Scottish Affairs Committee

Oral evidence: Land Reform in Scotland, HC 274

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Watch the evidence session

Members present: Mr Ian Davidson (Chair); Mr Ian Davidson (Chair); Jim McGovern; Graeme Morrice; Pamela Nash; Sir James Paice; Mr Alan Reid; Lindsay Roy.

Questions 816 – 944

Witnesses: **Dr Calum Macleod**, **Jon Hollingdale**, Chief Executive, Community Woodlands Association, and **Ian Cooke**, Director, Development Trusts Association Scotland, gave evidence.

Q816 Chair: Welcome to this meeting of the Scottish Affairs Committee. As you are probably aware, we are taking an interest in the whole question of land reform. We have had a number of sessions on it, and before that we looked at things relating to the Crown Estate and other items, Our Islands Our Future and so on. Today we want to look at the report that has been produced by the Land Review Group and have some evidence from you and other people about what is in it, your views on it and where things go from there. Can I start by asking you to introduce yourselves—basically, to tell us why we have asked you here?

Dr Macleod: My name is Calum Macleod. Thank you very much, Chair, for the invitation to come and speak at the Committee meeting today. It is very welcome. Why am I here? Possibly the reason I am here is that in 2010 I led some research for the Scottish Parliament on the Land Reform (Scotland) Act 2003 in terms of access rights—part 2, the community right to buy, and part 3, the crofting community right to buy. I have some background in terms of that and in some of the positive and negative aspects of how it has worked and how it might be improved. More generally, I research and write about land reform issues in an academic context. I also do some consultancy in that regard. That is broadly why I am here.

Jon Hollingdale: My name is Jon Hollingdale. I work for the Community Woodlands Association, which is a membership organisation of community woodland groups. Community woodlands have been part of the bigger community land movement in Scotland for 25 years since the first one in 1987. There are a couple of hundred community woodland groups in Scotland, roughly half of whom actually own land. The rest are either attempting to acquire it or are working in other relationships, sometimes leases and sometimes informal partnerships, with public and private sector landowners. We were set up by our membership in 2003. We have been around for about 11 years, essentially supporting them to acquire woodlands in the first place and then to do all the things that they want to do in developing the woodlands, which is forestry, but also doing lots of other things in woodlands that are not necessarily what you would think of as forestry.

I also sit on the Forestry Commission's national forest land scheme evaluation panel—that's a real mouthful. It is an independent panel that evaluates and makes recommendations when communities go to the Forestry Commission trying to use the national forest land scheme mechanism, which is the one active community asset transfer mechanism that works in Scotland.

Ian Cooke: Good afternoon. My name is Ian Cooke. I am director of the Development Trusts Association Scotland. A bit like Jon, I work for a member-led organisation. We have about 210 development trusts scattered throughout Scotland, in urban, rural and island communities. A key part of the development trust approach to community-led regeneration is the idea of community ownership allied to community enterprise to provide the basis by which communities can take a bit more control and begin to have a bit more say in their own destiny.

Development Trusts Association Scotland's role is to support and represent development trusts. We do that in a range of ways which I will not go into. It is probably worth mentioning that at the moment we are also funded by the Scottish Government to run what is called the community ownership support service. That focuses specifically on asset transfer between local authorities and community organisations who are keen to take on, or explore taking on, a public sector asset. In doing that we work with local authorities, helping them to be a bit more strategic about that, looking at what is involved, and at the same time we work with communities, helping them through the process and giving them a bit of advice and support where required.

I was initially an adviser to and subsequently a member of the Land Reform Review Group, and so one of the authors of the report.

Q817 Chair: As I indicated to you privately before you came in, at the end we will give you the opportunity to answer any questions that we have omitted to ask, so that you do not need to work things in artificially as we are going through. I want to start off by asking you about the LRRG report. What do you think of it and, in particular, what do you think is likely to come out of it in terms of actions being taken?

Dr Macleod: It is potentially a very important report in terms of a number of things with regard to the future evolution of land reform as a process and also as a political issue in Scotland. The reason I say that is that probably for about 10 years or so that process seems to have been pretty much in abeyance, quite frankly. I mentioned the Land Reform Act 2003 earlier; that was seen as very much a flagship piece of legislation for the Scottish Parliament. It has been important in raising the profile of community land ownership and, with some difficulty, crofting community land ownership as well.

If you look at some of the statistics on what that has produced in practice, you have 207 organisations that have formed to try to take the process forward; you have 90 applications, and 16 that have actually achieved it in practice. The report moves land reform from an issue that has been on the margins of public policy to the centre of it, potentially. It does that in a number of quite important ways. Significantly, the fact that it says that land is a crucial and finite resource that should be owned and managed in the public interest for the common good is a very fundamental issue. That is a really important overarching set of principles in terms of determining how actual initiatives and policy initiatives might be taken forward.

More than that, it is also important because it dispels a number of myths. It dispels the myth that land reform is only about land use. The report says very clearly that it is about land ownership as well. That is fundamentally important. Although ownership is not the only issue in terms of land reform, it is fundamentally important in terms of determining access to resources, empowering different stakeholders or groups and also in determining what might be achieved by communities. The group was put together to see how land could be diversified more in terms of its ownership and management, and how communities could be more empowered in achieving things in terms of that. Those are very important issues in relation to the overall aspect of it.

The report also dispels the myth that land reform is somehow a rural issue or, even more myopically, a highlands and islands issue. I come from a place called Finsbay in the Bays of the Isle of Harris in the Western Isles. The Western Isles have been transformed with regard to community land ownership. That has been very important, but land reform and ownership is very much an urban issue as well. In that context there is a whole host of potential areas where initiatives can be taken forward at varying paces if there is the political will to do that. Some of them might be around legislative aspects, through the Community Empowerment Bill, which is going on at the moment. There are aspects around land registration processes, which I know this Committee has been interested in previously, and how we are informed on who owns what land. That can be taken forward.

There is also an important role for politicians—public policy—to think about how the relationship between the state and different stakeholders is aligned so that land reform can be taken forward to achieve the objectives of greater diversity and greater empowerment among different stakeholders. One aspect of that is around the institutional framework. I do not want to go into different elements of the report that we might talk about further in a few moments, but there is the idea of a land and property commission, the idea of a land agency and the idea of a land housing agency. They are all potentially quite important institutional and agency elements which could help, not as some people in commentary have said by putting the heavy hand of the state on to the process and deadening the idea of local empowerment but by actually recognising the significance of this as an agenda and facilitating the different types of initiatives that different organisations, different communities and other stakeholders might want to take forward, whether that is through legislative initiatives or different support mechanisms. Very broadly, those are areas that I think are very important.

Q818 Chair: Jon, do you want to add to that?

Jon Hollingdale: First, I endorse what Calum said; I suspect that is going to be a common theme. You will not get a great deal of disagreement between the three of us because, in general, the report has been extraordinarily well received in the community and voluntary sector for all the reasons Calum gave, particularly because of the principle about precious and finite resource to be managed in the public interest for the common good. That does a really useful job in tying together lots of strands. It is a very wide-ranging report, much wider ranging than we thought it might be. It ties together a lot of things, some of which I have no competence to speak about in any intelligent way, such as salmon fishing or whatever, but you can see how they all link up. It helps to link the land reform issue to a great many people—in fact the population of Scotland—rather than its being an isolated issue for a few people in a few places.

The other thing it does, slightly more subtly, is to demolish the idea that is sometimes argued that the status quo, the current dispensation, is somehow the natural order of things—what I think of as the "All things bright and beautiful" view of the world; that this is the way it is and there might just be the odd thing that needs tweaking. It fairly substantially demonstrates that there is something structurally and systemically at issue. In some particular areas it also demonstrates that there have been previous attempts at reform and that this is not something that someone has just woken up and thought about. Those attempts at reform have been stymied or headed off at the pass. It is a vision of how we are now, with how the land of Scotland is owned and managed for the benefit of the people as a central guiding principle. That is the key thing.

Q819 Chair: Ian, as one of the authors, you are hardly going to abuse it. The standard position we adopt in a Committee like this is that if there are good things in a report then it is down to the members; and if there are bad things in the report it is down to the staff. I presume that basically you take the same view of your report.

Ian Cooke: Very broadly. It is quite difficult to comment on the report. Wearing my Development Trusts Association Scotland hat, our organisation certainly welcomes the report and further discussion about the report, particularly in the areas where development trusts operate; things like community ownership, regeneration and finding different ways to recycle land and housing are really important. They all fall within the broader concept of land reform. Development trusts, which are just organisations trying to regenerate their communities, are to varying degrees aware of that broader land reform picture. A key purpose of the report was to try to broaden it out. Land reform should not be seen as an issue that only affects a small number of people in particular parts of the country; it actually affects everybody who lives in Scotland in one way or another. The response so far has been fairly encouraging, both from the sector, as Jon said, but also from politicians. What I find particularly welcoming is the growing cross-party support and consensus around this. Without that, it seems to me that you are going to run into difficulties.

As Calum suggested, the report has a number of key messages, which again are quite important, including the urban/rural distinction. The report was never meant to be a blueprint with all the answers. It was to try to look at the evidence and present the information. It is part educational and part informational. It was to promote a much wider discussion around land reform so that it gets on to the political agenda and is an issue that people discuss on a much more consistent basis than previously.

Q820 Chair: Before we move on to detailed questions, I want to come back to a point that Calum made, which was that there was groundbreaking legislation about 10 years ago but then the steam seemed to go out of the whole thing. We came along and looked at the whole question of the Crown Estate. There seemed to be much more of a mood developing that people were going to look at that. What lessons should be drawn from the fact that the issue went off the boil completely and now it has come back? How do we make sure that it won't simply be a flash in the pan and nothing happens? I am a bit concerned that legislation is going to be proposed but it is going to be well after the referendum. There might be a tendency for people to feel that the report has been produced, "That's enough done," and then the whole thing drifts. What lessons do we draw from the fact that there was such a big gap, and how do we make sure that the momentum is kept up?

Dr Macleod: They are very fair questions. I should make it clear that the flagship legislation we talked about, the Land Reform Act, has been a useful piece of legislation. There is no question about that. The statistics I mentioned previously are quite modest in terms of the actual numbers that have used it to buy land and assets, but it is also fair to say that it probably helped to shape and influence the climate at the time in what was being achieved.

To a large degree, there was almost a sense of, "We've produced this piece of legislation. We've sorted land reform now and that's that. We don't really need to take this any further." The key lesson is that land reform, far from being on the margins, is integral to a whole host of different areas of public policy, whether housing or aspects of urban or rural development and so on and so forth. That is pretty fundamental. That being the case, there needs to be a will on the part of Government Departments and politicians to make sure that it is kept on the agenda. You have seen it yourselves in terms of how this Committee has been addressing issues in relation to its current inquiry on land reform; there are all sorts of reasons why you cannot do things and why state aids are a difficulty in trying to achieve something, whether it is a community buying a forest, woodland or whatever. There are all sorts of reasons why procurement issues cannot be done.

There needs to be a reappraisal and a realignment of that kind of perspective. It is cultural and sometimes almost institutional within Government. That is possibly because managing these sorts of things naturally is a complicated process. As Ian said, this report is not a blueprint or a tick box in terms of providing all the answers, but it can provide a platform for a coherent framework for policy for land reform going forward.

I have to say that land reform over the last 10 years is like waiting for a bus; you wait for a long time and nothing happens, and then suddenly three reviews appear almost at once. You have yours for the Committee. Clearly, there is the Land Reform Review Group, and you have the agricultural holdings review as well. There are challenges and contentious issues around the ground covered in all of these, but I strongly suggest that they potentially provide a framework for achieving the pre-eminence of land reform as a coherent interlinked central issue of public policy.

The other issue is that 58 of the 62 recommendations in the report are achievable within the current constitutional settlement. I am not making any comment in terms of the referendum, beyond saying that that is a fact. It has certainly been presented as such anyway. There is the potential, whatever way that event turns out, to take this forward in a coherent, integrated and cohesive way.

Q821 Chair: We were also aware of the 58 out of 62. The only commitment is that legislation will come some time later on. As I understand it, there is no commitment to say that 55 of these will be coming forward as legislation later on. As so much of this is devolved, part of it is not to do it ourselves but to try and keep the process honest—by keeping people's feet to the fire to some extent. We are a bit worried that this will be talked up in the run-up to the referendum and then forgotten thereafter. How do we make sure that that does not happen?

Dr Macleod: It is important, whichever side of the referendum debate you are on, to make sure that people's feet are kept close to the fire, without necessarily burning them but certainly keeping them nice and cosy. There are legislative developments within the current Scottish Parliament timetable to address some of these issues. I am thinking specifically about the Community Empowerment Bill that is coming forward and which has proposals on the community right to buy aspect of the Land Reform Act in particular, along with a menu of other aspects.

That is very welcome. As a report that I led with colleagues on the 2003 Act made quite clear, that is a difficult piece of legislation to implement in practice because it is too complicated in terms of part 2, and far too complicated in terms of part 3, with regard to the crofting community right to buy—it is virtually impossible to work. There are elements around that legislatively at the moment in terms of simplifying procedures and changing the definition of a community body. There are important issues around mapping as well.

I should mention one more thing. There has been a lot of talk about simplifying procedures in terms of part 2 of the Land Reform Act. The simplification process is very important in terms of making it more manageable. At the same time in some quarters there is also a call to shorten time frames and time scales. That may suit some, but it does not necessarily suit the ultimate beneficiaries of that legislation, which are the community groups that are supposed to benefit from it in terms of using it. If you shorten some of the time scales you actually make it more difficult to implement the legislation in practice; you make it more difficult to align it with time scales for funding and other aspects that are crucial in an actual purchase.

Q822 Chair: I don't want to get into the detail at this stage; it is just the general principle of making sure the pot doesn't go off the boil, seeking commitments and being worried that it runs into the sand. There are huge numbers of vested interests who would be perfectly happy to kick this into touch. I'll turn to you, Jon, and then briefly to Ian on this section.

Jon Hollingdale: I agree that some of the possible legislative measures are in the Community Empowerment Bill. To be honest, we have not had the chance to go and talk to the people running that Bill to say, "What do you actually mean by this and how will it work in practice?" There is a grey area. There is talk of a further land reform Bill. That seems like a very important opportunity to define some very specific things from the report that can go into that and can be delivered in the life of the current Parliament.

There are two other lessons that it is really important to learn from what happened in 2003. The first is to be clear about what the expectations are. After 2003, the legislation came through and then the national forest land scheme started in 2005. After a few years of trying to work with it we began to say, "It isn't happening and it isn't working for these reasons." We gave it a chance to run and it was apparent that it was not delivering what we, in the community sector, thought it was supposed to deliver. When we first went to Government they said, "Well, we were only ever expecting it to be two or three a year." It was clear that there was a great gulf in expectations. The First Minister has now come out with a clear target, in acres rather than in groups. That may be an area for another discussion, but at least this time there is a target. The broader policy is to achieve what would be quite radical change. It is important that we are clear about what we are trying to achieve in five years, or perhaps in 25 years.

The second thing is that what drifted after 2006 was the resourcing. As I said when I introduced myself, there are 100 community woodland groups that own woodland. I suspect three have come through the community right to buy. That is typical of community land. Everything focuses on the legislative mechanism, but actually voluntary transfers or negotiated sales or gifts are much more important in terms of both area and the number of groups. Very often they need resources to back them up. When the Lottery's policy changed in 2006, support for a lot of community buy-outs disappeared, and, as you well know because you asked the question yourself, state aid issues in the last two or three years have become an even bigger reason apparently not to do this thing that we all wanted to do. We have to be clear that it needs resourcing and that there is essentially a long-term commitment to resourcing. You cannot just put money in for three years and that will solve the problem. There needs to be a resource allocation for the long term.

One of the things that is really important in the review group's report is that it puts the amount of money that has gone into supporting community land acquisition in the context of the other flows of money that go to rural land through single farm payments or the amounts that are considered as part of it—the tax. You realise it is only a drop in the ocean. The £30 million or £40 million that has gone to community land is tiny compared with what the Scottish Government spends in general. That is an important point. We can afford it once we see the big picture of how the taxpayer flows money to land.

Q823 Chair: Ian, is a year of your life going to be left gathering dust on a shelf?

Ian Cooke: I hope not. It is worth bearing in mind that of the 62 recommendations some are fairly straightforward and could probably be implemented quite straightforwardly. Others will certainly require a lot more discussion and will take much longer. Because of the scope of the report a number of the recommendations feed into other bits of legislation; the Community Empowerment Bill has been mentioned. There are also a number of further review processes that are currently under way within the Scottish Government. Hopefully, the recommendations will influence the outcomes of these processes. Quite clearly, some will require further investigation and some research. Some will require further stakeholder engagement. There is time within this Administration, we understand, to bring forward a Bill on land reform. I have no idea what that includes at this point and cannot give you an insight into it.

In terms of your original question about how we maintain momentum around land reform in Scotland, there are three recommendations to which I would draw your attention. First of all, there is the need for a national land policy. Most other European countries have some kind of national land policy. The second is to bring forward a land reform programme. That is what we lost, going back to post-2003. The third recommendation is the creation of some kind of standing organisation, whatever you call it, that takes responsibility to drive forward land reform in Scotland and to maintain the momentum.

It is a fluid situation. There will be different issues occurring in years to come and different challenges, all with a land reform dimension. It is not a static picture. Without those three components it is quite easy to see how you could slip into a position where you say, “Yes, we’ve done it again. We will bring forward a number of recommendations and then we will look at it again in 10 or 12 years’ time.”

Q824 Sir James Paice: In a minute, I want to come to specific questions about forestry, but I am fascinated by the exchanges so far. Dr Macleod, I am trying to understand where you are trying to get to. What is your ideal vision of the pattern of land ownership in Scotland as you would like to see it. This probably refers to all three of you. When will be the day we can stop talking about land reform? Reform means change, and it implies there is an ultimate aim. What is it?

Dr Macleod: The ultimate aim is to have a more diversified pattern of land ownership so there is a more pluralistic model in terms of who owns land and who has a stake in land, which is what the report is advocating to a large extent. That means recalibrating that pattern to a significant degree. Your briefing paper uses the statistic of 432. We know that individual groups own half of the privately owned land in Scotland. If you think that is potentially a barrier to sustainable development in communities and regions, there is a strong public interest argument to be made in terms of diversifying that pattern to a degree. I am not at all saying that it is a simplistic binary argument whereby community ownership good: private ownership bad. Far from it. I think there is scope for diverse models, and private landowners have an important role to play in contributing towards sustainable development. That is fundamental and a given, but there are situations—I have seen it in communities where I have worked myself—where the opportunities and potential for communities to tap into resources and explore ways in which they can meaningfully take control of their own destiny in terms of what they are trying to achieve, whether it is more housing, more population retention, economic opportunities and so on, are hamstrung because of current ownership patterns.

I am not sure when the day will come when we will necessarily be able to stop talking about land reform, but perhaps we can have a more coherent conversation about it in terms of what we are trying to achieve in that context by diversifying land ownership patterns and providing opportunities for different stakeholders, whether in communities and others in a rural or urban context, to achieve their aspirations in that context through Government support and other forms of support that are non-governmental. To me, that would be an important aspiration to try to achieve.

Q825 Sir James Paice: Do you see these 400-odd people who own a large chunk of Scotland as a barrier—your words just now? Given that much—not all—of the land they own is extremely barren, remote and probably intrinsically of little value in cash terms per acre, do you see that as a major barrier to the reforms? Is it the fact that is a barrier? Is it the individuals that are the barrier, because of attitudinal issues? The statistic regularly comes out, but I am not clear what problem it is highlighting apart from what, at least on the surface, appears to be a very unbalanced situation.

Dr Macleod: It is not right across the board for everyone, of course, and I am not suggesting it is. What I am suggesting is that there are barriers in terms of power ultimately, and the locus of decision making in communities. I respect people’s opinion if they wish to express otherwise, but ownership has a fundamental relationship to land use; it enables one to determine how the land is used. They can attract particular resources to shape that process. Your interim report covered aspects of that in terms of the taxation and fiscal regime—very vividly. That set of relationships in terms of power, access to resources and being able to make decisions which, at the community level—within communities—can shape, determine and achieve specific objectives that communities wish to achieve is fundamental. As I said, there are of course examples of private landowners where that happens, and private estates where there is a perfectly cohesive dynamic. Community land ownership is not a panacea to solve all ills in that sense, but it is fundamentally important in trying to catalyse, provide and tap the potential where communities want to use it as the means. It is a mixed picture, but if we want greater opportunity for communities I suggest that wider diversity in ownership and land management models is fundamental.

Q826 Sir James Paice: In many ways I would like to pursue that, but I will resist the temptation. Mr Hollingdale, can I turn to the forestry side? You have made comments about both the taxation system—which is not in the list of things that the Scottish Government could do; it is still a reserved matter—and linked subsidies, such as they are in forestry. Could you explain to us and put on the record how you would like to see them changed and how you see them as obstacles to reform?

Jon Hollingdale: The first step with the taxation regime is to be transparent about how it works. I am certainly no tax expert and I would not want to present myself as such, but I suspect it is very difficult to work out what the benefits are other than the primary evidence that, essentially, when estates come on to the market they are very often sold and marketed on the basis of the tax advantages of owning them rather than the fact that they might be a forest that produces timber or whatever. That is almost a secondary issue.

My understanding of the recommendation of the review group's report, which I endorse, is, first, that you need a much clearer understanding of what the tax advantages are and what they mean in terms of the flows of money to and from state and landowners. To some extent it seems to me that that is part of the bigger issue about the 430 or 250; we do not really understand some of the implications.

As far as the subsidy regime goes, that is one where forestry very often feels it is the poor cousin in the whole business. Without going into too much detail, European Union common agricultural policy funds come through two pillars. Pillar 1 is essentially direct payment based on what you got last year, going back to a reference year 2002, although I may be wrong about that. You have an historic basis of area payments, which is finally about to change, or so we understand, but I do not know the exact mechanism of how it will change. You then have a smaller pot of money that essentially is funding for doing things. Forestry, in so far as it receives subsidy, purely receives the pillar 2 funds for what are called rural development funds, although in fact they cover a whole range of other environmental measures that are not necessarily rural development. Forestry probably thinks it does very poorly out of the subsidy regime, in that it gets funded, sometimes at a fairly low rate, to do things that are buying public benefit rather than simply having money for owning a forest. I am not sure that the subsidy regime works in quite the same way for forestry as it does for broader agriculture land and so on.

In terms of our issues for communities attempting to buy land, there are fiscal situations that inflate land values, whether that is from a rising tide floating all boats, or just a general wish to invest in land because it is considered a safe investment and not even speculative. You can buy a piece of forest, attempt to put a house on it and if you don't get planning permission you don't lose your money; you can sell it in 10 years at a raised value. It means that the base level of forests and woodland does not reflect what you can do productively in them as woodland. All these things raise the value of land to a level where it is very difficult for a community, or indeed any other productively minded person, to come in and buy it and run it as a forestry business or a going concern. Probably the biggest issue is the general price of land. I have gone round in a circle there and I am not sure that answers your question.

Q827 Sir James Paice: You have in some ways. You say the biggest issue is the general price of land. Of course that is correct for anybody, community or private, who wants to access ownership of that land. The question, though, is what impact, if any, does the taxation regime applicable to it—it is different for forestry from the rest of agricultural, as you say—have on the price of land? You may well be aware that earlier witnesses from the land agency sector suggested that their view is that the taxation reliefs, particularly inheritance tax reliefs, are not significant in raising the value of land, but there are many other attractions to people. Does that surprise you?

Jon Hollingdale: As I said, because the situation is not transparent I do not have a spreadsheet that—

Q828 Sir James Paice: I am surprised you say it is not transparent. The taxation system, particularly for forestry, is very transparent. There is no tax on forestry.

Jon Hollingdale: The point I am making is that when you see a forest for sale it is usually very difficult to justify that in terms of the productive volume of the forest. I am suggesting that there is a gap between what the forest can produce on a reasonable understanding of what timber is worth now and in the future, and actually what the sale price of that forest is, which suggests that there are other values being factored into the cost.

Q829 Sir James Paice: That may well be the case. The question, though, is whether they are factors that are anything to do with a Government—this Government or the Scottish Government—which is your point about taxation. I am not trying to give you an answer; it is not my job to do so. I am just surprised that you refer to lack of transparency when the simple fact is that forestry is outwith tax. Ever since 1988 you cannot claim expenses on investment in forestry and you don't pay any tax on the sale of forestry. It is about as simple a tax system as it is possible to get; it is just outwith taxation. Therefore, those values—I am sure you are right—may or may not be related to that taxation. To me, it seems difficult to hide behind lack of transparency as a reason.

Jon Hollingdale: The point I am making is that when you look at a sale price you don't have an explanation, if you like, for why the price is here and not what you would make from the timber.

Q830 Sir James Paice: Let me take the conversation on a stage. In land reform, what changes would you like to see to taxation, or indeed subsidy, to improve the opportunity for community ownership of forestry and woodland?

Jon Hollingdale: It is understood, particularly for subsidy, that there needs to be a flow of money to land-based industry, so that it cannot simply be withdrawn or cut, because they are utterly dependent on it. We would like to see the balance moved in crude common agricultural policy terms from pillar 1 to pillar 2 so that public money is buying things that are specified. "We will do this and the state will give us money in return." That is equally for community and private sector landowners. No one has any objections to whoever the land manager is. I am not making a special case for communities in that area.

Q831 Sir James Paice: I entirely agree with you, but that is not going to happen for seven years because the new CAP has just been settled. We are all stuck with that, so what else can be done?

Jon Hollingdale: I am somewhat disappointed in that process.

Q832 Sir James Paice: I agree; I am disappointed too. What else can we do in the next seven years that might make a difference?

Jon Hollingdale: One of the things that the review group report suggests is to start thinking about some form of land value taxation, something that I suppose in an ideal world would encourage people to use land, and not simply hold on to it on the basis that it may get a speculative gain and if it doesn't you can just sell it on. There was also a suggestion, certainly in the report and which I agree with, that it should at least come back into the rating valuation system. The suggestion is that everything should be valued, even if it is initially zero-rated, so that again you have transparency about what land is worth. Hopefully, all those measures could be used to prod better land use rather than necessarily changing ownership, if that makes sense. I would see them as measures that do that because you encourage people to hold or own land for the right reasons, which are the public interest and common good reasons—in other words, to do productive things. If they are private sector individuals or private sector companies that own and manage land, and are doing productive things and delivering public benefit, then everybody says, "Fine, that's good."

Q833 Sir James Paice: Do you think there is a fundamental problem with the idea that private landowners, however big or small the land parcel may be, are entitled to do what they want with their own land?

Jon Hollingdale: There is very little leverage over them to encourage them to do positive things. If they do positive things, that is fine and we applaud them. In an estate where it is held personally that may be great. The current landowner may be a very fine, upstanding and community-minded person. Unfortunately, there is nothing that guarantees that his descendants will not be complete wastrels who go in the other direction. It seems to me that if you are dependent on whim it is not a particularly sound basis for sustainable development. Quite often you are dependent on whim, because, if you are running a community business or a normal private sector business that is dependent on selling things or producing something, you are very responsive to market signals but you are also very responsive to Government prodding in the right direction by subsidy, support or whatever.

There is a problem if you have someone who has vast wealth, or even very significant wealth, and who is not in any way dependent on the land that they own for their livelihood or anything else. How do we as a country push them in the right direction? We can appeal to their better nature, and we have laws that prevent them from shooting eagles or turning people out of their homes, but we really do not have very much in the way of mechanisms that prompt them to do positive things unless they really want to. The levers that we use for the rest of us—for community owners or private sector businesses that are active and productive—just do not work because the amounts of money involved do not interest them. I think that is a problem. I could not quantify how big a problem it is, but it seems to me not a very helpful situation if we are committed to sustainable development and better land use.

Q834 Mr Reid: Jon and Ian, you have previously expressed concerns about the way state aid rules are being interpreted in Scotland. Could you enlighten us on your concerns? Is it the way that public sector bodies in Scotland or grant-awarding bodies are interpreting these rules, or is it the rules themselves?

Ian Cooke: Jon is much more of an expert on state aid than I am. I think it is a bit of both. Certainly it is becoming an increasing problem for our members. On the one hand we are encouraging communities to drive forward regeneration processes which, by definition, will mean multi-activities, a range of assets and different enterprises. The cumulative effect of that can quite clearly be a breach of state aid.

My sense is that, yes, there are problems at the European level as to how much you can play with definitions and get exemptions and so on. I am not an expert on that, but it is worth asking the question. One of my colleagues has just come from doing the same job in England. Our sense about the culture in Scotland around state aids within public agencies is that it is much less risk averse in England. There have been discussions and I think there has been some movement, but in relation to your question I would say it is a bit of both, and there is a problem.

Q835 Mr Reid: Did the group get any legal advice from experts?

Ian Cooke: We did not, no. We were aware that processes were under way, and there was quite a broad range and scope of activity to look at. There were various discussions with key people from the Scottish Government. I suppose at the time we got some reassurance that progress was being made. We are still hopeful that progress is being made, but it seems to me that a complete culture change in the public sector is required. If you are working with local authorities and other public bodies, they all take guidance from the state aid unit in the Scottish Government. That seems to me to be at the root of the problem in terms of their interpretation and guidance.

Q836 Mr Reid: You said progress has been made. Can you expand on what has happened?

Ian Cooke: Jon could probably talk about progress around forestry and woodlands with the Scottish Land Fund. I may pass you on to Jon at that point. I would say before I do that it is incremental.

Q837 Chair: Progress is made in the sense that glaciers move downhill. I want to come back on one point. I am not clear whether or not you were saying that officials in Scotland were more risk averse than those in England or the other way round. Can you just clarify that for us?

Ian Cooke: My impression—this is wearing my Development Trusts Association Scotland hat—is that officials in Scotland are more risk averse.

Chair: More risk averse?

*Ian Cooke***:** Yes, sorry if I didn't say that.

Q838 Chair: We met a number of people and it was difficult to see in our minds how they could be more risk averse. I was not sure that I picked that up properly.

Jon Hollingdale: The first thing to say is that I don't think anybody thinks that communities as a whole or in every circumstance are somehow exempt from this. Our concern is that the intention of state aid rules, as far as anyone can possibly see, is to stop things happening on a scale way removed from anything that communities are doing. Certainly in some informal conversations that have been had with our European colleagues and people working on similar things, they are astonished that—

Q839 Mr Reid: People in similar groups?

Jon Hollingdale: People in forestry in European countries. This risk averseness exhibits itself in several ways, moving into things that are not in any way commercial. An example was put to you in a previous hearing. When a forest is transferred from the state to the community, the volume of timber that grows in that forest is the same, so it is difficult to see how moving from one ownership to another distorts markets. The community may decide to sell that timber in a slightly different way; it might put more into a local wood fuel supplier than into a mill and so on. Arguably, if it is a private sector landowner who has no interest in felling it and is just going to let it blow down, more timber may come to market, but fundamentally the amount that is there does not change, so it is difficult to see how there is a distortion of markets.

The second major thing is that, because state aid allows individual concerns to have a de minimis threshold of €200,000 on a rolling three-year threshold, it is very easy for those giving out grants just to say, "We will just shove it all in de minimis." Stuff goes through there where you are left scratching your head. People are getting a graduate placement officer for £12,000 a year to help them with development. How does that distort a European market? It just gets pushed through because that is the easy way to do it. There is that general creep, that everything will go in as de minimis and state aid, which would be fine if your community group was only doing one thing, but at the same time the thrust of Government policy has been to encourage the development of community anchor organisations—in other words, multifaceted community bodies that do some forestry and run the village petrol station. Of course, they very quickly get to the point where all these different little bits of de minimis tot up and it ends up with them saying, "We can't do the hydro scheme for three years because we are waiting for that—"

Q840 Mr Reid: Do you have examples where some form of activity did not take place, with the state aid rule given as the reason?

Jon Hollingdale: Yes. There is a community that has approval for a national forest land scheme acquisition of 90 hectares and £80,000. That is a ballpark figure. That £80,000 would be allowable under de minimis. It is a completely non-commercial forest that is landlocked; the reason the Forestry Commission are getting rid of it is that they cannot actually access the timber. Because this community group does other things, including having created some local office space, they cannot get the money to do the forestry bit at the moment. They are stuck waiting until they run out their three-year period.

There are clear examples where that is happening. There are others where groups are simply making decisions in the knowledge that they are not going to be able to go ahead with their scheme until they have run that out. Mull and Iona Community Trust is one that we picked up because they are particularly multi-active. I am sure that Ian knows more about them than I do.

Q841 Mr Reid: Has there been any attempt to resolve this? If the unit at the Scottish Government that you referred to says, "We think this would breach state aid rules," is that the end of it, or has there been any attempt to take it to Europe for clarification?

Jon Hollingdale: It has been very difficult to move it forward. It has been very difficult in the past to get a clear idea of what exactly the blockage is. Until you make these cases, it is very difficult to see where the logic is in the system. Relatively soon after your session earlier in the year, there was some movement in one particular case about forestry. There seems to be a suggestion that, having looked at it again, it was decided that some aid can go, and be deemed not commercial. I do not want specifically to talk about that because it is still in progress and I do not want to throw a spanner in the works. You will forgive me for not wanting to do that.

Mr Reid: That's fine.

Jon Hollingdale: It seems to me that that judgment sets a certain sort of precedent. It says that instead of just regarding all forestry transfers as the same, regardless of whether there are any trees there at all, or any commercially available trees, we will think about to what extent they are commercial operations, and separate off the non-commercial bits. That will have implications for other groups. All those things will have to be addressed on a case-by-case basis. We are hoping for much more structured guidance that can be referred to. At the moment there has been a slight retreat, but none of us is really sure what will happen the next time someone comes forward with a test case, and where that will be judged.

Q842 Mr Reid: What is the state aid unit worried about? Are they worried about some private company taking them to court because they awarded the grant, or is it the community body itself that would get taken to court? What is the actual concern? In practice what bad thing would happen?

> ***Jon Hollingdale***: It is possible that, if a community body was funded to do something and at a later stage it was determined by the European Commission to be illegal support, the money can be reclaimed from the community. I think there are provisions for interest as well.

Q843 Mr Reid: Is it possible to go to the European Commission before the award is made and say, "Is this okay?" or is it the case that you make the award and then hope it is okay?

> ***Jon Hollingdale***: No one has suggested to me that there is a mechanism for someone outside the system to go to the European Commission and say, "We want to do this." We would be interested in doing it if there was such a mechanism, but I do not think it works that way. The other thing is that I suspect it is possible for a private competitor to directly reclaim some damages, but I do not know whether there is any precedent for that happening.

Chair: We spent some time with various people discussing state aid rules. Halfway through most of us lost the will to live.

Q844 Mr Reid: We'll move on. The next question is for all three of you. What recommendations by the Land Reform Group do you think will have the greatest impact in terms of delivering the remit that Scottish Ministers set?

> ***Dr Macleod***: Shall we form an orderly queue? Without wanting to repeat what we have already talked about, the recommendation to establish a national land policy, as Ian noted earlier on, to embed and set land reform and all that flows from it centrally as an area of public policy is a central recommendation in terms of taking everything else forward. Linked to that of course is the notion of the common good and the public interest, nebulous though the public interest as a concept may be in some circumstances—we may come on to that in due course. That is very important.
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> Having the institutional framework that has been recommended is also important in terms of a national land and property commission. What is being advocated there is that it could have a number of different roles. This is of course up for debate and discussion as things move forward. The idea would be that they would have some sort of light touch oversight role in seeing how issues were developing across the broad spectrum of public policy in relation to land reform, which is no mean feat in itself of course.
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> There are important legislative recommendations with regard to community ownership. Simplification of the community right to buy is an important aspect. There is also a recommendation around simplifying crofting law, which is a bit of a challenge in itself. One thing I would observe in that context is the aspect of the crofting community right to buy. We talked earlier on about the different legislative elements that are coming through at the moment; the Community Empowerment Bill is on the stocks in the Scottish Parliament, and there is also the proposed land reform Bill—at this point we have no idea

what it will actually contain. But I do not see any legislative form for the crofting community right to buy to be amended to make it a useable piece of legislation. It has either been missed out or I have missed it, but I cannot see it anywhere in what is being advocated in the Community Empowerment Bill, and we do not know what is in the land reform Bill. That is an important aspect in relation to it.

One of the things that your Committee has discussed at some length previously—and I would endorse the approach—is information around who owns land, the issue around land registration. That is fundamentally important. As you will be aware, there have been some discussions in the Scottish Parliament, predominantly facilitated by the Rural Affairs, Climate Change and Environment Committee, around different perspectives on that. A few weeks ago I participated in a stakeholder round table—dreadful phrase—talking about that. There seemed to be consensus that while the idea of a definitive formal land register is important and a desirable thing to do, and the Government has set a target of five years to complete that for public bodies and 10 years for private bodies, there might be scope for possibly the kind of model your Committee seems to be exploring in its interim report, where there is an information system for registration. It is not fully formal in that sense but would allow people to get information on who owns land, who occupies land and potentially what the value of that land is. That could potentially be done by bringing together different datasets from different organisations at the moment, and would be a useful step forward.

Jon Hollingdale: As an outsider, I was quite baffled and astonished at how difficult and expensive it seems to be to go through the land registry process, but I am assured by land agents that it is extraordinarily difficult. It seems to me that you can have a big 10,000 hectare estate and all the difficulties are in the five-metre strip around the outside—there is an element that, instead of having the boundaries drawn with a fine pen, you draw them with a marker pen or a felt tip. You get the basic information and worry about the very fine details, which seems to be where all the difficulties are. That would be a huge step forward.

Calum covered almost all the points. The area that might have the most effect if it was taken forward is one that is not within anything I would talk about in detail—the housing and urban renewal side, where it seems to me that a big step still needs to be taken. Although my member groups are fundamentally woodland focused, if you went to them and said, “What is the biggest issue in your community?” I suspect most of them would say, “Housing or affordable housing.” A number of groups have at least attempted to create housing in their woods or on their land. It is a difficult process and one that is sometimes stymied by the terms and conditions under which they acquired the land in the first place. I suspect that might be the land-based issue that would have the most impact on the most people in Scotland. It is not specifically a community land ownership one, although I think community landowners can be part of the solution.

Ian Cooke: It is a really good question—quite challenging. I am trying to think what the Scottish Government’s response might be. If you look at the remit it seems that there are two things that jump out. There was a fair bit of debate during the process about the interpretation of the remit. One is the emphasis on communities. That is partly because to some extent the largely organic growth of community ownership has been one of the drivers that has got us to this point and got land reform back on to the table, if we are being honest. I would have to say that for me part 4 of the report, which has a number of recommendations pertaining to communities, is really important.

The other aspect of the remit is the desire to increase the number of owners and the diversity of ownership. The key thing that comes across is that no single measure is going to do that. I would guess, off the top of my head, that something like 25 or 30 of the recommendations will contribute to that in some kind of way. In saying that, it is quite difficult to answer the question head on, but they would be the two areas where I would respond.

Q845 Lindsay Roy: A number of organisations from forestry, landowning and farming have been critical of the report in a number of ways. They say there is too much focus on land ownership, it is too confrontational in style and the recommendations lack detail to back it up. Can we take each in turn, and get your response? Let's take the land ownership one first.

Jon Hollingdale: Land ownership is important for the reasons we have said. That is not to dispute that private landowners can do a very good job, but, as we said, they do not all do a very good job, and the Scottish Government's own land use strategy starts off by saying that we are not getting everything we could from land.

Q846 Lindsay Roy: Has there been too much focus on land ownership in the report, in your opinion? That is really the question.

Jon Hollingdale: No, not in this report. It is important that land ownership is at the heart of it. You cannot separate it, and say it is all about land use and not worry about who owns it. Who owns it clearly determines who makes the decisions as to its use.

Q847 Chair: But surely you cannot separate ownership from control by measures of regulation.

Jon Hollingdale: What I am arguing is the notion that it is purely about land use, which I think is the case being made by those who are criticising the report. They are saying, "All we need to worry about is land use—encourage good land use." I am suggesting that ownership determines, to some extent, what that land use is, because it is in the personal gift or whim of the landowner. They set their objectives.

Q848 Lindsay Roy: It is fundamental.

Jon Hollingdale: Yes.

Dr Macleod: Yes, I would certainly say it is fundamental. I am pleased to see the report place at the centre, as one of its overarching principles, the idea that you cannot separate land ownership and land use. I am entirely sympathetic to the idea that private landowners have expressed, which is that land use is fundamentally important in terms of achieving sustainable development. Of course it is, but the problem is that, when you focus exclusively on the land use aspect, it is a very convenient way of switching attention from the fact that, as we have said already, and it bears reiterating, ownership and the ability that gives to access and control resources and take decisions is fundamentally important in shaping what is done with the land.

Of course, there are different approaches in terms of how people can engage with the land. Sir Jim made a point earlier on, asking if it was a problem that people can just do what they want with their land. Of course they cannot do what they want with their land anyway, because clearly there are regulatory requirements and responsibilities. There is a whole set of issues around that too, which are fundamentally important. I think it is right, proper and appropriate that land ownership is very much to the fore in the report.

Q849 Lindsay Roy: Ian, how do you react to the criticism?

Ian Cooke: I largely support what Jon and Calum have said. It is a land reform report; therefore, by definition it needs to focus on land ownership. The Scottish Government have their land use strategy, so there is a parallel process which focuses very much on land use. The experience, the evidence and the testimony certainly back up the point that has been made about ownership being paramount in terms of determining what use is made of particular land. In a broader context, what we are trying to say is to what extent do current patterns of land ownership and all the issues around that land market help or hinder Scotland in achieving the kind of society it wants to achieve? The idea that you can begin to ask that question without looking at questions of ownership just seems a bit perverse to me.

Q850 Lindsay Roy: Let's take the second criticism. I will come to you first, Ian, because they are saying it is a bit confrontational in style. What substance is there to that? Can you think of any parts of the language that was used?

Ian Cooke: It was certainly not intended to be confrontational. We make the point a number of times in the report that the report is neither anti-private sector nor anti-private landlord. In fact, in both cases if the recommendations were implemented, it would create more private landlords and probably strengthen the private sector, or certainly redefine it. There are a small number of recommendations that people have taken issue with. My experience of the evidence-gathering process is that whenever you talk about the question of compulsion that seems to be the issue that most landowners and landed interests tend to have concerns about. We have always had compulsory purchase orders; we are just looking at how we use, extend and develop that range of powers to try to achieve the kind of society we want.

I have had a few discussions with some of the people who are now more critical of the report. A lot of them accept that a lot of what is in the report are common-sense recommendations. They will tend to focus on particular aspects, but I do not think the language can be described as inflammatory or confrontational.

Q851 Lindsay Roy: For "confrontational" read "challenging."

Ian Cooke: Yes.

Q852 Lindsay Roy: Do your colleagues agree?

Jon Hollingdale: I think so. It seems to me a radical report but not one that goes out of its way to pick fights. If you want to see a fight there, possibly there are places where it can be seen. I am thinking about the suggestion that there might be a cap on how much land an individual, a business or an undertaking might own. It could be seen that way.

Dr Macleod: I do not see it as confrontational at all in terms of the way it is written and the language that has been used. To use your word, it is challenging. It has been seen as radical in some respects, but many of these recommendations are only radical within a Scottish land reform context. They are not radical at all in terms of certain aspects with regard to other countries; they are seen as the norm to a large degree.

One of the strengths in this challenging report, I would suggest, is that it very clearly and rather meticulously maps out where we have come from in terms of land reform as a policy issue, and potentially where we might go. Maybe I will pre-empt your third point. Sorry, what was your third point? I may have forgotten it; I shouldn't pre-empt what I don't know.

Jim McGovern: It is difficult to pre-empt it then.

Dr Macleod: Exactly.

Q853 Lindsay Roy: It is the refuge of last resort—that it lacks any robust evidence to support its recommendations.

Dr Macleod: There is an evidence base that is robust in terms of these recommendations. If you go on to the website of the Land Reform Review Group, you can see that they commissioned a rather extensive number of different reports and evidence from various sources in relation to that. It points to a direction of travel. Some people might not particularly like that direction of travel but it seems to be one which is more sustainable in terms of the land issue.

Q854 Chair: I remember meeting Alison Elliot once. She never struck me as being a bruiser particularly.

Dr Macleod: She is an ex-Moderator of the Church of Scotland.

Chair: What more needs to be said?

Q855 Lindsay Roy: What, if anything, do you think needs to be added to the reform Bill?

Ian Cooke: In the report?

Lindsay Roy: Yes.

Ian Cooke: I think we are acknowledging that, while the group tried to take a broad sweep of land reform as an issue, it is not 100% comprehensive. Issues will be missed out. That is why there is an argument that land reform needs to be an ongoing process.

Just going back to the robust evidence, the report is honest in the sense that, where there is evidence that we have drawn from, it has been footnoted so that people can look at it. We also recognise that there are areas that quite clearly require further consideration or stakeholder engagement. We have taken issues as far as they could be taken within the constraints of the review process. It is important to say that.

Q856 Lindsay Roy: Finally, is it feasible to do the land register in 10 years?

Ian Cooke: My sense is yes. We have heard from two sides: that you could do it quicker—probably by throwing even more resources at it; or that it will be very challenging. From what I understand, and again I am not an expert in that particular area, it is a reasonable ambition.

Q857 Lindsay Roy: It requires determination and tenacity.

Ian Cooke: Yes. It will require some resource allocation, and it needs to be prioritised and made to happen.

Q858 Lindsay Roy: As the Chair said, not a vacuum and not a time of relapse, so that it does not happen.

Ian Cooke: Yes. Absolutely.

Q859 Chair: I must admit that I had not quite thought of Jon's point about the distinction between the marker pen and the fine nib. That presumably also depends upon the skill of the marker.

Jon Hollingdale: Yes.

Q860 Chair: It might be possible to get quite crude registration done pretty quickly to allow people to identify who owns what, without, as you said, coming down to the detail over the last five metres. It is the first time we have had that distinction made to us. It never occurred to me that the question of the final five metres at the border would be a difficulty and a problem. That has been quite helpful.

I want to ask about one point following on from what was said. Do you have views about what should be in the proposed land reform Bill? One of the things I am a bit anxious about, and I know this anxiety is shared, is that commitments have been given that there will be a land reform Bill, but of course it will come, like so many things, after the referendum. People want to be a bit clearer about the commitments that are being made. If you do not have it just now, I wonder if you would consider writing to us with a list of things, say a dozen items, that have to be in the land reform Bill or that have to be dealt with by legislation in another way, or it will be just paying lip service to the whole thing. I do not know whether or not you have a shopping list of that sort that you can give us now, or whether you would rather give it to us later.

Jon Hollingdale: There are a few things, but, again, it is difficult to know exactly what has to be in legislation in the Bill and what could be done by other means. To some extent it depends on what gets through in the Community Empowerment Bill.

Q861 Chair: Let me rephrase it then. What needs to be done? Leaving aside the question of whether or not Westminster does it, the devolved Government does it, the local authorities or this Bill or that Bill, what needs to be done? What commitment could be given now that would satisfy you that their hearts were pure, as it were?

Jon Hollingdale: Taking as one thing the valuation, information and registration commitment would be one. That can include reincorporation and valuation for non-domestic rates and so on as well as registration. There is a package of stuff there. There is the land policy issue, which I think we have dealt with. There should be some sort of community land agency, or some body that is sufficiently distanced from some of the aspects of Government—in other words, advising Ministers and administering the major grants source. It is important to have an external body that champions community land ownership and so on that makes that bit of it work. Any reference to part 3 of the Land Reform Act, the crofting community right to buy, is as far as I can see absent from the Community Empowerment Bill. My colleague Calum will know more about the shortcomings of part 3 of the Act, but that needs to be addressed. I will let him talk about that. Those would be my starters.

Q862 Chair: I will tell you why I am asking this; it might be helpful if you did consider writing to us. I think it is important that pretty soon we consider as a Committee saying something like, "If the Scottish Government are serious about this, they've got to make a commitment to do x, y and z, at some stage"—maybe up to 12 things. It might be by this Bill or that Bill; the mechanism is not the issue. The question is the commitment in principle. I am seeking to clarify what the top few are.

Dr Macleod: Absolutely. You used vivid language earlier on in terms of keeping feet close to the fire. You can actually keep feet close to the fire in terms of commitment in the next land reform Bill by enshrining that statutorily in things like commitment to a national land policy. As Jon said, it is the institutional framework, so there should be a commitment to establishing a land and property commission. There should be a commitment to establishing a community land agency to help facilitate negotiated transfers, but with a backstop power in the enhanced right to buy that is envisaged in the Community Empowerment Bill. Those are powerful signals that land reform would not be something which would then go back to the margins of public policy in Scotland.

Q863 Chair: Is there any reason why a commitment by the Scottish Government to do these things should not be given before the referendum?

Dr Macleod: All of these things could be included in legislation that is in the current parliamentary session, which obviously goes beyond the referendum. There is no reason why any Government which is serious about land reform could not make those kinds of commitments in a very short order of time.

Q864 Chair: You mean now.

Dr Macleod: I cannot understand why, for example, if politicians are committed to land reform, they would not commit to a national land policy, which would give the cohesion to enable it to happen. Issues around the referendum don't actually come into that.

Q865 Chair: It could be done now rather than saying that lots of things will be looked at later on when we get to legislation a couple of years down the road. Ian, does that approach seem reasonable to you? A lot of promises are being made about what will or will not, or might or might not happen in relation to the referendum. As a simple country boy it seems to me perfectly straightforward that the Scottish Government could give a commitment now, irrespective of how they implement it, to do a whole raft of things rather than just simply committing to producing legislation, content unknown.

Ian Cooke: I don't see why that is not the case.

Chair: Graeme?

Graeme Morrice: I'm sorry, you've caught me on the hop.

Chair: The disadvantage of having an iPad instead of trusty bits of paper is that you cannot always find what you're looking for.

Q866 Graeme Morrice: Yes; absolutely. Thanks very much, Chair, sorry about that slight lapse.

Gentlemen, in relation to land taxation, section 25 of the report makes a number of recommendations. What is your view of the group's claim that there is "no clear public interest case in maintaining the current universal exemption of agriculture, forestry and other land based businesses from non-domestic rates"?

Chair: Ian, you presumably signed up to that anyway, since you signed the report. Would either of the other two like to answer?

Dr Macleod: I have to preface my comment by saying that I am very far from an expert in terms of taxation. I thought it was interesting in one of your previous sessions when Sarah-Jane Laing, the policy director of Scottish Land & Estates—a very capable individual in terms of her role and her remit—made the point that although it "might not be music to…my members' ears" she could not necessarily see the rationale for these exemptions. I thought it was an interesting and a very candid point to make.

My perspective would be that there may be legitimate reasons for these exemptions. One of the arguments that gets made in terms of agriculture in particular is that it helps to support what is, of course, a very important industry in Scotland. The reasons why these exemptions occurred in the first place may have been perfectly legitimate when they were made decades ago, but has that situation evolved? Have we not at least the right to assess and question whether there is legitimacy in them still being the case? There may well be, but fundamentally can we not at least explore the legitimacy of that in practice? That is something the report as a whole is questioning on a variety of different fronts. My point is that they may be legitimate; I am not clear as to whether they are or not, and, if they are not, let’s explore why that is the case and come up with equitable and sustainable policy objectives that can alter them if that is required.

Jon Hollingdale: I would second that, and say that there may be very good public interest reasons why agricultural and forestry businesses do not pay non-domestic rates, but they could be delivered by having a zero rating rather than an exemption. There is an important distinction about the principle of whether they are within the system or without the system. You could bring them within the system, but then zero rate them, or zero rate certain types of agriculture and forestry business, if you had a particular public interest objective in doing so.

Q867 Graeme Morrice: Do you have any views on the Land Reform Review Group’s recommendations on land values and taxation?

Dr Macleod: My sphere of expertise on that element is very limited, frankly. I would not feel particularly comfortable offering a view.

Jon Hollingdale: Again, I have no great expertise. My understanding of the theory is that if you have land value taxation it helps incentivise those who are using land rather than those who are simply holding land. At the moment there is no measure that punishes you. As I said in the example, you buy a plot of land with hope value that you can perhaps put a house on it or whatever. If you cannot develop it you can still sell it on; it is no-risk speculation. If holding that bare land and not doing anything with it is taxed, it doesn’t stop people doing that, but it disincentivises it. It seems to me that there is a sensible argument there.

Q868 Chair: While you are here let me ask you something slightly different. We are also conducting an investigation, or are about to launch one, into the border lands—the south of Scotland and Dumfries and Galloway in the borders. It is my impression, and the impression of those of us who have been looking at this, that on the whole community development trusts are much less well developed in the south of Scotland compared with the highlands and islands. Can you clarify for us why you think that is? Is it inherent in the nature of the geography in some way?

Dr Macleod: I agree. It has come up time and again in other discussions too with regard to that contrast in the situation: the highlands and islands and the borders with regard to the whole ethos. An important aspect has been around the support mechanisms that have been available within the highlands and islands of Scotland in comparison to the rest of Scotland. Highlands & Islands Enterprise through its community assets team has historically, since the setting up of the Community Land Unit in the late 1990s, been very proactive in offering support, and it is now as well. It is precisely that kind of institutional support, which the Government can offer, that has not been available in the south of Scotland. Highlands & Islands Enterprise has a social element to its remit which Scottish Enterprise does not in terms of its statutory framework. That has been a clear distinction. There may be other aspects to the explanation as well, but I think the support mechanism is important.

Q869 Chair: Good; that is in our draft.

Jon Hollingdale: The historic support in the highlands and islands is important. It is one of those assertions about the geographical spread of community land ownership that there is a sort of "Yes, but." If you are talking about large community estate buy-outs, they are very focused in the north and west. If there are half a million acres in community hands, the bulk of it is very centred around the Western Isles and the Minch. I do not think that is in any way debatable. For the smaller-scale community buy-outs, there is a much greater spread. The first community woodland buy-out was Wooplaw in the borders. There are a number of community woodland groups in the borders and down in Galloway. Two very substantial national forest land scheme applications were approved, for 250 or 300 hectares, right down in the south of Scotland, but then failed because they came at just the wrong point, when the Scottish Land Fund, the first time round, had stopped funding, and they were not able to get funded. There are members of DTAS as well. If you look at their map and our map, it is dotted around the country. I am not saying that the weight is not to the highlands and islands, but there is more everywhere, so you should not over-emphasise the fact. It is not a complete wasteland in terms of community development. There is a lot more going on down in the south and also in Aberdeenshire. There is a crofting/non-crofting counties issue that goes on there as well.

The other thing is that very often communities have got involved as the owner/manager of last resort when everybody else has failed. It has been one of the difficulties that the community sector has faced. The communities do not get to play with the jewels in the crown and the bits that are really successful. They get the bits that the local authority or the Forestry Commission have given up on. Possibly, those are the areas that are most remote and most difficult to manage because they are so far from markets and all the rest of it. That may also be a factor as to why there is a distance, particularly in terms of forestry in the borders. The forests are right next to the mills, and do not have quite the same difficulties of soil and exposure that highland forestry does. Forestry in the borders is a more profitable forest business and therefore there are not the obvious market failures for communities to have to step in to rescue.

Ian Cooke: I broadly agree with what has been said. The single biggest issue is probably the support that has been available through HIE. It is not just support; I suppose if you go back to the start of the process, the ability to raise people's aspirations and create the sort of confidence you require to take on land and assets is quite crucial. Patterns of land ownership and land use are different in the borders. Land is much more valuable. I agree with Jon that quite often a lot of the activity happens around what I would call market failure.

There is community activity in the borders, but their aspirations tend to be on much smaller bits of land or buildings, so it is a different sort of aspiration. The history of the crofting culture that is prevalent in a lot of the north-west of Scotland has also been a factor. It is quite difficult to work out exactly which of these factors has been the most important. They are all part of the pattern and the complex reason for that. I would go back to the support that is available through HIE being the single most important factor.

Chair: In due course, if we issue a consultative paper on the border lands, you will be able to make a submission to that, after more reflection and less ambush.

Q870 Jim McGovern: I have one question for Ian. You said in your introduction that you represent a member-led organisation. Can you tell me how that works in practice?

> ***Ian Cooke***: We were established 10 or 11 years ago to build on what was a largely organic development of communities coming together and trying to organise things. A number of members got together and created Development Trusts Association Scotland. I am managed by a board of directors elected from the membership, and I work to a remit and an operational plan that they agree. They regularly consult with the membership over various issues and so on.

Q871 Jim McGovern: For an evidence session like this you are expressing the views of that group.

> ***Ian Cooke***: Yes, of the organisation. It has been difficult for me, as you will probably appreciate, but I tried to make it quite clear when I was doing that.

Jim McGovern: Of course. Thanks.

Q872 Chair: As I indicated at the beginning, we now give you the opportunity to answer any questions that we omitted to ask, to clarify whether or not there are any points you feel we should have been raising or that you want to draw to our attention that we have not touched on so far.

> ***Dr Macleod***: To reinforce very briefly and sum up, from my perspective, where the discussion has gone, and also the broader picture in terms of land reform, I think that the report that the Land Reform Review Group has produced is one very important element and opportunity in shaping a coherent national land policy with the types of elements we have already discussed—the institutional elements, fiscal elements and legislative elements that can enable land to be owned and used in the public interest for the common good. That is an important opportunity that should not be lost sight of. I echo the point that you made yourself, Chair, that there are opportunities to take that forward reasonably rapidly in a number of avenues.
>
> Beyond that, I also think that the inquiry this Committee is undertaking has an important part to play in amplifying some of these issues and taking them forward, as does the agricultural holdings review the Scottish Government are engaged in. There has been an awful lot of very positive rhetoric from politicians of various parties about taking aspects of the land reform process forward. That is very welcome, but it is time for action as well in a number of different avenues. We look forward to seeing that in due course.
>
> ***Ian Cooke***: I have nothing to add to what has been said.

Chair: Thank you very much for coming along. It has been very helpful.

Examination of Witnesses

Witnesses: **Alasdair Humphery**, Chairman, Scottish Property Federation and Lead Director for Jones Lang Lasalle, and **John Hamilton**, Vice Chair, Scottish Property Federation and Development Director, SIGMA Capital, gave evidence.

Q873 Chair: Thank you for coming to see us here today. I am sorry for the slight delay in starting; our previous session overran. As you are aware, we are having an inquiry into land reform which follows on from our inquiries into the Crown Estate and a number of other issues. Today we are particularly focusing on the Land Reform Review Group, or is it the other way round? Anyway, you know the event I mean. We are particularly interested in looking at that. Could you introduce yourselves and tell us basically why we have asked you here? What is your involvement and remit, so that we have that on the record?

Alasdair Humphery: My name is Alasdair Humphery. I am the lead director for Jones Lang Lasalle in Scotland. Jones Lang Lasalle is an international property advisory company, which has 40,000 employees in 1,000 locations around the world. The two that are most important to me are the Scottish ones, Edinburgh and Glasgow. I am representing Jones Lang Lasalle, but today I am here in my second role, which is chair of the Scottish Property Federation. The Scottish Property Federation is an affiliate and part of the British Property Federation based here in London. It is a trade association dedicated to looking after the interests of its members—a breadth of corporate membership and professional advisers looking at the commercial and residential markets, institutions, and also lenders. We represent a kind of industry body.

I have with me today John Hamilton, who is the vice chair of the SPF in Scotland. John is here as support for me, but also as a specialist in the residential side of the market, whereas my background is more in the commercial property market. We hope to be able to give you insight into the two sides of the property market going forward. That is the general background.

Q874 Chair: John, you did not say anything; we have been told who you are.

John Hamilton: Yes. There is not a lot to add to that, other than to say that my background is mainly in house building. I am a chartered surveyor. I now work for a capital investment company which manages large-scale regeneration projects. One of those projects is in West Lothian, close to Edinburgh, involving 3,500 houses. I am also an adviser to City of Edinburgh council on their 21st century homes programme, which is currently developing 1,500 houses in the city of Edinburgh and has plans to expand that programme to 16,000 houses over the next 10 years.

Q875 Sir James Paice: For clarity, when you say commercial, Mr Humphery, do you mean what I would call urban commercial? Neither of you has rural knowledge.

Alasdair Humphery: No; absolutely.

John Hamilton: That is correct.

Q876 Chair: First of all, what is your overall view of the Land Reform Review Group report?

Alasdair Humphery: The overall view is that it is a very large and far-reaching document searching into many areas of property issues. I suspect we have been watching and monitoring that situation through time as land reform in Scotland has taken place, but largely with a rural background to it. What we look at with interest in this report are the aspects that may affect commercial and residential development and investment businesses in the city centre. It is a very large document. It has a huge number of moving parts. I suspect each one needs a lot of time spent on it to investigate how it will work in practice. When we talk about commercial and residential, there are a huge number of variations even in those two topics themselves. My impression is that it is a very big and far-reaching document with a lot of moving parts.

Q877 Chair: But are you in favour of it?

Alasdair Humphery: We are in favour of reform. We have seen positive aspects to the earlier proposals and changes that came through the right to buy and things like that.

Q878 Chair: So you are generally supportive of the document, are you?

Alasdair Humphery: We are positive where it is in the interest of encouraging development, economic progress and investment, for sure. We have concerns over certain areas of it, but the general move is to modernise and progress. That is a positive aspect.

John Hamilton: There are areas of the review where it possibly overlaps areas of current legislation, such as in the planning process. Scotland had a new planning Act, introduced in 2006, which did not really become effective until 2008 or 2009. It has taken a while for that process to bed in, but it now seems to be working very well. We feel there are aspects in the review which are well covered in other areas of legislation, such as the planning process, in the way that community groups can be represented and can make representation through the planning process.

Q879 Chair: What would you say were the key issues for your members in relation to the legal and fiscal framework of land and property?

Alasdair Humphery: There are a number of areas where our membership would have issues and concerns. One is the empowerment of community bodies and defining what they would be in an urban context. In a rural context we have seen examples of communities coming together and making great progress in buying out, like the island of Eigg, which is a very definable entity. In a city or urban landscape it is quite hard to know how those definitions would sit and whether we would have competing interests in different sub-groups. That is one of the areas where we would look for further clarity.

A positive aspect of this work is the creation and completion of a land register. We would see that as a very positive aspect. Giving clarity on ownership of land across the whole of Scotland is a positive thing for our membership, and I think they would be willing to co-operate and work to ensure that comes to pass.

We have concerns over some of the recommendations. One in particular would be the limitation on ownership of land in Scotland. There seems to be a suggestion that maybe limiting it to organisations with an EU connection or body would be a kind of restriction. When we look at our ever-increasing global investment market, capital for property and for any investment is increasingly global. We fear that that would restrict Scotland and put Scotland at a disadvantage in terms of attracting inward investment from overseas owners of assets. Of course, that is not just in the classical property-holding sense; it might be through a corporate vehicle. A lot of work is being done with emerging markets like China to try to drive our commercial and business relationships, so putting restrictions on the ownerships of some of those companies over here, sometimes in joint venture form and the like, could be negative in terms of investment progress.

Another point that has been raised, and that our members would focus on, is the idea of taxation of land. Their experience of late of taxes relating to property has been somewhat negative. As a trade body, we think the current commercial rates structure as it stands in Scotland is probably unsustainable going forward. We are looking for reform in that area. The thought of taxing bare land would need a lot of consideration before it could be made to work in practice.

John Hamilton: I partly reiterate what Alasdair has mentioned; this is in the urban context. The constitution of bodies is an area where we think there could be dangers in the proposals.

Q880 Chair: Could you clarify what you mean by dangers?

John Hamilton: In the urban environment, in terms of the development process, there is often a very complex process to achieve planning consent as well as technical approvals. The cost of infrastructure tends to be more expensive in brownfield development or in urban situations. There could be a perception that land is not being fully utilised quickly, but there may be valid planning or technical reasons for that not happening. We could see the potential for various other groups to register an interest in land where there may be, as I say, valid reasons for it not having been effectively delivered. The constitution of those bodies could cause some difficulty where there are any doubts about the constitution of a community group, or more than one community group.

Alasdair Humphery: A fear would be that they could be sponsored in the background by a third party with ulterior motive.

Q881 Chair: Rascals, basically.

Alasdair Humphery: It could be.

John Hamilton: Absolutely.

Q882 Chair: We understand that. On your point about there being valid reasons for delay, surely any reasonable system would pick that up. Can we come back to two points about ownership? There seem to be two issues in the review group’s report that have caused concern. One is the question of whether or not there should be an ultimate upper limit on ownership. Do you have a view on that?

Alasdair Humphery: Yes. We do not agree that there should be an upper limit.

Q883 Chair: You are against that. The second thing is the question of whether or not the ultimate owner should be identified. You are possibly conflating the issue about overseas ownership with the intention to make it clear who ultimately owns. There may very well be legitimate reasons for somebody in the Cayman Islands owning land in Scotland, but if it is a property development structure in the Cayman Islands which is being used to conceal somebody else's identity I can see no reason why that should not be entirely open.

Alasdair Humphery: No; we understand what goes on in the avoidance of tax and all these issues. Our membership is clear that it wants openness and clarity on that. But there is a very diverse group of investors who are looking to invest in UK property, and Scotland is a part of that. They come through various vehicles, which can have various domiciles. It is very difficult to get right back sometimes, as it is in other ownerships, and we welcome the ability to be clear on that. I think the report talks about the EU, and it looks for registration in the EU. My question then is, what does that do to places like the Isle of Man, which are our near neighbours but not in the EU, and what does it do to our former Commonwealth countries and the like where there were strong trading connections and ownership issues in the past? These are people and organisations who are doing bona fide business and we would not want to dissuade them from coming to Scotland.

Q884 Chair: I just want to be clear. I recognise the distinction between rural and urban. It is much more difficult in many ways to look at urban. If you look at urban development as being the same as any other commercial development, you would not want inappropriate restrictions on ownership by geography in those circumstances. But you have no objection in principle to the ultimate ownership being publicly available, known and revealed and all the rest of it?

John Hamilton: No. There is no suggestion among any of our members that there is an objection to the identity of landowners being known as far as practicable. As you say, there may be reasons why a landowner would seek to conceal that offshore or whatever, but we are not suggesting that that is something our members are advocating at all.

Q885 Jim McGovern: Alasdair mentioned a couple of times the members you represent. Who are these members?

Alasdair Humphery: The membership of the SPF in Scotland is about 130 different organisations.

Q886 Jim McGovern: Not individuals.

Alasdair Humphery: It is organisations, but individuals within those organisations engage with us. We have a policy board which sets the direction and focus of what we look at as issues for the membership. That is done by consultation with the membership across the whole of Scotland. Within those organisations we have employees, colleagues from the policy board and members who are active on certain sub-committees. That could be in relation to planning issues, banking and finance issues, taxation issues, development and control, environment and energy—all those are sub-committees. We are dealing with property investment companies, development companies, property agencies and advisers on planning. There is a variety of different groups, but all have a core interest in the urban built environment, be it commercial or residential.

Q887 Jim McGovern: Why would organisations or individuals join your association?

John Hamilton: It is a trade association, in the way that any other trade may seek to have a collective membership which it represents as a body. It is a Scottish affiliate of the British Property Federation.

Q888 Jim McGovern: Is it a fee-paying thing?

Alasdair Humphery: Yes. Membership is charged based on the size of the organisation. We are there to serve the members' interest and to try to inform Government. We have fantastic relations with the Government in Scotland. Holyrood is very accessible to us. We hosted a reception recently at Parliament, and the Planning Minister was very complimentary about what we do to engage with him and his Departments and all parties to ensure that we inform what is happening at grassroots level. The connections to politics and politicians in Scotland are very welcome; it is a very positive environment. The SPF is there to try to inform and help policy and good legislation.

Q889 Jim McGovern: I think you said "Prime Minister" but I am sure you meant the First Minister.

Alasdair Humphery: I probably did, yes.

Jim McGovern: And he is very welcoming and—

Alasdair Humphery: The Planning Minister, Derek Mackay.

Jim McGovern: The Planning Minister—sorry.

Q890 Pamela Nash: We are aware that the urban community right to buy is being looked at in the Community Empowerment Bill. Can I ask for your views on that, and if you think it would be a positive addition to Scotland?

John Hamilton: In order for a community to proceed with a right to buy, the issue which we touched on earlier—the constitution of that group—would have to be absolutely clear. Without wishing to repeat the point, there are dangers of commercial challenge or commercial motives being introduced, possibly through objection to development. The development process is not simple; it is a very complex process, especially in the urban environment. We can see potential for that type of process being used to prevent legitimate development from proceeding, but that is not to say that we have any objection to legitimate communities being involved in the planning process or the process of development through the Planning Act.

I mentioned before that we think there are other areas of legislation that could be fine-tuned to accommodate the objectives of legitimate community groups. A lot of my day job involves consultation with community groups. I mentioned the development in West Lothian that we manage, which is for 3,500 houses. We have active involvement with the community, and that is a well-founded and well-represented community group recognised by the local authority. We meet them virtually monthly. That appears to work well—we do not see any pitfalls for anybody involved in that—without necessarily introducing a consultation process in urban development through this type of Bill.

Alasdair Humphery: The scale and complexity of commercial property is hard to get into one simple answer. Where properties have fallen into disuse and there is a good use within a community, if it is of the right scale, then I am sure that would be a matter that our members would be positive about. Nobody likes to see empty buildings and decay in the urban environment.

It depends where you are on the spectrum of scale. Our concern is where small adjustments or interests could hamper much larger projects that take a long time to assemble and a huge amount of cost and money in investment up front to try and address issues, not just planning but all the other complexities that go with commercial property. Somewhere like Edinburgh you have the historic aspect as well as the roads, water and all the bits that come together. Our concern would be where a relatively small group, not representative of the whole, could in some way scupper or delay. The thing with commercial property—more than residential, which rolls forward generally year to year and has its ups and downs but moves forward—is that the commercial property market can be quite catastrophic in terms of what happens if you get the timing wrong.

Q891 Pamela Nash: I do not know if you have looked into it in this detail, but do you have an idea about what type of regulation there would need to be in order to make that as watertight as possible? You were talking about constitutions. Do you think there should be set criteria for the constitutions of these organisations?

John Hamilton: I think there would have to be set criteria. In the planning process there is not a requirement for ownership in order to proceed with a planning application, but the system does allow for recognition of the control of land. There are requirements to sign section 75 agreements or section 69 agreements in some instances where ownership of land is a requirement. Very often the cost of signing up to those planning gain agreements is very substantial. The issue of how a body takes forward its interest in that sort of scenario can be recognised under the planning process rather than through any sort of compulsion on purchase.

Alasdair Humphery: A fear I have from the bigger perspective is that with the major schemes you see in the urban city centre—things like Haymarket in Edinburgh, for example—the level of complexity and the amount of investment up front is absolutely huge, and the more issues we put in the way of that coming to fruition, the greater chance there will be for investors not to show the interest we look for.

Q892 Chair: I remember the publicity around the battling granny in the east end of Glasgow who held up the Commonwealth Games development for a period. If that is what you are discussing I understand that. We would not want to advocate anything that allowed such a manipulation of the system, but I cannot really believe that you are opposed to allowing a community to develop a semi-derelict building that is in the middle of the village. You are coming across as Mr Grumpies—as being entirely negative to this proposal.

John Hamilton: We are not opposing that at all. In fact, I have an instance where the community group that I mentioned earlier had an objective to go forward with a civic project to restore a gap site in the middle of the regeneration area we are involved in. There was a change of personnel in their membership—in fact, the secretary passed away last year—and we have taken it on through the process that already exists and through the relationship we have with that community. We would not stand in the way of that at all. We would welcome community involvement in that sort of scenario; even if it involved a derelict building, it would be the same objective and we would support that.

Q893 Chair: Maybe it is just a presentational issue. You were coming across initially as being opposed to anything that might impede your opportunity to railroad people, whereas now you sound as if you are much more positive. However, you would want to make sure that there were appropriate safeguards, which is a perfectly reasonable position to adopt.

Alasdair Humphery: A cautionary tone is probably right, in the sense that there are many moving parts. As I said before, the complexity of commercial property as we describe it is quite—

Q894 Chair: I understand that. You are not nearly as bad as you initially appeared; is that fair?

Alasdair Humphery: Hopefully not.

Q895 Pamela Nash: Can I return to the report from the Land Reform Review Group? The section on urban renewal mentions compulsory sale orders. What are your views on that? Do you think they will be helpful in bringing derelict property and land into use?

Alasdair Humphery: With the fear of being accused of being Mr Grumpy again, I think that is probably one where we would hold reservations. Compulsory sale orders seem to be a very direct way of enforcing people to sell, and that is unfair. People have often invested lots of money up front into holding property and ownership of that property. Therefore, we think there are better tools to achieve that. The CPO has always been around in my 30-year career. We would recognise that CPOs are not always the easiest and most efficient. I think the Scottish Law Commission is looking at them at the present time as well, to try to streamline them and make them better and more user-friendly. We think those are tools that are probably better suited for the circumstances you describe. But to force people to sell—there was a description about how that might best be achieved through auctions and the like—we have a lot of detailed comments about why that would probably be unfair on many of our members.

Q896 Pamela Nash: I can foresee situations where it might be unfair. I am afraid I do not know the detail about the order that is proposed. There is not much detail in the report. Could you not bring in rules that would protect them? You are saying there might be a lot of investment, for instance, in property. Could there be an amount of time placed on that and how long they could have a property without developing it further? Are there not rules and regulations you could put in to make this fair?

Alasdair Humphery: There probably could be, but realistic time scales to see a project come to fruition can be tens of years.

Q897 Pamela Nash: What about a project starting? You could put a time scale on that.

Alasdair Humphery: A planning consent would sit and lapse for a period of time and that is what has been mentioned in the report. Those time scales are not realistic for delivery of complex commercial projects. Again this comes back to the complexity of commercial property and urban property. In many senses they are the same; a city centre building in Edinburgh, London or wherever from conception to actually being completed is probably a three or four-year period at best. If you hit the wrong moment of time in the cycle and the investor is putting quite possibly tens of millions into a major project, it can put it into a 10 to 20-year cycle. Those are the kinds of time scales you may have to put in there.

Q898 Pamela Nash: I can understand that. I am not defending this; I am just trying to get my head round it. Three to four years is fine, but I am sure that I and my colleagues here have parts of our constituencies—maybe a building or a piece of land—that have been lying derelict for 10 or 20 years, maybe more. Why should the person who owns that be allowed to just sit on that property when it could be used for the community?

John Hamilton: The problem with compulsion is that there can't be a guarantee on the outcome of that event taking place.

Jim McGovern: Did you say "can" or "can't"?

John Hamilton: There is no guarantee on the commercial outcome of compulsory acquisition of a piece of land which may be in the midst of quite a complex development plan. We cannot see how the fact that there is compulsion in making a sale would lead to a guarantee—a satisfactory outcome—even for the community. There may be a position where the community might underestimate the complexity of what they are taking on. They may have a change of personnel. There may be challenges from other groups. It is an issue of the lack of a guarantee in the outcome when you are going through the process of compulsion.

Alasdair Humphery: I am not a lawyer, but things like human rights and ownership of property, as mentioned in the report, are very delicate matters when you are being forced to sell. When there is a compulsory purchase order around a plan that has come together through the local authority's offices it is a slightly different approach. In the time scales I would see as being appropriate, I would like to think that CPO would work. It does work and we have seen it happening. It is there but that is not to say it should not be better and improved. That is what the Scottish Law Commission is looking at.

Q899 Pamela Nash: I understand that, but it has to be balanced with the rights of the people affected by the property.

John Hamilton: A local authority, generally speaking, would have a clearer vision of what it plans to do with a piece of land, or what the outcome of the compulsory purchase would be.

Q900 Chair: I can think of parts of my constituency where tenements have either collapsed or been taken down and there is a derelict site just sitting there. In some cases they cannot trace the owners of the sky—the flats that were there. Some sort of compulsory sale order that would allow the community to take over that bit of land and landscape it does not seem to be holding back any enormous development. In the spirit of positivity I cannot see why you don't just say, "Well, we are in favour of that sort of thing. That sounds really good." You are coming across again as being almost entirely negative.

John Hamilton: But the local authority would be able to be involved in that process. They could go forward with a CPO under current legislation.

Alasdair Humphery: In the scenario you have described I think our membership would be very supportive. If there is no clear ownership it should revert back to the state, and that seems perfectly reasonable.

Q901 Chair: But your argument was that there is no need for additional powers because the existing CPO powers would cover it?

John Hamilton: We are saying that there is greater certainty in the use of CPO powers by a local authority.

Q902 Chair: Sorry, that is not my understanding. Can I clarify what you mean by greater certainty? My understanding is that some of these issues are not being resolved in local communities because of difficulties about CPOs, and that the CSO proposal is seen to be a means of getting round that and moving forward the development of a derelict site or a semi-derelict building. Can you clarify for me why you don't think a new mechanism is necessary?

John Hamilton: We are not talking about a simple situation—a gap site that may be landscaped. The situations we are talking about are development proposals.

Q903 Chair: We are talking about two different things.

John Hamilton: We are talking about issues that may involve Scottish Water, SEPA and building control, as well as the planning department. We are talking about relatively complex development proposals rather than just landscaping. There is no issue about landscaping small gap sites in the middle of tenements.

Q904 Chair: Would it be appropriate to look at a de minimis rule for some of these suggestions?

John Hamilton: Yes; we wouldn't see a difficulty with that.

Q905 Sir James Paice: I am struggling to work out in my mind how you are going to answer this question, given that series of comments. It concerns the majority land assembly proposition, which is basically saying that, if the majority of owners of a designated area of land agree to sell their land, CPO can be used to force the others to sell. You seem to be supportive of CPO.

Alasdair Humphery: Yes, and also partnership of owners who can get their act together through negotiation and dealing—absolutely.

Q906 Sir James Paice: So you support the concept of a majority land assembly that the report suggests.

Alasdair Humphery: Not as clean cut as that. The example given in the report is urban land partnerships; examples are cited of places in Germany where they have been successful. I do not think we have any experience of that in this country, but we have lots of examples of partnership where the interested parties come together and through negotiation find a commercial solution to a scenario. The difficulty is where one party who is not part of that group or coming together has a different agenda, a different objective, a different time scale and a different view on how the thing should proceed; again, that is where a CPO could step in. I am not sure that it is necessarily always a workable solution but it is certainly one to be looked at.

John Hamilton: The Planning Act would allow the majority of those owners to proceed with development proposals through the local plan process, in the absence of a landowner on another part of the land. The interest in the land could still be promoted through the planning process, and, if there is public interest in the vacant landowner being substituted through a CPO, that can happen at present.

Q907 Sir James Paice: I am struggling to understand your apparent support for the use of CPOs and what appears largely to be your opposition to compulsory sale orders. At the end of the day surely it is the same thing. The owner of property is being required to relinquish ownership of it, in one case automatically by CPO and obviously to the state in some form. A compulsory sale order might not be to the state but, nevertheless, to pick up the human rights point, the fact is that a landowner is being forcibly required to cease possession of that property. I don’t quite understand why you should be, as it seems to me, opposing one and supporting the other.

Alasdair Humphery: On compulsory sale, we hold reservations over it. It is not one we would favour. We think reform of CPO, which is well understood across the whole of the UK as a mechanical process, is probably the preferred route to achieve the same goal. We would have concerns over the process of forcing someone to sell and the mechanics we talked about in terms of auctions. There is understanding of what going through a council-run process means, and it is a well-trodden path. Therefore, there is a comfort, and an understanding of that process.

John Hamilton: We did draw the distinction between the substantive nature of the interests of a council in promoting or proceeding with a CPO against what smaller groups, or a number of smaller groups, in one community could bring forward. We are not objecting to minor proposals for doing up or landscaping small gap sites.

Q908 Sir James Paice: You referred just now to the issue of partnerships. The report proposes urban partnership zones. Do I gather from your earlier answer that you think that is something well worth pursuing, and that you support the principle?

Alasdair Humphery: It would need further investigation. It has happened already to a certain extent, although it is not formalised. Collegelands in Glasgow would be a good example; the parties have come together and created a very viable and positive outcome. Our membership is increasingly open to the whole idea of partnerships, because the private and public sector working together is often the way things can be released. We are open to the discussion for sure. I do not have any experience of it. I know of issues in historical parts of Germany where there have been land assembly issues going back pre the second world war, so I can see why in that country these things have come into being. I have no objection in principle, but I think the detail needs to be looked at.

Q909 Pamela Nash: Returning to the report and looking at housing and how we improve new housing stock, it advocates a greater role for self-build. What do you think about that proposal?

Alasdair Humphery: I will pass to my residential expert.

John Hamilton: We would not have any objection to those sorts of proposals. They are unlikely to have a major impact on housing targets though. Most of our members would promote as wide a tenure and method of delivery of housing as possible, and that would include self-build.

Q910 Pamela Nash: Is it a worthwhile proposal? Even if it is small, do you think it could have any impact?

John Hamilton: I do not think the impact would be major. I am aware of local authorities promoting self-build projects back to the 1980s. Some local authorities in Scotland actively encouraged developers and large-scale housing developments to set aside a certain number of housing plots for self-build. That seems to have drifted away a wee bit; we do not really see it very much in the central belt now. I think it would probably be a good thing. The cost of self-build plots has grown out of all proportion because they are so scarce now, so there is not much supply for self-build. I have no objection to it featuring in the report. Again, planning policy can make provision for that as well.

Chair: I am glad we have found something that you are a bit cheerier about.

Q911 Jim McGovern: I'll soon wipe that out. The report advocates the establishment of a publicly owned housing development corporation designed to acquire and develop new housing. As someone whose background is in the construction industry I must declare an interest here. Do you think this might provide a means of increasing the rate of new house building, not only for ownership but for social housing and providing jobs for construction workers?

John Hamilton: There is a danger of looking cheery here. The area that deals with partnership in the review is an area where we feel more comfortable. Partnership between the private and public sectors has to be encouraged; we believe it would help to increase housing numbers. I do not see any risks in terms of the involvement of both the public sector and the private sector in setting targets. It is more likely that those targets will be achieved where they are working in partnership, rather than with community groups who could, in some instances, be on the other side of the fence from a private developer.

Q912 Jim McGovern: You see a future there for social housing.

John Hamilton: Yes, absolutely. The work I do involves delivery of a large proportion of social rent housing in Edinburgh and elsewhere in the Lothians. Social housing has probably been at far too low a level in Scotland over the last 10 to 15 years. Overall housing numbers have to be brought up, and delivery of social housing has to be a feature of that.

Alasdair Humphery: It is right to say that the whole housing sector was undersupplied even through the prior cycle, and we can see the potential effects on house price rises going forward. The meeting we were at before this one was looking at the private rented sector, for instance. Within that there can be affordable elements, and we are trying to find, through the offices of SPF, a way to make that work. It works in London; the investment is global. It is very clearly working and you are building communities down here. What we find in the regions of the UK, including in the big cities of Scotland, is that we can’t quite get it off the ground in terms of a style of delivery. We think it is a really important part of the mix of housing going forward, so SPF is working positively with all the parties to try to get more housing, in whatever shape.

Q913 Jim McGovern: Just to digress slightly, do you have a view on the proposal to stop the right to buy scheme?

John Hamilton: Yes; we have made representations. We do not object to the proposal to stop right to buy. Our membership’s view is that the delivery of housing is more likely to be increased by concentrating investment in social rent housing, with local authorities working in partnership with the private house building sector.

Q914 Chair: Part of my understanding of the rationale behind the housing development corporation was that there had been a degree of market failure, and that you had simply taken the view that the private sector always leading in these sorts of developments was just going to potentially continue that market failure. Notwithstanding the support for partnerships, having something like the housing development corporation, which could act as the arm of the state to do these things, would move into a vacuum that your members, for understandable reasons, were neglecting. Does that not seem a fair rationale for developing an HDC?

John Hamilton: As I said, we are comfortable with the idea of partnership. As to whether or not that is formalised by way of a housing development corporation, we would probably stop short of supporting a requirement for that sort of formal body to be set up. It has fallen to the private sector, obviously for commercial and financial reasons, to deliver housing in large volumes over the last 10 to 15 years. The public sector has fallen behind in that, but we are supportive of more informal partnerships between the public and private sectors in which housing delivery can be increased on the social rent and mid-rent side.

Q915 Chair: But the mechanisms you are outlining have been in operation and have failed, have they not? Otherwise there would not be a need for a new agency.

John Hamilton: Alasdair mentioned the private rented sector. Our members support the increase in private rented supply in Scotland because it has been a tenure that, quite frankly, has been missing for two or three decades in Scotland. That has had some impact on the delivery of housing numbers. We think there should be encouragement to the private sector to deliver housing for private rent, alongside housing associations and ourselves.

Q916 Chair: That in a sense is what is meant by bulk development, so to speak. Most private sector rent in Scotland is in ones here and there.

***John Hamilton*:** It has been piecemeal.

Q917 Chair: It is people buying up individual houses rather than developing for private rent.

John Hamilton: Yes, and standards have not been maintained in that form of housing. We can see volume housing for rent having a part to play in improving the quality of housing for rent in Scotland.

Q918 Chair: But the market has not delivered that, and, as far as I can see, there is no sign that it will. Surely that means therefore that there is a role—a gap for the housing development corporation to be established.

John Hamilton: There was overheating in the supply and sale of market housing. It did not lead to investors being encouraged to go forward with investment in private rented housing. Market conditions have changed, and I think there is now an awareness that there has to be a full range of tenures so that people can choose to either buy or rent. Renting should not only mean, in our view, renting from a housing association or an RSL.

Q919 Chair: I understand that. I just want to pursue this. I can understand why you as an organisation collectively see that it would be desirable if there were private developers coming forward to establish tranches of private houses for rent. But that does not happen as a result of action by yourselves collectively; it would have to be individual members of your body or of some other body. There is no sign that individual companies are coming forward to do that. I therefore cannot quite understand your objection to this.

Alasdair Humphery: I think the private rented sector is working in London, and what we are trying to do is replicate that in our markets north of the border. At the same time in cities like Manchester, Leeds, Liverpool and Birmingham the same things apply. It is a question of scale. The private rented sector in America is the second biggest REIT sector there is after offices as an investment medium, so it is a huge market in some parts of the world. It has not got anything like that kind of attraction in the UK, apart from in London and the south-east. There is interest from investors and from developers, but at the moment it is trying to join all these moving parts together to make a coherent plan: the land, the development, which is a risk in itself, and then the ongoing management and running of that investment for the benefit of the fund or whoever.

Chair: Right. That's clearer.

Q920 Pamela Nash: Going back again to the report, it expresses the view that there is not really a public case any more for the exemption of agricultural and forestry land from tax. Is that something you would agree with?

Alasdair Humphery: In the rural context our members are not represented there so I do not think we have any feedback that would come to us from that membership. The thought of tax on rural land gives us concerns, in the sense that the experience we have had of the rating process has not been best received by occupiers, investors and developers. Empty rates have caused great concern and have stagnated some sectors of the market. An office developer who has land is very keen to move ahead but is struggling to do so because of a number of moving parts. Now a concern over vacant rates is a huge unknown which can go on for months and years if timings are wrong. The experience of tax in that kind of context, which is obviously on companies rather than individuals, is quite a heavy burden. It is increasing with inflation, and we think it is an unsustainable burden going forward.

The reality of tax on land is on what basis would we do it? If it is on value, the value on land can be dramatically varied. The recession we have just lived through over the last five years has seen raw land values going from positive figures to absolute negative figures. What comfort will we have when things go negative? Will we get rebates, for instance?

Land is the piece. If you go back to Ricardo theory, land and raw land value is the thing that takes the hit. In the last cycle we have been through, projects that were perfectly viable sites and were worth tens of millions of pounds have become virtually worthless in a cycle of six months. It is a very dangerous area of volatile valuation.

Q921 Chair: I do not think I have ever met a group that was in favour of its activities being taxed. Are you any different?

Alasdair Humphery: Do you mean in terms of rates?

Q922 Chair: You are just arguing that you should not pay tax. I have never found any activity that is enthusiastic about paying tax.

Alasdair Humphery: The thing about rates is that we feel it is unsustainable in the way it is going forward. Our membership and many people you will come across in daily life were very upset when the revaluation of property was put back and delayed. That is not about paying tax; it is about fairness in the whole community. Even our members from Aberdeen, where values have been increasing, would accept, around our tables, that they are right to be revalued and pay proportionately more. At the same time in the east end of Glasgow, which has seen rental values fall, they would feel it very unfair. We have examples—I cannot cite them here today—where sometimes rates are higher than the actual rental value of the property. That is where the system has gone wrong. We think that is why some of this is going to be unsustainable going forward. We have to find a way to make that revenue from other forms.

Q923 Chair: If we are discussing how best to raise the revenue, that is one thing. I just got the impression that you were against contributing any of it.

Alasdair Humphery: No; that is not the case. It is fairness.

Jim McGovern: Even in Aberdeen.

Chair: I do not think he said they were enthusiastic in Aberdeen, but that they recognised it. Possibly, to be fair, they were not Aberdonians.

Alasdair Humphery: They were.

Q924 Jim McGovern: It has been said that the LRRG proposals will not come without cost. Do you think the proposals are affordable?

Alasdair Humphery: I am not sure, to be honest. There are a lot of moving parts in what has been proposed, and a huge variation. Some of them may be revenue that will be made from things that will be more costly to legislate and create in the first place than the benefit. It may seem like social justice, in which case maybe it has fulfilled its purpose. We have to be very careful that we don’t create an ever more complex system that does not fulfil its original objective and costs a huge amount to get there. I do not know whether that answers the question, but it is hard to see all these things being practical and workable. For me, some of the key items are the ones where more work can be done to make them workable to try to fulfil a wider objective.

Q925 Jim McGovern: Unworkable as it is.

Alasdair Humphery: I think a lot more work is required. As I described earlier, the scope of commercial and residential in an urban context is quite varied. When your mind goes down one line of thinking on a derelict shop that has been empty for a long period of time, some of what has been suggested is probably very positive and can be made to work very quickly, but where you have a very complex situation over many years of assembly and negotiation with Network Rail and all the statutory bodies, it is a very complex situation. Some of the stuff proposed could scupper that and unnerve the investors who are putting money behind that speculative project.

John Hamilton: It is a slightly general point, but developers tend to deal with as much certainty as they can. Obviously cost is a major part of that. As soon as there is uncertainty on the costs of development, whether at project level, local authority level or national level, it is introducing a bit more uncertainty. We think that at the moment costs are an area where there is uncertainty and would give rise to some concerns.

Q926 Pamela Nash: Do you think it is a realistic prospect for all the land in Scotland to be included on a land register in the next 10 years?

Alasdair Humphery: Yes. It is a laudable goal. A lot of the information is probably held within local government and quangos and the like, so there is a starting point. Industry itself, as I said earlier, is not against that; we have no objection to openness and the like. Through the process of sale we see more and more properties being registered and more transparency. I think it is a laudable goal and we would support it.

Q927 Pamela Nash: Is it affordable?

Alasdair Humphery: It is a cost. In my firm, JLL, we look around the world at liquidity and transparency of markets. The UK this year is ranking highest. It is things like that which make it get on to that scale and be top of the pack. It gives confidence to investors. It provides clarity, with no hidden agendas. These are things which are hard to measure but are really important. That is why we very much support it. For progressive western economies which are looking to trade and interact globally that kind of information is very valid.

Q928 Jim McGovern: As regards community ownership, what do you think is the best way to give local people a say in what happens in the area in which they live?

John Hamilton: We have a view that maximum community consultation is a good thing. Our members certainly support involvement with the community on large-scale housing development and also on large-scale commercial development.

Q929 Jim McGovern: Do you actually promote community ownership?

John Hamilton: No, I do not think we would go so far as to say that we promote community ownership. As a body, the SPF represents a group who are actively involved in development. Many of our members are involved in development but not all of them; some of them are involved in property management.

Q930 Jim McGovern: Presumably ownership.

John Hamilton: Yes. For the members who are involved in development, ownership is certainly central to that.

Q931 Jim McGovern: I am surmising that they would not be in favour of community ownership because they would rather own it themselves.

John Hamilton: Where a development process is being taken forward, clarity in ownership is paramount. That is why we would support progress being made on the land registry. Getting titles wrong, or titles being challenged, is expensive, so we would certainly support clarity in land registration; but that does not go as far as community ownership.

Alasdair Humphery: I would pick up on that a little bit. I think it depends on context. Having the community involved in having ownership in a large mixed-use project can form part of the mix. Where you get into difficult territory is where that ownership is complicating clarity of ownership of the main project. If it was a major multi-use project in the middle of a city and a small part of it was held by the community, involved the community and the community was part of the whole picture, it would be very positive.

I was in New York in February to see what was happening on the highline walk through New York. It seems that community involvement there has helped to regenerate part of the city. I think it would be part of the mix. The problem I would have, wearing my commercial hat advising investors from around the world, is that, if that community ownership was right in the middle of a very complex multi-use project, it would be a negative thing because investors would see it as potentially a problem to deal with. It may not be a problem in practice but it would be perceived as a problem. Investment would be deterred because of it.

Q932 Jim McGovern: Could you just enlarge on that? Why would it be perceived as a problem?

Alasdair Humphery: Because an investor is putting tens of millions of pounds into a mixed-use office/residential project in the city centre. They have control over the direction, the management, the reinvestment and the way the whole project moves forward into ownership and through its life. If in the middle of all that there is a separate ownership, it will be viewed as a kind of unknown. If that community ownership was all great on day one, maybe it would work fine. If you get to year five and the committees have changed and people do not have the same agenda and are not reinvesting in the same way as the rest of the environment, you could end up with a poor relation in the mix. As I say, it depends on the circumstance. If it is a major big site, having some community involvement would be good. Most developers these days realise that that is the way they have to go. Whether we like it or not, or smile or not, the process of planning and engagement is very positive. It is difficult though, because sometimes very small groups can be very anti and stop things happening. It is due process and it is democracy, but I think of situations like the Aberdeen relief road. People I speak to in Aberdeen are crying out for better facilities and they need that road, but it has been held up for many years through due process and the like. It has been a very slow democratic process, and Aberdeen could lose investment because of it. Companies and people could move elsewhere. It is a balance to play through. That was a bit of a circuitous answer but I hope it captured the question.

Jim McGovern: That is helpful and pretty clear.

Q933 Chair: I shall be trying to get your analogy about moving parts out of my head for the rest of today. While you are here let me just raise another issue with you. One of the other investigations the Committee has been looking at is in relation to blacklisting of construction workers. Your companies obviously have a major role in employing construction companies. Do you as a matter of course make any assessment of the employment practices of the construction firms that you are involved with, and whether or not they are doing things that are illegal and all the rest of it?

Alasdair Humphery: I could not answer that. I have been in post as chair since last November and I do not know that we do that as a representative organisation. I would say that the organisations we have as members are blue chip businesses such as Miller, a major Scottish house building and construction company. Therefore, I think we would probably rely on the standing and position of those organisations.

Q934 Chair: But your firms, who are developers, would themselves be hiring construction companies. Some of them were indeed blue chip companies but it turned out that their practices were indefensible. I am just trying to clarify whether or not this is an issue in which you have ever taken an interest, or whether you believe that maybe now you should.

John Hamilton: We are an association of private companies. We will certainly take a lead in terms of probing the practice of companies we employ. It is quite difficult for one private company to surmise the guilt or innocence of another private company until the guilt or innocence has been established. We would certainly take a very negative view of any member company associating with another business that was found to have been seriously guilty of that sort of malpractice, but we cannot actively prejudge the guilt or innocence of a company in that situation.

Q935 Chair: I understand that. There are two elements arising from that. One is whether or not you choose to have something like a code of practice that you expect your contractors to abide by. The second element is that we have now identified a number of major construction companies who admit to having blacklisted. There is an issue about whether or not they are going to be doing enough to, as the EU would see it, self-cleanse and therefore, as it were, purify themselves. The argument would then be that, if they don't do enough to self-cleanse, they are admitting guilt but they have not purged their contempt, to mix my metaphors. Therefore, are these suitable to be the sort of people with whom you would want to work in the future?

John Hamilton: I think there has to be a standard set across the industry, and that standard has to be established both by the public and the private sector. There should be a line, but it is very difficult for individual private companies to surmise the practice of other companies.

Q936 Chair: That is right, but if it is put in front of you and you hear it as the officers of an association, it is often easier for the association to have a common line rather than leaving it to individual companies to determine what their policies should be.

Jim McGovern: If you don't mind me interrupting, Chair, you mentioned blue chip companies: one of the guiltiest parties, and the company that set up the blacklisting organisation, was McAlpine, one of the largest construction companies in the UK. Because it is a large company does not necessarily mean they are clean.

Alasdair Humphery: I hope that company wouldn't get away with it because they have just been used by the City of Edinburgh council on one of the biggest speculative projects north of London.

Q937 Jim McGovern: They are developing the waterfront in Dundee just now.

John Hamilton: They employ a lot of people. There is a fairness issue about the impact of the sanctions that can be taken against those companies. We would not pre-empt action against a company that was not supported by the public sector generally, or through the legislation and any penalties that are imposed. We would certainly support the consistent approach that has been taken across the public and the private sector.

Alasdair Humphery: We are a trade body representing investors, financiers and developers as opposed to contractors. That can sometimes be the same thing, so Miller will have a contracting arm as well as a development arm, but they are very separate parts of the business. I am not sure we are the best qualified to speak about the contracting business. I would probably just make that definition in answering the question. Wearing my day hat as JLL, I know there is a code of ethics that we provide when looking for work and when our building surveyors employ contractors. They will be looking for a high-quality result for the client, but they will also want to ensure that the companies are complying with all legislation. I am not sure how much depth we get into in terms of going into that unless there is an overt issue that is publicly demonstrated.

Q938 Jim McGovern: Would it be fair to say that you possibly came in here unaware of the practice of blacklisting, but now that the Chair has raised it you are aware of it and you will give it due consideration?

John Hamilton: I am fully aware of it. I am aware that it has been there for a number of years and it has been uncovered over the past 10 years or more.

Q939 Chair: Coming back to your use of the term “blue chip,” McAlpine is possibly the dirtiest of all the companies.

John Hamilton: I didn’t use the term “blue chip.”

Alasdair Humphery: I did.

Q940 Chair: It is clearly something that has been widespread. What I take from what you have said is that you would not unilaterally want to impose guidelines, but you would take account of guidelines that were perhaps introduced elsewhere.

John Hamilton: A lot of our members are chartered surveyors. Alasdair and I are both chartered surveyors. We sign up to a code of ethics through our membership of the RICS. That is reflected in our business practices and it would have to be applied. If we were aware of illegality taking place in a business in terms of a contractor, that would be taken into account.

Q941 Chair: To be fair, this is something you were unprepared for.

Alasdair Humphery: I do not think it is our area of speciality, if I am honest. As a trade body there is a line between the definition of developer and contractor. There are other people who could—

Q942 Chair: But developers employ contractors.

Alasdair Humphery: They employ them, and they can be the same thing.

Q943 Chair: That is right, but you do employ them. We have encountered this point before, with people saying, "It's not me." In fact, if you are paying the people who are doing these practices, in our view you are every bit as guilty, either by negligence or by endorsing what they are doing.

John Hamilton: There are other comparable examples in fair pay rates that have been brought through. The public sector often takes a lead in those and sometimes the private sector follows. This may be one of those instances, but the issue of it being clear that there have been breaches is one that we have to be careful of.

Q944 Chair: I understand that. As I indicated when I spoke to you informally before the meeting started, we wanted to give you the opportunity to raise any points that you think we have not raised. You can answer any questions that we have omitted to ask. Is there anything that you think we have overlooked? Our main emphasis, as I indicated at the beginning, has tended to be on rural land. Therefore, we were not focused as much as perhaps we should have been on the issues mainly concerning yourselves, but we thought it was worth while none the less to give you the opportunity to speak to us. Is there anything that you want to leave us with?

Alasdair Humphery: No. We welcome the opportunity of being in front of you and we thank you for that opportunity. We have not come here with the intention of being unduly negative, but we do come here with an expression of caution about some of these things, because the complexity of the urban environment, which is a huge part of the market, should not be ignored if the rural aspects are being rolled into our business environment. We hope that we can contribute through further engagement going forward. I have nothing further.

John Hamilton: No.

Chair: Thank you very much.