 1949 and the Agricultural Holdings (Scotland) Act 1991. In short, these tenancies provide hereditary security of tenure, succession rights as well as a pre-emptive right to buy for tenants should the landowners decide to sell land. The legislation governing the landlord-tenant relationships is complex and has become even more convoluted over the last few decades.

We believe '91 Act tenancies are historical constructs and we suggest measures that would allow us to move away from them towards a healthy business-driven system. We want to emphasise that our thinking is not driven by a desire to decimate the tenancy sector and benefit landowners, quite the contrary. We aim to break the deadlock described above, strengthening compensation provisions for tenant farmers and make more land available to those interested in the profession.

One of the policy proposals that resurfaces regularly is the introduction of an Absolute Right to Buy to agricultural tenants, forcibly breaking the land ownership pattern in Scotland. We have to be absolutely clear – the very mention of such a policy disincentivises landowners from entering into new tenancy agreements due to the risks of losing their assets. There is little hope of progress for the tenancy sector until ARTB is decisively rejected across the political spectrum and confidence is allowed to grow.

**Recommendation 39**: Decisively reject Absolute Right to Buy

Amongst all the focus on young entrants, retiring tenant farmers are often forgotten. We have been given examples of cases where farmers would consider giving up their secure tenancies, but won’t do it since they cannot claim any financial benefit from land they invested a lifetime of effort in. On one hand they would be giving up their homes and on the other they have no secure compensation as this solely depends on negotiations with the landowner who may be unwilling or sometimes unable to pay anything.

We believe that legislation needs to be strengthened to account for appropriate compensation paid to the tenants if they choose to give up their secure tenancies at any given time. We propose the legislative formula to calculate compensation to be stipulated as “half the vacant possession premium”, which is a calculation already used in land valuation as well as section 55 of the Agricultural Holdings (Scotland) Act 2003. Our evidence suggests that this is an appropriate level of compensation for tenants as well as an amount that landowners would be willing to pay. The formula ensures that the value of compensation would vary from case to case according to specific circumstances including, for example, the age of the retiring farmer.

**Recommendation 40**: Legislate for statutory compensation to be payable to '91 Act tenants who choose to give up their secure tenancies

We also recognise the social dimension of secure tenancies, where farmers raised families in homes that they would, under normal circumstances, be asked to give up. We do believe that the above recommendation for compensation must go hand in hand with changes to the planning system, which would either allow for a house being built for a retiring farmer on adjacent agricultural land (a “retiring farmer exception”) or allow for a house being built for a new entrant farmer entering a new lease under measures outlined in 2.1.3.

**Recommendation 41**: Introduce “retiring farmer exceptions” and/or “new entrant farmer exceptions” into planning legislation

**2.1.2 2003 Act tenancies**

The Agricultural Holdings (Scotland) Act 2003 attempted to introduce measures to rejuvenate the tenancy sector, but it is widely recognised that it did not have the desired effect. Short Limited Duration Tenancies (SLDTs) and Limited Duration Tenancies (LDTs) that were introduced by the Act are inflexible and unpopular. Even though their take up has steadily increased since 2005, in 2012 there were only 540 SLDTs and another 321 LDTs across Scotland, accounting for under 13% of all Scottish tenancy agreements. An even better measure of long-term trends is the total area of land owned and tenanted and we include graphs in section 2.1.3. Our approach is to move towards tenancy agreements based on the freedom of contract between two consenting business partners – landowners and tenants.

**Recommendation 42**: Gradually phase out 2003 SLDTs and LD Ts following the introduction of freedom of contract-based Agricultural Tenancies

**2.1.3. Future tenancies**

The tenancy sector would best be served by allowing landowners and tenants to come to normal business agreements, entirely dependent on mutual agreement, possibly with some safeguards for tenant compensation for improvements. This is the approach taken in England and the difference is
immediately obvious\textsuperscript{10}. We provide two graphs for comparison of long term trends:

\textbf{Land rented and owned in Scotland}

![Graph of Land rented and owned in Scotland]

\textbf{Land rented and owned in England}

![Graph of Land rented and owned in England]

The evidence is quite clear – the introduction of Farm Business Tenancies through the Agricultural Tenancies Act 1995 had a clear positive effect on take-up, halting, and to an extent even reversing, the decline of the tenancy sector.

We cannot think of any other non-fiscal measure that would be better in opening up more land for new entrants. Agriculture, and land-based business in general, of course needs to be profitable first and foremost, but giving landlords and prospective tenants the freedom to decide themselves what tenancy conditions suit them would be a positive step in the right direction. Agricultural Tenancies would also be better suited to a diversification of land business activity, making new tenancies a more attractive prospect for enterprising individuals.

\textbf{Recommendation 43:} Introduce Agricultural Tenancies based on the freedom of contract

\subsection*{2.2. Common Agricultural Policy}

CAP goes beyond the Rural Commission’s remit. We felt that with major CAP reform underway throughout the course of the Commission, any recommendations would have been prone to being overtaken by events. We do, however, wish to outline a couple of basic principles that we believe should be considered in the mid-to-long term, although we recognise that the powers are reserved to the UK Government and/or the European Union.

CAP funding is without a doubt slowly coming to an end. This has not translated into official policy statements on any level of government, but our task was rooted in ignoring the political dimension. We simply have to honestly recognise that there will be major challenges for farmers in the long run as their overall dependency on Single Farm Payments is significant. We believe there is scope in refocusing policy from supporting specific industries (in this case agriculture) to overarching goals like tackling climate change. For example, a localised and targeted carbon trading scheme could take the lead in supporting rural areas. It is, however, crucial that steps are taken now in anticipation of long term developments.

\textbf{Recommendation 44:} Recognise and address the long term challenges arising from CAP subsidy dependency

In the short-term, an area we believe deserves attention is the nonsense of historic-based payments. The policy means that the SFP funding package in Scotland is based on farming output from over a decade ago. Not only is this nonsensical in itself, it also discourages new entrants to enter the agricultural sector.

The discrepancy between devolved nations in this respect is significant, with payments averaging €130 per hectare for Scotland, €339 per hectare for Northern Ireland, €245 per hectare for Wales and €265 per hectare for England\textsuperscript{11}. The historic payments model was opted for by the Scottish Government, although it seems 2015 is likely to see a move towards area-based payments. It is imperative that this transition occurs, but that it also occurs sensitively and not disruptively.

During the transitional period, it has been suggested that a pooling of the regional SFP pots should be considered, addressing the significant disparity and spreading payments on an equitable basis across the UK. We support this proposal fully.

\textbf{Recommendation 45:} Single Farm Payments to be converged across the UK on a temporary transitional basis

\textsuperscript{10} SPICE Briefing - SB 12-02, Agricultural Holdings (Amendment) (Scotland) Bill, January 2012

\textsuperscript{11} http://www.farmersguardian.com/home/business/devolved-nations-must-unite-to-form-fair-cap-payments-system/52308.article
2.3 Crofting

Crofting policy is perhaps the most prominent example of an archaic policy that is out of date. Crofting policies were introduced to support agriculture on small holdings, but the reality is that there is very little agriculture going on anymore. Today crofting is often a hobby and virtually never a living.

We have to emphasise that it is right and proper that marginal rural communities are supported, but the policy framework as it stands is simply not fit for purpose. Legislation is incredibly complex and the array of changes introduced over the last decade has, in effect, merely tinkered around the edges of the problem. We believe we need to bring crofting into the 21st century.

The first step has to be a divorce from agricultural policy and a re-examination of provisions within a social policy framework. The level of legislative detail and the limits of our crofting expertise do not allow us to make further specific recommendations, but we feel strongly about the need for radical reform.

**Recommendation 46:** Crofting tenure and grants policy should be re-examined within a social policy framework

2.4 Forestry

Research conducted by the Forestry Commission Scotland in 2008 estimated the total GVA of Scottish forestry at £303.6 million and showed forestry directly employs 10,253 people (FTE). Another 17,900 FTE jobs are supported from tourism and recreational spending directly attributable to woodlands. The range of forestry benefits is wide and can be commercial, environmental as well as recreational, educational and even medical.

And yet, the evidence we received throughout our sessions seems to suggest that policy-makers do not recognise the value of forestry and, in particular, commercial forestry. There is evidence of a plethora of targets and strategies, but very little direct political will to support the industry. The support that does exist will often be focused on non-commercial benefits. We want to argue that while this support is appropriate, the value of commercial forestry needs to be recognised as well.

**Recommendation 47:** Recognise the value of commercial forestry in policy-making

For historical reasons, chief amongst others, public policy-making has been consistently tipped in favour of agriculture. There is, however, no doubt that we can increase forest cover in Scotland without affecting food security in agricultural production. This does not have to be exclusively woodland for timber and a range of benefits can be achieved. Presently we have around two billion growing trees in Scotland across 1.38 million hectares of land. This accounts for just under 18% of our total land area, which is above the UK average of 13%. While it might seem significant, it pales in comparison with the world average of 30% as well as the EU average of 37%.

For commercial forestry in particular, we are in no doubt that investing in timber needs to increase. Timber imports will only become more expensive over time and Scottish demand is unlikely to fall. Scotland has the potential to be timber self-sufficient and policy-makers should take steps to achieve this. To put it very bluntly – if we can grow trees, we should grow trees.

This approach requires private investor confidence first and foremost and we do suggest several measures that can ensure this throughout our recommendations. As a first step, however, the tension between agriculture and forestry needs to be relieved. This goes back to our fundamental point of seeing land as land, without sections of it definitively earmarked for particular use due to arbitrary reasons. A long-term consistent approach is required and dialogue between competing interests should be the first step.

**Recommendation 48:** Forestry must not be seen in isolation to agriculture and vice versa

We also address state ownership of forestry and the role of the Forestry Commission Scotland and Forest Enterprise. While we accept that some level of state ownership is essential and beneficial in non-commercial forestry, we see no reason why commercial timber production should be owned by the state. Other commercial activity (primarily tourist/recreational) forests could also be reformed, with state ownership remaining, but public benefit models trialled.

2.4.1 Forestry Commission and Forest Enterprise

Forestry benefits are wide-ranging, but can fundamentally be divided into “commercial” and “non-commercial”, even though there is overlap in some areas. By extension, Scotland’s forest estate

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12. FCS - The economic and social contribution of forestry for people in Scotland, September 2008
can be split into productive and non-productive (“forest parks”) parts.

Under “productive forests” we primarily mean timber business, but there are also examples of tourist/recreational use that are run for profit (e.g. adventure sport). It is worth noting that the Forestry Commission (or Scottish Government) also owns land that is not covered by woodlands and is used for other, primarily renewable energy, projects. There are also examples of mixed use forests. The non-commercial “forest parks” are seen here as a free recreational resource, with a wide range of environmental, health and conservation benefits.

Scottish Ministers own around 34% of the forest resource in Scotland, approximately 481,000 hectares\(^{14}\). A distinction along the above lines is important when evaluating the role of the state in forestry. From the evidence we received we conclude that there is no reason whatsoever, apart from ideology, for the existence of state-owned timber enterprise and propose that commercial forest assets of this kind be sold off. The most prominent example would be parts of Galloway Forest, which would be an ideal candidate for selling off. In times of significant budgetary pressures we believe the proceeds of these sales could be used to fund future forest grants.

Non-timber commercial and mixed use forest land can work well under public ownership and we have seen plenty of evidence for this. We believe that there might be merit in exploring public benefit models or other community/private management models which ensure any profits are reinvested back in the asset. It is also worth noting that privately owned forests also operate as recreational businesses, with Llandegla Forest in Wales an excellent example.

We want to emphasise that forest parks, however, do fill an essential place in Scotland and should be retained in public ownership.

**Recommendation 49: Introduce fundamental reform of the state-owned and state-managed forestry estate in Scotland**

Forestry Commission Scotland is a body that functions as a part of the Forestry Commission which operates on a UK-wide basis. Its status therefore touches on devolved as well as reserved matters. It does give Scottish forestry access to shared resources in the form of international policy, research or plant health and we want to highlight the positive nature of this arrangement. UK forestry research is world-class and it is essential that it is retained regardless of any other constitutional changes.

We do, however, believe that if there was a way to overcome constitutional competence issues, we should aim to create a Land Use Commission, where forestry, agricultural and other land-based interests could work together. The recent Land Use Strategy is a step in the right direction and a Land Use Commission could ensure its implementation on the ground. We would envisage the Rural Payments and Inspections Directorate (RPID) to sit below the strategy-focused LUC and remain responsible for the management of forestry grants.

**Recommendation 50: Ensure the retention of UK-wide shared forestry resources**

**Recommendation 51: Take steps to transform the Forestry Commission Scotland into a Land Use Commission tasked with implementing the Land Use Strategy**

**2.4.2 Grant system**

Our evidence suggests that the forestry grant system works reasonably well. There was universal recognition, however, that present levels of grant funding are unsustainable and that reform will be necessary in the mid-to-long-term. Currently, the levels of start-up support are quite high and it was suggested to us that maintenance support, appropriately policed, should be increased.

**Recommendation 52: Increase forestry maintenance grant support**

Forestry has traditionally received favourable tax conditions – wholly reserved to Westminster. The system was convoluted and has changed considerably over the last few decades. Presently, forestry as a commercial business has a strikingly different tax treatment to other businesses, whereby there is no tax relief on the ingoing costs, but equally no tax on the sale of the product. As mentioned above, financial pressures make public grant funding unsustainable in the long term under current arrangements.

We believe that there is a case for remodelling public financing for forestry through the introduction of a low tax on timber sale profits. The proceeds from this can be used to fund targeted start-up and maintenance grants or the introduction of upfront tax relief on the initial costs of establishing the forestry business – i.e. planting.
Furthermore, a higher proportion of grants should be linked to commercial activity, which used to be the case in the past. Coupled with a sales tax, increased activity will translate into higher tax receipts, making forestry support significantly more sustainable.

**Recommendation 53**: Lobby Westminster to introduce a low tax on timber sale profits and tax relief on forestry start-up costs

**Recommendation 54**: Tie more grants to commercial activity

### 2.5 Community Ownership & Management

Community ownership of assets, including land, has been presented by some as panacea for a multitude of problems facing rural Scotland. We have seen evidence of community bodies that do own land and work very well indeed, bringing innovative solutions to land use, reflecting their local priorities.

We conclude, however, that there is no evidence to suggest that community ownership is necessarily conducive to better land management. It can serve as a catalyst for increased or varied activity on land, but there is no reason why this could not be achieved through the use of long leases or land management agreements.

The Scottish Land Fund provides financial support for communities in their buyout bids, but there is a level of irony in significant amounts of taxpayer money flowing into landowners’ pockets in the interests of local communities. If we do accept this principle, however, there is scope for opening the SLF up to provide continuous funding support for long leases as well. Since the availability of land remains the biggest issue, supporting a long lease approach has significant potential to improve the release of land.

**Recommendation 55**: Open the Scottish Land Fund to provide continuous funding for long leases alongside community land purchases

Community ownership should not be seen as an end in itself, as it often is, but only as one of the options for improving local land use. As with agricultural tenancies, we emphasise that a willing seller must be the norm when pursuing community buyouts.

There are, however, some further issues we believe need addressing in relation to the Community Right to Buy provisions in the Land Reform (Scotland) Act 2003:

* The definitions of community bodies are loose and we believe that legislation should include some direction on trust structures.
* There is scope for loosening the postcode designation requirements and allowing community self-identification.
* The conditions on community support should be strengthened to avoid the possibility of several community trusts claiming to represent the same area (as theoretical as this seems at the moment).
* The balloting requirements (>50%) are both appropriate and essential and they sit well with our neighbourhood planning proposal from section 1.3. Provisions should, however, be included for continuous reaffirming of community support.
* The 2003 Act, furthermore, has to account for an “exit strategy” and the process to be followed when a community body dissolves (again, this is on a theoretical level only).

**Recommendation 56**: Reform Community Right to Buy provisions in the Land Reform (Scotland) Act 2003 in relation to community bodies

**Recommendation 57**: Recognise that a willing seller must be the norm for community purchases and reject an Absolute Community Right to Buy

As far as we are aware, community-owned land cannot also be borrowed against (used as security) since the conditions for repossession are legally unclear. Under current legislation, community land is bought with assistance from public funds (via the Land Fund) but is then effectively lost for the purpose of secure loans.

There is a radical solution that we feel has merit, although we recognise the political difficulties with its implementation. Where land is due to be purchased by the community, it could instead be brought under state ownership, with the community in turn granted exclusive use of the land with significant security provided for. This would mean that the community would own land in all but name, but the risks of it being lost, should a community dissolve, are covered.

**Recommendation 58**: Consider state ownership and exclusive community use of land bought with public funds
Scotland’s natural resources are and must remain her pride. Our landscapes attract millions of tourists every year. Our lochs and rivers offer unrivalled and globally renowned angling opportunities. Our countryside is home to a vibrant and balanced flora and fauna that must be protected.
3. SUSTAINABLE MANAGEMENT OF SCOTLAND’S WILDLIFE RESOURCE

Scotland’s natural resources are and must remain her pride. Our landscapes attract millions of tourists every year. Our lochs and rivers offer unrivalled and globally renowned angling opportunities. Our countryside is home to a vibrant and balanced flora and fauna that must be protected.

We do, however, offer recommendations in this section that are rooted not only in environmentalism and conservation, but socio-economic considerations as well. The evidence we received leads us to believe that there are areas, especially in species management, where the scales have tipped too far towards conservation. In other areas the case for more protection and direct policy interference is overwhelming. Our recommendations are guided by the need for a balanced, common-sense approach across all levels of government.

We address four specific areas in this section – Freshwater Catchments, Aquaculture, Coastal Waters and Wildlife. We also considered the overarching issue of public body performance. We conclude that SEPA and SNH operate reasonably well and their performance was largely praised throughout the evidence sessions we held.

A SEPA and SNH merger was examined in 2007 in the same review that recommended the merger of the Deer Commission and SNH and we recognise that there are risks associated with a straight-out merger. There is scope, however, for examining a closer strategic working relationship between the two organisations and we believe a joint board, meeting on a regular basis, could incentivise such thinking.

**Recommendation 59**: Pursue a closer strategic integration of SEPA and SNH through the creation of a joint board

3.1 Freshwater Catchments

Freshwater angling, predominately for salmon, contributes over £200 million to the Scottish economy. Whilst the majority of the fisheries are in private hands, local angling associations are found throughout Scotland, offering affordable fishing on many of our prime rivers.

The migratory nature of most of Scotland’s freshwater fish (salmon & sea trout) necessitates local policy being aligned with national policy.

Management of migratory fish is vested in 41 District Salmon Fishery Boards, who are advised by 25 Fisheries Trusts. Overall, the governance system works well. Their statutory functions differ, with the role of charitable Trusts being more overarching - conducting research or providing education, training and advice. It is recognised that if we were to start from a blank piece of paper, we would probably devise a much more integrated system and not a multi-tier structure which is a result of historical evolution. We do not advocate a blanket merger of DSFBs and FTs, but we do believe that a closer integration should be pursued resulting in amalgamation in certain areas.

**Recommendation 60**: Recognise that there is scope for an amalgamation of DSFBs and FTs in some areas

DSFBs, for the most part, perform very well. They are self-funded from riparian levies, to the tune of £3.5m in 2010, and their Boards are made up of people who give up their time voluntarily. Replicating this management model in the public sector would be expensive, counter-productive and detrimental.

We do accept, however, that a closer integration between the public sector and DSFBs is desirable and that a statutory extension to certain duties should be considered.

Central to such a system should be a robust Code of Good Practice. The Association of Salmon Fishery Boards already produces this and it is right and proper that they take a lead on any future modifications. We believe that DSFBs should voluntarily subscribe to the Code, but if they refuse or do not adhere to it, SNH (as an extension of Scottish Ministers) or a local Board should step in and take over catchment area management. Powers to lay regulations for when salmon stocks are under threat already exist, but these should be extended.

We suggest all Boards should include statutory representation from local councillors as well as a SEPA and/or SNH representative.

We propose that Boards should have their duties towards fisheries extended to include the surrounding environment that supports fisheries as well as a responsibility for trout stocks. This is likely to incur higher costs and a funding model should be developed that would couple public funding with existing private funding to meet the new requirements. A straightforward option would be a rod licensing system, but we do recognise the significant level of opposition and reluctance.

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16. ASFB submission to Aquaculture Bill consultation, March 2012
amongst Scottish anglers and have therefore not included it as one of our recommendations.

**Recommendation 61**: Introduce provisions requiring DSFBs to adopt and adhere to an industry-produced Code of Good Practice or face losing their powers to Scottish Ministers

**Recommendation 62**: Legislate for statutory representation of councillors and conservation agencies (SEPA/SNH) on DSFBs

**Recommendation 63**: Extend DSFB requirements to include a duty to protect or improve the environment that surrounds freshwater fisheries

**Recommendation 64**: Legislate to include a DSFB responsibility for trout stocks and develop a funding model that can combine private and public funds

The marine survival of salmon has fallen by 80% in the last 50 years and now only 5 in 100 fish return to their native rivers after their marine migrations. In order to mitigate this decline in marine survival, conservation initiatives (such as catch and release by anglers) have been promoted and developed.

The migratory nature of salmon and sea trout complicates conservation efforts, but the existence of Mixed Stock Fisheries is universally recognised as the most problematic issue in this area. Mixed Stock Fisheries make the individual management of river stocks impossible as they are completely non-discriminatory and random in fishing. These fisheries declare a catch of around 14,000 Scottish salmon every year and the number of active netting stations is increasing.

International evidence is overwhelming - it has been official Government policy in England and Wales since 1991 to phase out Mixed Stock Fisheries and Scotland is alone of all EU countries in actually presiding over an increase in mixed stock fisheries in the last two years.

Our recommendations are unequivocal - Mixed Stock Fisheries have to be steadily decommissioned and phased out. We do recognise the need for some sort of compensation, however, and this should come from rod fisheries – the main financial beneficiaries of such a move - arranged on a case-by-case basis.

**Recommendation 65**: Steadily decommission all Mixed Stock Fisheries, with appropriate compensation from rod fisheries

### 3.2 Aquaculture

There is no question about the value of aquaculture to the Scottish economy. Scotland is currently the largest producer of farmed Atlantic salmon in the EU and third largest globally – producing 158,018 tonnes in 2011 with an estimated value of £584 million at farm gate prices. Salmon is also Scotland’s largest food export. We also note that fish farms often provide employment opportunities in some of the most remote rural areas of the country, with 1,300 direct jobs supported across the West of Scotland.

Notwithstanding the above, fish farms do present environmental challenges and their potential effects on conservation have been highlighted throughout our work. The local environmental impact of fish farms, especially on the benthic environment, is uncontested – be it from the feed, waste or medical treatment that comes with the industry. SEPA, responsible for licensing, should ensure that these effects are temporary and reversible and should closely monitor that standards are being met and a robust Code of Conduct is adhered to. Any significant breach of such a Code should incur penalties. Any expansion should be subject to proper planning, with the precautionary principle applied first and foremost.

**Recommendation 66**: Any expansion of finfish and shellfish aquaculture should be done under the precautionary principle

The other problematic area relates to the interaction of aquaculture with wild salmon and sea trout. The high concentration of salmon in fish farms, creates a breeding ground for sea lice, which are naturally occurring, but which in concentrated numbers are lethal to young salmon and sea trout. Poor sea lice control by individual fish farms will result in such numbers around the cages as to severely damage wild fish stocks. As with benthic pollution above, the industry does have a Code of Good Conduct on sea lice, but it is not mandatory. We were particularly disappointed to see individual farm-level sea lice monitoring requirements dropped from the Aquaculture and Fisheries (Scotland) Bill 2013.

Escapes of farmed salmon are another source of concern. Their interaction with wild salmon and their genetic mixing have been highlighted as potentially problematic. This sits alongside the more straightforward issue of escaped salmon competing for the same resources as wild salmon and therefore threatening their natural habitat. We believe that aquaculture should steadily move towards closed containment.

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17. http://www.salmon-troutscotland.org/
18. http://www.scotland.gov.uk/Topics/marine/Fish-Shellfish/FactsandFigures
**Recommendation 67:** Require individual farm-level sea lice statistics to be published regularly

**Recommendation 68:** Require the salmon farming industry’s Code of Good Practice on sea lice numbers and benthic deposits to be mandatory, and failure to abide to be actionable

**Recommendation 69:** Steadily move towards closed containment in finfish aquaculture

While we are uneasy about any further expansion of finfish or shellfish aquaculture, we do recognise Scotland’s immense potential for seaweed aquaculture. Seaweed farming, while common around the world, is very rare in Scotland, with current production limited to small-scale wild harvesting. Evidence suggests that the environmental impact of seaweed farming is comparatively minimal, although pilots and impact modelling must be conducted before any policy initiatives. Commercial benefits are vast – seaweed is not only used in feeds and bio-fuel, it is increasingly used in cosmetics or medicine. However, its benefits go well beyond commercial activity as recent research suggests that seaweed farms can actually tackle pollution.19

**Recommendation 70:** Support the commercial expansion of seaweed aquaculture

3.3 Coastal Waters

As mentioned in the Chairman’s introduction, there are good reasons for treating inshore fisheries and deep-sea fishing separately for the purposes of policy-making. The former is almost exclusively concentrated in the North East of Scotland and policy is handled on a European level (CFP). On the other hand, inshore fishing has in the past been an essential part of the life of some of the most remote rural coastal communities and its management is devolved to the Scottish Parliament.

It has been suggested to us that creelers, which still make up the majority of the Scottish commercial fishing fleet, employ local residents, while over half of inshore trawlers employ non-residents. Furthermore, the collapse of sea angling has had a significant knock-on effect on the local hospitality industry. This wider social benefit to rural communities is something that needs to be recognised and should, in our opinion, take precedence over the nebulous national economic benefits of inshore trawling.

The economic value of sustainably managed inshore fisheries should not be dismissed. Like creel fishing, recreational sea angling and sustainable commercial fin-fishing can bring substantial benefits to rural areas. Their advantages over existing shellfish trawling or dredging lie in the economic benefits being retained locally and in their synergy with other inshore activities such as marine tourism and diving.

**Recommendation 71:** The socio-economic benefits of a diversified inshore fishing policy should take precedence over the short-term economic benefits of shellfish trawling and dredging

Whilst we need policies that make economic sense, these need to be in harmony with environmental sustainability. One would struggle to find a better example of the lifting of long-term management measures causing unbridled environmental damage than Scottish inshore fisheries. We are in absolutely no doubt that inshore ecosystems were outright destroyed by the change in policy in 1984 (lifting a mobile fishing gear ban). Local, diverse and sustainable fishing was replaced by large-scale “seabed farming” with the majority of landings today being shellfish, pushing out traditional species such as herring or cod. This is a fact recognised across the political spectrum as well as the industry.

Where opinions differ, however, is the extent to which this damage is reversible. The only way to ascertain this is by conducting thorough research under long-term trials. There are positive signs of improvement from other countries in Europe, for example Norway or the Faroe Islands, but robust Scottish evidence does not exist.

During our evidence sessions the Sustainable Inshore Fisheries Trust (SIFT) outlined a trial to be conducted in the Firth of Clyde, which included spatial management measures including the ban of mobile fishing gear. The Rural Commission sees merit in introducing such a trial for the purposes of research that can inform future policy-making.

**Recommendation 72:** Initiate a long-term inshore fishery spatial management pilot in the Firth of Clyde to provide a research base for future policy

We cautiously welcome the introduction of Inshore Fisheries Groups (IFGs) in Scotland and believe these are a step in the right direction. A long-term marine planning approach is crucial to the sustainability of inshore fishing. Concerns have been raised, however, that IFG representation is biased towards commercial fishing interests and excludes local authority representation, defeating their cooperative planning purpose.

19. Scottish Association for Marine Science
In contrast, the 2011-launched Inshore Fisheries Conservation Authorities (IFCAs) in England, even though funded differently, must include local authority representation as well as “persons acquainted with the needs and opinions of the local fishing community”\(^\text{20}\) We recognise that both the English and Scottish systems are young and will require a period of adjustment, but on balance the legislative provisions in England seem to better match the economic, social and conservation benefits of plan-led systems.

We have also seen evidence of Coastal and Marine Parks operating around the world and the benefits they bring to rural tourism as well as conservation. Coastal and Marine parks have been mooted in Scotland for a while, with SNH producing an advisory report in 2005, but have never been taken forward. We believe there is merit in examining the issue again.

**Recommendation 73**: Evaluate IFG performance against their economic, social and conservation benefits and consider strengthening legislative representation requirements

**Recommendation 74**: Consider the introduction of Coastal and Marine National Parks across Scotland

### 3.4 Wildlife

Wildlife management in Scotland has evolved over centuries. The overall impression we got from the evidence taken was that the system works very well indeed. The Wildlife and Natural Environment (Scotland) Act 2011, in particular, has been hailed as one of the best pieces of legislation to come out of the Scottish Parliament.

There is, however, scope for a closer integration of different interests as well as a looser, scientific-based and pragmatic approach to conservation. One witness expressed the need to look at flora and fauna conservation on a much wider level, with the merit of species control and protection measures assessed on a European-wide basis as opposed to a Scottish-only perspective. We find this principle attractive. Much is already done on a European level, but this is an area where further integration can and should be pursued.

**Recommendation 75**: Pursue a closer integration in species control and protection on a pan-European level

We have also been provided with a few examples of when conservation seems to be pursued purely for the sake of conservation, without much regard of the surrounding issues. Witnesses highlighted, for example, species reintroduction at the clear detriment of another, although it is unclear whether these were unintentional or anticipated side effects. Elsewhere, wildlife protection measures have prevented remedial works being done to historic properties – in one particular case the appearance of bats delayed essential roof repairs.

It is clear to us that in some cases conservation measures have gone too far. We, however, also recognise that the primary reason for this is the implementation of policy on the ground and that there is little that can be done legislatively. It is therefore important that policy-makers at all levels of government adopt a balanced and pragmatic approach to interpreting what is generally well-drafted legislation.

**Recommendation 76**: Species protection should be balanced and pragmatic and guided by the holistic environmental and social needs of the countryside

Deer management has for a long time been seen separate from wildlife conservation and the approach to it was rooted in the cooperation between private landlords with commercial game stalking interests. Recently, however, closer integration was pursued and this is something to be welcomed. The merger of the Deer Commission Scotland with SNH, for example, was a good step. We believe that further integration should follow.

We propose a transformation of Deer Management Groups into Habitat Management Groups, with duties and responsibilities for the conservation of the wider flora and fauna of the areas they cover. The new HMGs should have cross-sector representation from all interested parties and not just landowners. We envisage a close working relationship with DSFBs in areas where they overlap.

The Code of Good Practice, currently produced by SNH, would have to be amended to reflect this change in scope. Under current provisions, for example, the Code of Good Practice includes loose requirements to produce deer management plans. HMGs should be, by extension, required to produce a habitat management plan. We believe that while it is right that the Code of Good Practice works on a voluntary basis, if a habitat management plan is not produced, it could serve as the basis for SNH intervention.

**Recommendation 77**: Transform Deer Management Groups into Habitat Management Groups with wider duties and responsibilities

\(^{20}\) Marine and Coastal Access Act 2009 s.151 (2)(a)
**Recommendation 78**: Introduce requirements to produce habitat management plans on a voluntary basis, but with refusal included as one of the grounds for SNH intervention

Throughout our work on wildlife management, one overarching theme was stressed time and time again – the need to focus on up-to-date scientific evidence. The Wildlife and Countryside Act 1981 (albeit amended) is still the main piece of legislation that sets out protected species, although some are covered by European legislation too.

We believe that there are instances of species we have been protecting for the last 30-40 years that do not require the same level of protection anymore. A looser approach to protected species licensing should be pursued by SNH, which has been responsible for licensing since the introduction of the Wildlife and Natural Environment (Scotland) Act 2011 (with minor exceptions for Marine Scotland).

**Recommendation 79**: Advocate a looser approach to protected species licensing from SNH
Scotland has a unique and strong identity, but it needs continuing support from policy-makers. Contrary to perceptions, the tourist industry does not operate with excessive profits.
4. RURAL TOURISM

The tourism industry is one Scotland’s most important business sectors. The total estimated employment in tourism has been estimated at 270,000 (10%) with a total value of £11.1 billion (10.4%)\(^{21}\). However, we also know that in the Highlands employment in the tourist sector accounts for as much as 20%, with some areas entirely dependent on it.

Looking at tourism by sector, Business Tourism contributes an estimated £878m\(^{22}\) to the Scottish economy, with golf adding £120m GVA. The golf industry as a whole, however, generates a massive £1.17bn annually and employs 20,000 people\(^{23}\).

Rural Scotland mostly benefits from Nature Based Tourism, which contributes £1.4bn and supports 39,000 FTE jobs\(^{24}\). The complex SNH model used avoids double-counting and applies and modifies the findings of previous research as well. SNH breaks down Nature Based Tourism as follows:

* Wildlife - £127m
* Field Sports - £136m
* Walking - £533m
* Adventure Activities - £178m
* Landscapes and Scenery - £420m

Scotland has a unique and strong identity, but it needs continuing support from policy-makers. Contrary to perceptions, the tourist industry does not operate with excessive profits. In this section we will argue that there should be a predisposition towards supporting tourism as a key rural economic driver, especially as it often employs people in areas where there is precious little other employment.

We also have to recognise that Scotland’s weather impacts on tourism more than any other policy initiative. While we can’t change the weather, we can focus our energy on tourist activities that can prolong the tourist season and therefore have a knock-on effect on the economy - country sports, wildlife & extreme sports, skiing and events.

**Recommendation 80: Recognise tourism as an essential ingredient of rural economies**

We address a considerable number of issues in this chapter, which is a reflection of the importance of tourism to the rural economy and rural communities.

The list of stakeholders in relation to tourism is very long and includes different levels of the public, private and voluntary sectors as well as sectoral and geographical groups representing a wide array of specific market segments. Dialogue and cooperation are absolutely pivotal in maintaining and developing rural tourism.

Sectoral grouped businesses can only gain from working together and need to be recognised in rural tourism policy. Local geographical groups are also important and have to be reflected in any national strategies. Local areas often know best how to incentivise each other to work together, but guidance can be useful. Public bodies must cooperate and be aware of demand patterns and local issues, making standardised evidence-gathering crucial.

We note that there is currently a plethora of different funding sources and grant support coming from enterprise agencies (SE, HIE), European funds, the Scottish Rural Development Programme, VisitScotland growth fund and others. They all have different purposes and all have different conditions, which we recognise and therefore conclude that a merged fund would not be desirable. However, often a single member of staff has to navigate through very different rules and conditions to access funding and the biggest source of help would be the provision of advice and guidance under a one-stop-shop approach.

Funding also has to be coupled with long-term thinking and continuous evaluation of projects. Presently, applicants have to constantly re-invent and re-package their services just to access funding. This emphasis on ‘the new venture’ should not be a priority and furthering success should also be an element of funding.

4.1 Cross-sector Cooperation

As mentioned above, public sector cooperating with independent sectors and also local geographical organisations working with sectoral organisations has to be the norm for rural tourism. Present policy making is often reactionary and unimaginative, although we have heard of excellent examples of local cooperation that resulted in and innovative use of land (e.g. 7stanes across Scottish Borders and Dumfries & Galloway). Sometimes policy is linked to further political objectives with little relevance to the actual industry it is supposed to support. A part of the problem is a lack of training for public bodies’ staff who are often not consistent.

\(^{21}\) Deloitte - The Economic Contribution of the Visitor Economy - June 2010  
\(^{22}\) http://www.visitscotland.org/research_and_statistics/tourism_sectors/business_tourism.aspx  
\(^{23}\) Value of Golf to Scotland’s Economy - June 2013  
\(^{24}\) Valuing Nature Based Tourism in Scotland - October 2010
in the way they help the industry, but closer cooperation is crucial.

The Scottish Tourism Alliance seems to have been a good step towards furthering cooperation between stakeholders, but we recognise that it may be too soon to tell. VisitScotland, at arm’s length from the government, should work with STA so that as far as possible they agree. The STA, however, will always be able to lobby for what the tourist industry wants, whereas VisitScotland won’t always be able to oblige. These are differences that have to be recognised and there are limits to the level of integration that is possible. For other government agencies considering their involvement with tourism the principle should be to approach both VS and STA.

**Recommendation 81**: Encourage cooperation between public bodies and independent providers for both sectoral and geographical tourism groups

**Recommendation 82**: Promote a close working relationship between the Scottish Tourism Alliance and VisitScotland

The way the tourism industry interacts with private interests is also of importance. We feel that the rights and responsibilities of private owners have to be recognised as well and voluntary agreements between providers (landowners), facilitators (tourist operators) and users (tourists) have to be encouraged.

Access rights created by the 2003 Land Reform Act have in most cases clarified responsible access and available evidence suggests it did not harm landowners’ interests in most cases. A couple of tourists hill-walking or canoeing would not be of issue to any landowner as these are largely non-invasive. Big expeditions or white water rafting, on the other hand, can have a significant effect on road maintenance or angling. Responsible access must be the key principle in these cases and we believe that this should be cumulative to commercial tourist activity organisers, and not individuals.

**Recommendation 83**: The tourism industry should respect the geographical area it operates in and cooperate with other interests – private or public

**Recommendation 84**: Encourage voluntary agreements between providers (landowners), facilitators (tourist operators) and users (tourists)

**Recommendation 85**: Responsible access should be cumulative to commercial tourist activity organisers and not individuals

Good examples of different private sector organisations coming together for a common purpose are Business Improvement Districts. These are relatively new and rare in Scotland and mostly operate in urban areas. However, Oban, as a rural town, set up a whole town BID as a first in all of Britain.

The principle of businesses voluntarily coming together and agreeing to pay an extra business rate levy to be reinvested in improving the local area - in turn benefiting them all – is one we fully support. Local authorities in particular have a role to play in providing guidance on the necessary legal steps towards BIDs.

**Recommendation 86**: Encourage the creation of BIDs through the provision of information and advice

Another area that was identified for closer integration was transport. We recognise that there have been significant improvements over the last decade in this respect (e.g. ferry and bus times coordination), but communication between private and public transport providers is still infrequent.

We also feel that a potential area for significant improvement lies in supporting active travel throughout the public transport network. Providing spaces for bicycles on trains, for example, would have a significant effect on this domestic tourism sector.

**Recommendation 87**: Promote a closer dialogue between public and private transport providers

### 4.2 Funding and Funding Access Advice

The Commission recognises that there are inevitably a variety of different funding streams for tourism each serving a different purpose. However, we believe that in general they should aim to support the following points:

* Growth of existing or new projects in areas and sectors where there is a demand for growth from the consumer and a capacity to deliver it
* Events that bring tourism and economic growth to Scotland or an area where the event takes place
* Long-term development including training
* The industry working together and information gathering/market research
* Marketing

We touch on these points throughout this chapter, but these are the key areas that we feel should apply to the public funding structure as a whole.
We strongly believe, however, that the best way to support sectoral and geographical organisations, as well as individual tourist businesses, would be via a one-stop-shop approach in advice provision. Policy-makers need to find a way to help businesses and organisations access grants, and aim to reduce time-wasting and unnecessary duplication. This could go hand in hand with the private sector collectively sharing administrative, IT, accounting or legal resources – although this would not be up to legislators to facilitate.

We envisage that the STA, with help from VisitScotland, could serve as a central “House of Tourism”, with two main functions. Firstly, providing support to the wide range of sectoral and geographical organisations with tourism interests. Secondly, providing a one-stop-shop approach for accessing different funding streams.

We would see the initial consultation being free, with small fees for subsequent follow-ups. This ensures that everybody has access to some sort of starting point for grant funding. We feel we need to clarify that we do not want to see another public or semi-public body being created – this would be an industry-led and industry-delivered project supported by VisitScotland.

**Recommendation 88:** Facilitate a one-stop-shop approach to grant funding advice

### 4.3 Marketing and Other Support

Scotland itself is a very effective marketing brand for international tourism. On a more local domestic level, however, understanding your market is the key to developing marketing strategies as well as attractive tourism packages. We have been told that thorough and localised research does not exist in Scotland, although VisitScotland does provide some national data. We believe it is essential that standardised publicly funded evidence-gathering across Scotland is conducted to collect local data which are to be made publicly available. We would imagine this to include visitor numbers, areas visited, activities and satisfaction rates. Hand in hand with the above is a sharing of best practice, guidance and skills within the industry.

**Recommendation 89:** Introduce a standardised evidence-gathering model across Scotland with collected data publicly available

While VisitScotland’s marketing role largely received praise, there was a feeling of a certain disconnection between the agency and VisitBritain. We felt that their roles in terms of international marketing are blurred and should be clarified.

Provided the present constitutional debate is set aside, we do not imagine this being an arduous task and a better coordination should be achievable.

**Recommendation 90:** Clarify the roles and improve the coordination of VisitScotland and VisitBritain in respect of international marketing

The introduction to this chapter touched upon weather as being one of the most important factors affecting Scottish tourism. While some might argue that our weather has become synonymous with Scotland and is part of the tourist experience, we do have to recognise that it sets more challenges than opportunities to our tourist industry.

We can’t prolong our summers, if there indeed are any at all, and we can’t expect most tourists to enjoy hill-walking in wind and rain. What policymakers can do, however, is build a policy framework that supports tourist industries which are less dependent on good weather and can therefore prolong the tourist season. Increased off-season tourist activity translates into an alternative source of income for fragile rural economies.

We envisage country sports, wildlife & extreme sports, skiing and events to be higher on the list of priorities when determining funding or other policy on local and national level. The last one of these in particular, events, deserves special mention as they encourage tourism, but in themselves often require financial support. Events across Scotland should be promoted locally, nationally and internationally.

**Recommendation 91:** Give preference to all-weather tourism and tourism that prolongs the seasons when determining funding and policy on local and national levels

### 4.4 Quality Assurance

The quality of accommodation has been highlighted as a serious issue in evidence. Tourism surveys, for example, highlight accommodation as one of the key areas for improvement (second only after, unsurprisingly, weather). We recognise that this is chiefly because hospitality is a low paid industry, influenced by the reserved tax regime.

Scotland operates the Quality Assurance scheme, which awards star ratings to hospitality establishments as well as visitor attractions based on quality inspections. It has two main purposes: quality control and offering advice for improvement. We believe the focus of the scheme should be on the latter - advice.
The star system is inevitably bland, although it does serve as a useful guide for accommodation, acting as a price indicator for visitors. Furthermore, many today make use of online review sites like Trip Advisor to a much larger extent to assess the quality of accommodation or attractions, making the star system less essential. For attractions, we feel the assessors should be better versed in understanding the attractions they visit, but the advice element of the scheme here is even more important than hospitality and stars can be positively misleading, as they refer to facilities rather than the attraction itself.

**Recommendation 92**: Refocus the Quality Assurance scheme on providing advice, limiting the star rating to accommodation

### 4.5 Local Authorities and Regulation

The tourism industry in Scotland, contrary to the impression one could have from the economic contribution figures outlined in the chapter introduction, is fragile and this must be recognised across all levels of government.

Throughout our evidence sessions we have consistently encountered complaints about different regulatory regimes, most of which originate on local authority level. Temporary alcohol licensing, fire, health and safety regulations were amongst the ones mentioned most often. A pragmatic light touch approach to these with the aim of proactively encouraging tourism development must be taken – there should be a predetermination to find solutions to identified problems. The speed with which decisions are taken has also been highlighted.

The amount of regulation, however, is only one side of the problem. The consistency (or lack thereof) across local authorities was seen as a serious issue for certain businesses. We would not wish to see central legislation dictate a particular approach to local authorities, but a closer working relationship and a sharing of best practice must be encouraged.

**Recommendation 93**: Adopt a light touch approach to regulation and a proactive desire to find solutions to encourage tourism development

**Recommendation 94**: Encourage a consistent application of regulation across local authorities through close cooperation and best practice

### 4.6 Fiscal Issues

In today’s financial climate it would be insincere for the Rural Commission to call for more substantial spending or significant tax cuts in particular areas.

Throughout this report, we attempted to be realistic about the future levels of public spending and the feasibility of fiscal policy measures.

We, however, feel we need to highlight a handful of issues that particularly affect Scottish rural tourism and should be kept in mind in the mid-to-long-term. We are also aware that all of these are fully reserved issues, but would like to see Scottish policy-makers lobby their UK counterparts on them.

We identified three major issues that affect Scottish rural tourism:

- A lack of support for the maintenance of historic properties, which we argue would best be served by tax allowances as opposed to complex grants
- Air Passenger Duty (APD) affects Scotland, since it is at the periphery, significantly more and the arguments for scrapping it are, in our opinion, overwhelming
- The costs and complexities of the visa system, especially for booming markets like China and India put the UK at a distinct disadvantage over our European counterparts and we advocate a significant loosening of the tourist visa regime

**Recommendation 95**: Introduce VAT incentives for the maintenance and repair of historic properties

**Recommendation 96**: Advocate the scrapping of Air Passenger Duty

**Recommendation 97**: Loosen the tourist visa regime and lessen their cost
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<tr>
<th>Abbreviation</th>
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<tr>
<td>APD</td>
<td>Air Passenger Duty</td>
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<td>ARTB</td>
<td>Absolute Right to Buy</td>
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<td>BID</td>
<td>Business Improvement District</td>
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<td>BRIS</td>
<td>Business Rates Incentivisation Scheme</td>
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<td>CAP</td>
<td>Common Agricultural Policy</td>
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<td>Community Benefit Fund</td>
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<td>CFP</td>
<td>Common Fisheries Policy</td>
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<td>DMG</td>
<td>Deer Management Group</td>
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<td>DSFB</td>
<td>District Salmon Fishery Board</td>
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<td>Forestry Commission Scotland</td>
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<td>Fisheries Trust</td>
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<td>FTE</td>
<td>Full-time Equivalent</td>
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<td>FTTC</td>
<td>Fibre-to-the-Cabinet</td>
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<td>Gross Value Added</td>
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<td>Habitat Management Group</td>
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<td>Local Development Plan</td>
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<td>Strategic Development Plan</td>
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