

**TRANSCRIPT OF THE MEETING OF THE CONVENTION OF THE HIGHLANDS  
AND ISLANDS HELD IN MORAY ON 22 OCTOBER 2018**

**Present:**

Stuart	Black	Highland Council
Amanda	Bryan	Forestry Commission Scotland
Roddy	Burns	Moray Council
Alistair	Buchan	Orkney Islands Council
Angus	Campbell	Scottish Natural Heritage
Malcolm	Burr	Comhairle Nan Eilean Siar
Seonag	Campbell	Skills Development Scotland
Morven	Cameron	HIE
Mike	Cantlay	SFC
Bernard	Chisholm	Comhairle Nan Eilean Siar
Alasdair	Christie	Highland Council
Colin	Cook	Scottish Government
Alastair	Cooper	Shetlands Islands Council
Lorne	Crerar	HIE
Joe	Cullinane	North Ayrshire Council
Margaret	Davidson	Highland Council
Liz	Ditchburn	Scottish Government
Fergus	Ewing	Cab Sec for Rural Economy
Kate	Forbes	Minister for Public Finance & Digital Economy
Oonagh	Gil	Scottish Government
Rhona	Gunn	Moray Council
Nick	Halfhide	Scottish Natural Heritage
Steven	Heddle	COSLA
John	Kemp	SFC
Crichton	Lang	UHI
Graham	Leadbitter	Moray Council
Donna	Manson	Highland Council
Elinor	Mitchell	Scottish Government
Frank	Mitchell	Skills Development Scotland
Grant	Moir	Cairngorms National Park
Aileen	Morton	Argyll and Bute Council
Roddie	Mackay	Comhairle nan Eilean Siar
Rod	Mackenzie	The Crofting Commission
Hugh	McAloon	Scottish Government
Xander	McDaid	Cairngorms National Park
Fiona	McLean	UHI
Karen	MacNee	Scottish Government
Melanie	Newdick	NHS Highlands
Jo	O'Hara	Forestry Commission
David	Paterson	UHI
Gary	Robinson	NHS Shetland
Jonathan	Ruff	Ofcom

Margaret	Sandison	Shetland Islands Council
Huw	Saunders	Ofcom
Cleland	Sneddon	Argyll and Bute Council
James	Stockan	Orkney Islands Council
John	Swinney	DFM & Cab Sec Education & Skills
John	Thurso	VisitScotland
Damien	Yeates	Skills Development Scotland
Charlotte	Wright	Highlands and Islands Enterprise
Paul	Wheelhouse	Minister for Energy Connectivity & the Islands

## **MEETING OF THE CONVENTION OF THE HIGHLANDS & ISLANDS ON 22 OCTOBER 2018**

**John Swinney:** Welcome to the Convention of the Highlands and Islands hosted by Moray Council. I'm delighted to welcome Graham Leadbitter, leader of Moray Council to his first meeting of the Convention of the Highlands and Islands. We'll go through some of the outcomes in a second from the meeting from our previous discussion in Millport but obviously this is a very welcome and significant gathering for us. It is an opportunity for all partners round the table to have an open and helpful conversation about the issues that are on the agenda today. Ministers value enormously the conversation that we're going to have around this table and we look forward to continuing that this morning. We have a number of new faces around the table. So just for the sake of clarity we'll go round the table so that everybody knows who everybody is on this occasion.

**John Swinney:** Thank you all very much. Can I first of all invite Graham Leadbitter the leader of Moray Council to say a few words of introduction on behalf of Moray Council.

**Graham Leadbitter:** Thank you chair. Ladies and gentlemen it's a real pleasure to welcome you all to Elgin and to Moray for this meeting of the Convention of the Highlands and Islands. Having taken on the role of Moray Council leader in Moray in June this is my first experience of COHI although having already met Ministers, council leaders and many of the officials in various forums I've been made to feel very welcome in the role. I would just like to spend a few minutes speaking about the opportunities and challenges facing Moray at the moment. Like other councils represented here and indeed other public sector organisations we have some significant budget challenges. We're having to choose what to prioritise and protect; where to invest and where to cut back. For Moray we have a fairly unique challenge of a major defence investment at RAF Lossiemouth with the impending arrival of 9 P8 Poseidon maritime patrol aircraft which will see a very significant increase in both military and civilian personnel along with their spouses, partners and dependents. It will be the equivalent of a small town arriving in Moray in a very short space of time and rightly we have to ensure that all of our new residents have the same high quality of services as those that already live here. That unique and rapid increase in population is very welcome but it does present challenges for us in the delivery of services. As a major part of the expansion of RAF Lossiemouth, Boeing will be setting up a major base of operations. As we speak a strategic facility capable of housing 3 large Poseidon aircraft at any given time is being built. To put that in some context it is a facility that will be larger than Murrayfield.

The construction firm delivering that project is Robertson's who are headquartered right here in Elgin. Elsewhere in Moray we are seeing investment by McCallam in a new distillery and visitor experience with more than one million pounds worth of investment which has made it not just a state of the art distillery but also something

of an architectural wonder. Anybody that's had the opportunity to see it will know what I'm talking about. If you haven't then do take the chance because it's just unbelievable. Pretty much every distiller in Moray is investing millions in increasing production and improving their visitor offer which is fantastic for us to see.

Moray is home to literally dozens of iconic whisky and food and drink brands that you will see in every airport in the world - something that we're very proud of. In the midst of all this we have the elephant in the room of Brexit which features heavily in today's agenda. How will that impact on our workforce – a significant number of whom have travelled here from Europe and who are vital to the success of the food and drink sector; how will Brexit impact on our traditional agriculture, fisheries and forestry industries; what will the impact be on the substantial funds that Moray and the rest of the Highlands and Islands have utilised over the years. Separately we are currently in the process of working up a growth deal with the support of Scottish Government and UK Government partners and that growth deal aims to put in place the skills and infrastructure that will support the growth of all the industries I have mentioned and many more besides. We have immediate challenges particularly balancing a difficult budget but we also have a huge opportunity. I'm delighted that the Cabinet Secretary will be opening our replacement Elgin High School – a 21<sup>st</sup> century school for the delivery of the 21<sup>st</sup> century Curriculum for Excellence. Like the other councils represented here we are also working hard on our early years' rollout which is being held up as an exemplar in Moray. Challenge brings opportunity and opportunity brings challenge. So with that I welcome you all to this Convention where we will be dealing with exactly those issues: challenge and opportunity.

**John Swinney:** Thanks very much Graham. It's a pleasure to be here in Moray today and thank you to the local authority for its hospitality and the arrangements for today's event. In terms of the agenda today we've got quite a number of topics that we're trying to cover - and as Graham said – a number of them are very closely related to some of the significant political uncertainties that we face in relation to the impact of Brexit particularly around the attraction of people which for the government is becoming an issue of very, very significant concern and alarm in relation to the local economy and I think that will be an acute challenge here in the Highlands and Islands. Secondly - in relation to regional policy - which the European Union has been significantly influential in structuring much of the constructive thinking that has gone on in regional policy in the Highlands and Islands – obviously delivered closely through local authority and HIE partnerships at local level – but the policy formulation is very much influenced by EU thinking and I think many of us wonder about just quite what the implications of the direction of travel that we are on will bring in relation to regional policy. We'll consider those issues later on. We have a further session on digital issues and we had hoped to have a presence from the United Kingdom Government today initially in the form of Lord Henley the Parliamentary Under-Secretary of State at the Department of Business and Innovation but he was unable to attend due to diary commitments. One of his officials was going to attend by video conference but even

that has been impossible. I don't generally think it's helpful for us to have unconstructive relations with the United Kingdom Government but this no-show I'm afraid is typical of what we have experienced on digital policy with the United Kingdom Government for some considerable time. When you read news commentary in the newspapers about Ministers in Scotland being criticised by Members of Parliament for things that we do or do not do on digital connectivity I simply remind colleagues that the UK Government was invited to make a presence here today; this is supposed to be a collaboration on an issue of reserved policy and they're not here again. I simply make that point to illustrate the challenges that my colleagues who are dealing with these issues are facing in engaging the UK Government on an issue that really matters to our communities because we all know the significance of that issue. We're heavily engaged in it and it would help if we had everybody rowing in the same direction.

The other issue we're going to cover is part of the topics that Fergus is going to cover in the first issues this is a rather immediate EU issue which is around a proposed Directive from the European Commission on changes to daylight hours and Fergus will deal with that in a second but we just want to take people's views about that to be confident about the direction that we're taking in relation to that which has emerged as an immediate issue. I'll just have a brief reference to the outcomes tracker – there's a lot of detail that follows up from our session in Millport earlier on in the year – but I would concentrate on just a few points. First of all the digital discussion is relevant for today and is an ongoing priority. We've obviously seen the Audit Scotland Report which was very positive about the rollout of the 95% commitment and the number of challenges about the rollout of the 100% commitment. The points of summary on GFG Alliance Lochaber gives rise to the update that we'll have a look at today in terms of strategic opportunities which are relevant for the Highlands and Islands and the discussion around Scotland's Place in Europe obviously underpins the discussions that we'll have later on today upon Brexit and regional policy.

The final point I would make is in relation to the wider work on workforce planning and workforce strategies which again is relevant to the issues we'll discuss under the skills Development Scotland headline later on today. With those reflections I don't think there's any specific follow-up items that we need to take forward just now but we can come to those in the course of our discussions. If we move on to the substantive agenda items. The first item is the potential future strategic opportunities within the Highlands and Islands for COHI consideration. There is a paper that goes along with this and I'll invite Fergus to open up our conversation on this topic.

**Fergus Ewing:** Thank you very much John. Members of COHI who were at the Millport session will remember that we had an excellent discussion about the work that GFG Alliance have committed in order to revitalise the smelter in Lochaber and that discussion led on to a question of whether there are other opportunities throughout the whole of the Highlands and Islands which could benefit from a sort of Team Scotland co-ordinated approach. We agreed that at this session there would be a paper which HIE have prepared - for which I'm grateful – but with input from all of the players here

particularly local authorities – and there are details of the proposed schemes some of which are in a relatively advanced stage and some are not. The idea really here is that is there benefit in having a Team Scotland approach, and if so, how do members of COHI think that that opportunity should be framed and how it should be dealt with? There are a very wide variety of projects identified and I am very interested in hearing from you all about them – some extremely exciting ones - and a great deal of variety. Many of them play to the strengths of our natural environment and our natural assets around the Highlands and Islands. Perhaps I could begin by asking Charlotte Wright, the Chief Executive of HIE to talk through the work so far and then invite members especially from local authority leadership positions to contribute.

**Charlotte Wright:** Thanks very much Fergus. What I thought I would do is just talk you through the process before we move into the discussion. I just wanted to set out particularly the collaborative process that we went through to bring this paper together. I'll just give an overview of some of the outcomes; some of the key features; the key themes and opportunities and potential areas for discussion this morning. The background to the paper is as we just heard was following the last COHI meeting and the focus on the Liberty Project. What we really got from the discussion round that was the importance and added value of the alignment of Team Scotland adding impetus to the delivery of that project. Looking forward that was a key consideration. We particularly wanted to make sure that this was a collaborative process and liaise with each of the local authorities so that there was an identification from them of key priority projects. Using a format with key criteria and template to guide discussion over the summer, particularly using the Senior Officers Group who support the work of COHI to help that process. I won't go through all of these criteria for the selection of the project but just to give you a feel of the rigour that went into that. Looking at the special impact for example: the potential outcomes around GVA of population growth; where things can add to marketed advantage and also key areas such as legacy. In terms of the impressive list of projects –and I won't go through the detail of all of these –and there is a bit more detail in the paper that we all received – just to give you a feeling of what's in there: from Argyll we had the strategic project around the Lawn Arc and Oban; 2 projects from Highland: firstly the vertical launch facility planned for Sutherland and secondly tourism village development on the west coast; for the Outer Hebrides significant investment in Stornoway Harbour and also space port development for Uist; Moray – we've already touched on the really important investment in Lossiemouth through Boeing; from North Ayrshire again a strategic project around the Clyde Islands transitioning the economy and tourism and creative arts as key sectors; from Orkney development of the facility at Scapa Flow and also a second project around tourism development around the World Heritage site; in Shetland an ultra-deep water decommissioning facility and also space development in Unst.

In terms of the analysis of that and to look into some of the impact here: we looked at the potential for growth deal investment; the spacial impact; employment impact; the

scale in terms of proposed investment cost and also the degree to which those projects are still in the cooking or those that are underway. That gives impetus into the Team Scotland potential for delivery or accelerating those projects. There are some really significant values in here. Clearly the Boeing investment stands out considerably at around £3bn but the other projects – and not all of them are able to have values at the moment – are an additional £460m. What we have is a mix of national and regional impacts covering some thematic areas across space, tourism, aerospace, defence, harbour developments, decommissioning, multi-investment packages and looking at new routes to market. For us the key thing here is about how we're maximising the other opportunities in the landscape for delivering these projects in their wider economic impact. The degree to which they can influence those growth deals are still under discussion and gives us a focus of our regional, sectoral priorities; has a clear read across to recognise COHI partnership priorities and also reflects some strong messages about the rural economy; about our inclusive growth agenda and also spacial aspects such as the marine economy; the potential to leverage other sources of funding such as UK industrial strategy funds. Particularly important for the rest of the discussion today is the ability to positively impact on some of our ongoing challenges around talent attraction. We will be talking about that later on. What we have here is a regional list of projects which gives us the ability to scale the perspective of our regional opportunities across jobs, investment and outcomes which clearly demonstrates the ambition of the Highlands and Islands as a region, and more importantly provides opportunities to collaborate extensively by having this agreed set of major projects of how we can work together to improve the outcomes; accelerate the timescales and as Team Scotland address obstacles. I thought that maybe before going into a wider discussion just to get a few pointers of some of the key things that we could focus on. So how can the COHI partners come together around these projects and direct our energy and support to help them succeed? What added value can we bring as partners and are there any common areas of challenge to their delivery? What opportunities are there for local authorities to work more collaboratively with ourselves and other partners where these projects can or should be aligned and a set of next steps that we can jointly sign up to? I think that was just to set the scene Mr Ewing and gives a focus for discussion.

**Fergus Ewing:** Thank you very much indeed Charlotte and to your colleagues at HIE for the work in preparing the paper. Could I open it up to discussion first inviting our leaders from local authorities - and I think James is going to start off followed by Graham and then if others could signify.

**James Stokan:** Thank you very much. I think it's really important to identify things that we're going to work on together and to make sure that they rise to the surface so that we can all push in the same direction. I'll just speak about the Orkney Project. I'll speak about the LNG Hub. ExxonMobil - the biggest oil company in the world - came to us and said they strategically saw Scapa Flow as the place to do something and then they're asking for government support to make sure that this is something that

comes forward on. Ten years ago we looked at a project for the hub in Scapa Flow and we were hit by the financial world crisis at the time when shipping went into recession. At the time Fred Olsen – I had a conversation with him – and he said there's a 20 year cycle in world shipping. It will come again and some of the parameters and the things we looked at with regard to world shipping would really make Scapa Flow work as the second largest natural harbour in the world – an asset that we have in Scotland to do something quite different – and now they're speaking about – I've just come back from Iceland – and the Arctic Circle is opening up to world shipping and there's going to be the new silk road they're speaking about – it's time for us to tie these things together and an energy hub there would be an enabler to make sure that we can look at the wider benefits of this. There is a business case already for this. World shipping is moving to LNG. This is the gap. This is where the movements are so for us to coalesce around making sure this is a reality and a development. It's almost 2 years ago that ExxonMobil with a consortium of really big players among them came to us with this idea. We need to keep moving on with it because the Chinese have come more recently to say they identified this also. We need to work together because everybody will benefit if we get energy in Scotland. If we don't do it here it will be done in Norway. The shipping will go to Norway; the movements will go to Norway – but there is also benefit because if we have distribution centres like a big petrol pump then we will be able to do bootstraps down both sides of the country to service not just remote grids but opportunities for energy as a stepdown in the carbon economy. It's not carbon free. We've not got there on shipping and there's some bigger heavy things but it's a stepdown towards carbon neutrality as a country. I think it's really important that we in fact embrace this as a regional and national project to make sure that we go further. Our other project which in a sense is more regional but it's a UNESCO site. We need to play on these UNESCO sites as they have more importance across the world than we think. We've got to treat them properly. We must make sure that we raise them up locally because they're seen internationally as important. There is support from the UK Government because UNESCO is not a devolved issue so we need to work together on these as quickly as we can. We're the only place that's got World Heritage sites without proper visitor centres and the proper way to deal with people to both preserve the sites but also open them up for economic activity. On that I will stop and let somebody else have a shot.

**Fergus Ewing:** Thanks very much James. I'm aware that there is a demand and indeed a need for LNG in many places in the Highlands and Islands not least Fort William in order to supply the gas supply to the factory there and possibly solve the lack of gas grid access in Fort William and other towns in the west coast in particular. Do you want to come back on that?

**James Stokan:** I'll come back on one thing. I do believe that LNG supplied by ship is a far better option than what we've got at the moment because LNG is taken from the south of England by road haulage to all the places where they're using it at the



moment. I don't think that's sustainable in the long term and the best for us. Shipping it around the country is something that we should think about because our road infrastructure struggles. There is ways that we would need to start thinking about as sometimes looking back informs going forward. I think we need to think around that but shipping gas is a very easy thing to do.

**Fergus Ewing:** Ok. I'll bring in Paul Wheelhouse the Energy Minister perhaps after the local authorities have contributed because I'm sure he'll be interested in this. I've got Graham and then Margaret and other council leaders please show.

**Graham Leadbitter:** Thank you very much. The project that Moray got listed there is the £3bn expansion at RAF Lossiemouth. A lot of that's linked to work that's been done by the military investing in new aircraft and bringing new personnel in but a substantial amount of that investment is private investment from Boeing as one of the major suppliers. The Poseidon aircraft that are coming in – the monitoring and patrol aircraft – they're not only providing maritime patrol but they also provide long distance search and rescue capabilities as well which we're currently missing. We're relying essentially on other allies to provide us with support at the moment. That is of significance to every community in Scotland but obviously particularly to coastal communities in terms of being able to provide long distance support to our merchant shipping, fishing industry and others. One of the big challenges with this for that number of people coming in such a short space of time is partly providing the basic services that we have in Moray and having potentially a 5-6% increase in population and maybe even more in almost as many years. This is a real big bubble in population. The people coming in have every right to expect to get the same high level of service that the people who already live here have and that puts particular pressures on us. Delivering that puts pressure on the NHS to deliver the GP requirements for that and all the other staff that come along with a GP surgery as well as providing additional hospital provision. There's a huge amount of general pressure that comes from that and that comes in a very short space of time. It is a particularly unusual set of circumstances to deal with. In terms of the actual practicality of supporting the investment by Boeing we are looking to the medium and long term of how we provide a skills pipeline to support Boeing's investment. This ties in helpfully to one of Highland's projects in Wick with a space port so there are some skill crossovers there.

In Lossiemouth we have a large number of retired RAF personnel who come out relatively young with still many years of work in them who are high skilled who are able to use their skills in the private sector. It has been utilised quite widely by the offshore industry so far but there is a real opportunity for Moray to jointly gain with Highland in providing skills downstream of the supply chain to any space launch facility that's going to be built in the north of Scotland. There are some real opportunities there that work across regional boundaries and providing those skills, providing the housing, providing the healthcare for all the people that are coming into Moray for all their dependents and all their spouses and partners is a real significant challenge but also a real significant opportunity for us.

**Fergus Ewing:** Thanks very much Graham. Another extremely exciting project with implications on housing, skills and many other areas. Next is Margaret followed by Roddy.

**Margaret Davidson:** Thank you very much Cabinet Secretary. Thank you Graham for talking about the cross-boundary work that we can do together. I'm sure we can. There are some key themes coming from here which are potentially huge projects around defence, around tourism, around shipping but what's missing for me is research and what we can be doing around everything that we're doing. The further involvement of UHI - and I'm going to be saying that about 5 times today – and I know you listen very hard to that John – which thank you – I would ask you to do that. It's good to see these projects laid out in front of us to give us a really good horizon scan about where we can put some work. We do it the same way as we've done it in Lochaber and thanks to Fergus's leadership on that. He pulled us together in a room. He made us absolutely understand what was needed to be done and then we went away and delivered it. I'm actually very proud of the work that Highland have done around planning. As they say we delivered on time, on budget and it was a good piece of work. I'm also very pleased with the way that we're going about housebuilding in Lochaber. Kevin Stewart has been extremely supportive and we've got a really accelerated programme of housebuilding going on down there. The sheet anchor we've got down there at the moment – and it's maybe not uncommon in some of these other projects – is Transport Scotland - and the speed of delivery – it's their processes which sort of weigh you down. If there was any way that we can move that quicker it would help us all because you go down to Lochaber and every time you come away with road issues. We're nowhere near even seeing into the middle distance on that let alone a solution. That's a big deal.

**John Swinney:** Forgive me for interrupting Margaret is that on the strategic questions about the A82 or is that on operational interactions between perhaps housing developments and the Trunk Road Network?

**Margaret Davidson:** It's more Lochaber focussed issues around housing development and getting Fort William working better so it bypasses the main points in Fort William. It is also about the issues around the A82 and Humza was very good moving on major improvements in Argyll but of course the A82 goes a much longer way. There was clear movement on that and we're very pleased for that. It's around Fort William itself which is the biggest and slowest movement and where we absolutely need the town to be working before we can get on with the developments around the smelter. Moving on we also need to make it the day job. On all of these projects we need to move community planning on to a whole new platform if it is the day job. It isn't just sort of good things we can do together round the edges. It's got to be the day job. Charlotte mentioned collaboration. I think we need collaboration. I think we need joint posts. I think we need joint commissioned work. We need to be doing that right across the Highlands and Islands when we need to do it in specific or more general projects. I think that should be just expected of us. I don't think we should be hiding

that. I must say before I just give up the floor that for me some of the really exciting projects are actually around the making a virtue out of necessity. We have major problems with depopulation and workforce in the north. The Western Isles has it everywhere. We need to tackle that and the way we tackle that; the way we look at new ways of delivering rural services - we're making some really good strides at the moment with health and social care - when we're talking about the next agenda I'll bring that up again but there are new ways of delivering basic rural services. We should all be sharing and moving on those and we should be plugging in research from day 1 so that what we're doing becomes a national lead on these new services - and maybe even an international lead - because I'm seeing a lot of energy and potential around a lot of it. So yes it's about the big projects; yes it's about collaborating but it's also about getting the basics right so that some of our huge problems like depopulation can be tackled. Thank you.

**Fergus Ewing:** Thank you Margaret. Can I just add that I think the response of the Highland Council on planning in Lochaber was exceptionally efficient, co-ordinated and quick and all public sector bodies - including all the others who probably won't get the chance to speak – working together long may it continue. Next we've got Roddy and then Alistair then Aileen.

**Roddy MacKay:** I'll just focus maybe on the Stornoway Port Plan seeing we're talking about economic development. I can just say on the back of what James was saying about LNG that I believe that the 2 ferries that we might get sometime in the future are going to run on LNG. That's a big issue and there should be some joined up thinking there too about how CalMac can use that facility because I think that's quite important. We've taken quite a bit of time getting these ferries moving so we've got plenty of time to plan for putting LNG in for them.

I'll just very quickly go through the Stornoway Port Plan. It was launched in 2017. It's got a few ambitions. It's to create a deep water port with about 800m of quayside. A cruise berth for vessels of up to 330m in length; 29 hectares are laid down for industry for bulk cargo storage; a 72 berth marina in Newton Basin; a new slipway; a new yacht lift; improved fish processing facilities at Coat Island; a redeveloped port at Pray Yard; new facilities for leisure users and a new tidal infill so that we can have water sports in our area. A drainage yard – as you know we had BiFab - or DF Barnes – as the government are well aware of - they have stepped in there and been very helpful. That looks like being a good result. We've got BIFAB under the new management of DF Barnes who themselves seem to be very supportive of introducing apprenticeships and training in their plans going forward which is great for us. They've got significant plans for additional manufacturing activity as you know and that might be able to bring new and innovative industries to the Outer Hebrides. Success is really critical to the wellbeing of the Hebrides. We see it as crucial that the DF Barnes developments do take place. The recent decision by the UK Government of course to let remote island wind to be a category for the upcoming contract for distance auctions and we're hopeful of being successful there for the Western Isles wind farms. As you know

related to that SSE has recently submitted a needs case to Ofgem for 600 megawatts HVDC interconnector. If the wind farm developers are successful at auction and if the auction gives the go ahead for the interconnector that would stimulate even further activity around the Stornoway Port including the construction of a substation. Through the port investment there is also an opportunity to create new space to relocate the Stornoway LPG Storage Plant which is a blight in the town in the sense of planning and development so it would be good to get that out too. We've got ongoing discussions around that. In terms of the idea of what you had at Fort William in terms of private and public partnerships which we are very supportive of there's a whole range of people who have been involved in that. There will be Stornoway Port Authority, BIFAB or DF Barnes, SSE, EDF Energy, Wood Group, Bosh Energy and Service Energy. There's a potential there for very deep and ongoing collaboration with these companies and the skills and the investment they bring. I think there are supply chain opportunities around not just Stornoway and the port but throughout the islands. If you take all these various investments and ideas that I've summarised there then the corporate values would be in the region of £1.5bn. Not all of that will be captured within the local or regional economy but we need to work with these developers and we need to work with them early so that these developers and investors maximise the local content and local value. I think in that context collaboration again is the key thing and it would be good if we could have the right people around the table to bring that together and also that the partnership is appropriately chaired to drive it forward because again it's an opportunity that we don't want to miss. In summarising you will always hear population which is a huge issue with us all. If we don't create or seize these development opportunities in the same way as we say for example if we don't develop connectivity then if these things don't happen then our islands are going to slowly but surely empty and people will end up living in dreadful places like Inverness and Edinburgh!

**Fergus Ewing:** I think I'll just ignore the last sentence of that. I was about to heap praise. Can you just tell us exactly what stage the renewable project is in respect of the interconnector? Has the needs case gone in?

**Roddy MacKay:** The needs case has gone into Ofgem. It went in at the start of the summer and it's on the basis of the 600 megawatts which is what we all wanted. It's got an embedded number of projects already there ready to go which it needed in order to make the needs case and it's got a great deal of free space for others to come in and indeed in our local authority we've seen a couple of smaller community ones come in just this week with applications at that stage so it's got the potential for a fantastic community benefit throughout the islands.

**Fergus Ewing:** Do you have sufficient collaboration between the commercial players in order to submit a viable CFD proposal?

**Roddy MacKay:** Yes.

**Fergus Ewing:** Good. Thank you very much. I turn now to Shetland to Alistair and then Aileen.

**Alistair Cooper:** Thank you Minister. Shetland has 2 national significant projects. The first one is the ultra-deep water decommissioning. Fifteen years ago, I was one of the team that sat in Shetland to investigate decommissioning. We've played a long game but we're now at the stage where realistically the Shetland Basin is depleting and the likelihood is that there will be a lot of decommissioning in 2020 and beyond. The difficulty we had in the early days was recognising when the business was going to start and when the finance would be required. We're now in a position where we recognise Sollum Voe is down to 50,000-60,000 barrels per day from the Shetland Basin. By 2025 it will be a lot less than that. We will be depending on oil from the west of Shetland and there will be a lot of decommissioning required. We went to Norway in the early 2000's and saw what they could do in 30m of water. They could bring the equipment in alongside and pull it directly ashore. There were no transfers into barges and the risks associated with that. We certainly would do the same. We have the capability to actually handle it and handle it safely because one of the things that we have to recognise in Shetland is that we have a pristine environment; we have a seafood sector which is a third or more of the Shetland economy so we can't afford to have pollution or anything of that sort of thing which would affect our seafood industry. We want to decommission and decommission in a safe way. We have been identified as the UK No 1 zone for deep water decommissioning and the difficulty now is actually securing the public sector funding and the private sector funding quickly. This is part of the Shetland Islands Deal for us but my difficulty is that we need to find the money today not in a year or 2 years' time as business is currently going to Norway which should be coming to the UK and we need to make sure that that can move ahead. There is an urgency with that one. I think that when you look at the scale of the investment in the steel in the northern sector in the North Sea as there are some high quality steel in there then some of that steel could be realistically reused by projects in the UK – and dare I say in the Highlands and Islands and even Stornoway or Scapa Flow or whatever – we need to be looking at that sort of thing – where we can maximise the benefit from that high grade steel being reused – I think there is scope for us all to work together on that one. This is an urgent one that needs to be done now. The second one is the Shetland Space Board. We are in discussion with Lockheed Martin - and where we're coming from is space tracking of space activity in the first stage. We see Shetland as being at least in the forefront of that. Lockheed Martin recognises that if you go down to the southern part of UK they can only see the space activity 5 times in a 24 hour period whereas in Shetland you can see it 10-14 times in a 24 hour period and Shetland being low – they have quite a long period of 15-20 minutes from first sighting till it goes out of sight so Lockheed Martin are very excited about the prospect of coming to Shetland. Again with that you're talking about potentially 3 land sites in the UK – one in the Highland, one in the Western Isles and one in Shetland. That space tracking would work alongside these 3 things. I think we're in this together. We need to be working

together rather than working against one another and they are significant and let's make sure that we ensure that the maximum value comes to our areas.

**Fergus Ewing:** Thanks very much Alistair. One of the points you made there is about the City or Island or Regional Deal money. It just occurs to me to flag this up for officials that one of the imponderables of this is when will this money be available and not having clarity about when this money will be available is obviously an impediment to the planning of any project which requires capital investment so it maybe that one of the points that might emerge for this discussion is to convey to the UK Government and to ourselves as partners in the City Deal funding arrangements that more clarity and perhaps a time scheduling of the availability of funding under these packages would be a sine qua non of project planning because if you don't know when you're going to get the money then there will always be uncertainty about the deliverability of the project so I just flag that up as a pretty obvious point that might emerge for this discussion. Can we move on to the last 2 contributors – Aileen from Argyll & Bute and I presume Joe from North Ayrshire Council.

**Aileen Morton:** Thanks very much. Can I pick up as well because obviously both you and Charlotte both referenced the fact that it was a really ambitious project and I think it is? It would be really good as a result of COHI to agree the next steps and a way forward for these that actually we do find a way forward, but the discussion at Millport around the Lochaber Project was very much about the public sector coming together to unlock that private sector investment. I think that maybe is one of the steps in terms of this paper is that there may be in some projects that less clear than others when the private sector investment will be coming in and what the public purse was then delivering as a result. I know that in our project the original focus around this original discussion internally was about a port in the North Lorne area and it's obviously picked up the wider development intention in Oban but this is also about the private sector so the Scottish Sea Farms are already committed to investment of £40m; Hughes Marine and Gale Force are looking for a substantial base in Oban; TSL - who are based in Mull - are also now looking for a mainland base in Oban – so it is about unlocking that private sector potential and the jobs that would come with it and I suppose one thing I would say is that other people have picked up on depopulation and Argyll & Bute is the most fragile local authority area in Scotland in terms of depopulation and aging population but for us the frustration really is that Oban is one of the areas where we could see real growth so Campbeltown, Dunoon, Rothesay - they are officially incredibly fragile communities - they're more remote; they've got a more challenging economic environment; Oban have a real growth potential - and actually we're viewing it as a growth corridor but it's not just the town itself that has that growth potential. It is about trying to move that forward and part of this would sit within our Rural Growth Deal but a Rural Growth Deal also brings together all the transport infrastructure so our Deal picks up the airport and things like that as well. I think this is a hugely positive project which has huge potential for us and it would be great to see COHI identify the next steps which we could collectively take.

**Fergus Ewing:** I think that point is extremely well made. There is a difference in projects in terms of the extent to which they rely on private sector funding and indeed the Liberty transaction arose not through choice but through necessity because Rio Tinto put the assets up for sale and therefore it wasn't a matter of discretionary choice in deciding that this was something that we would do but it was something that we had to do to avert the gradual run down of the smelter from happening. It's a point well-made and it's one we need to bear in mind. Last but not least North Ayrshire Council – Joe:

**Joe Cullinane:** Thanks very much. I agree one hundred per cent with Aileen because I think the majority of people who have spoken so far have mentioned their Growth Deals or their Island Region Deals. The Highlands and Islands is quite a large area. Every single area is different with different challenges. You've got the project that we've got in North Ayrshire for example which is part of our Ayrshire Growth Deal proposals in the coastal corridor which is the project that Charlotte spoke about in terms of Arran and Cumbrae is the component of that. I think that as COHI we've got to be able to complement everybody's regional growth deal. If it's about a Team Scotland approach then that's the kind of approach that COHI needs to be taking. I think the paper does do that. Looking at next steps then I think it's about planning out that private sector investment but as a Convention of the Highlands and Islands saying that these are projects that they are going to support and complement as partners across the table because there's a lot of projects in there that are mentioned that are of some relevance to us in Ayrshire such as the space project. We're not competing in a sense because there's the vertical launch and then there's the horizontal launch and it's the horizontal launch at Prestwick that we're interested in. Alistair spoke about decommissioning. There is a proposal for decommissioning at Hunterston but again it is not an ultra-deep water decommissioning proposal so again it doesn't necessarily need to be competing against Shetland in that sense. So how can we as COHI coalesce round about these projects then I think that we need to leave here today with a sense that absolutely as the Convention of the Highlands and Islands we're going to support each other's individual projects if we want to see the Highlands and Islands deliver these projects and get the investment into the region then we shouldn't be competing against each other in that sense.

**Fergus Ewing:** Thank you very much indeed Joe. A number of points that were well-made. Can I bring in others that would like to make a contribution? Plainly in a Team Scotland approach we're not talking only about local authorities or Scottish Government or HIE but we're also talking about other public bodies some of whom are represented including SNH, and the Forestry Commission, statutory consultees – in respect of planning - and they all play a part – and should have a part to play - in some of these projects. I just mention that in case any wish to make a contribution. I've got Alistair Christie and then if there are any others that want to make a contribution then please show. Alistair:

**Alistair Christie:** Thank you Minister. I look down this list and I see all the positive things whether it is Highland or whether it is Argyll & Bute or wherever - and it is all good news stories for this region of Scotland. I think we've got to learn the best way forward on these - and if you take the common theme in this which would probably be seen as unusual if you were to ask many people – space is coming through as a theme in several areas as an area where we can expand and we can develop and maybe even become a region of excellence on that. If you look in Highland we're slightly ahead with the others due to come on stream next year of starting the spaceport in Sutherland. We talked about population and how important it is. Whilst it is only 31 jobs but for an area like Sutherland that is so fragile and needs every job then the weighting of every one of those jobs is essential to the vibrancy and sustainability to keep that area open. The Sutherland Project we're developing with a response to the decommissioning at Dounreay. We knew there were jobs going away from the decommissioning of Dounreay so we actually put something in place. As Aileen said about how important it is that the private sector is involved so with Sutherland we've got 2 private contractors involved in this. I think that you're right. The partnership is way beyond just working with the public sector. It's got to be drawing in the universities, every element of the public sector, statutory agencies, local people, communities - but most importantly – private sector money to get these forward because they're the experts at getting jobs into places. If we can sell our area and the benefits that we have then we'll stand a better chance of addressing depopulation. I think we need to take a lot of this forward and work in collaboration and share the best experiences of what we've experienced in Sutherland with the other areas that are looking at space projects and vice versa. We shouldn't be in competition with each other. We should be complementing to ensure that we all move forward as a region and that we'll actually get the prize of building our area economically and sustaining it's population and getting a spinoff for housing, education, health and everything else that we need to make sure that our region is actually not only the best place in Scotland but the best place in Europe to live and work.

**Fergus Ewing:** the point is well made. Thank you very much Alistair. Can I bring in Mike and then if anyone else wishes to contribute – we've got Mike Cantlay and if anyone else wishes to contribute then please show. I'll bring Paul in to kind of sum up on energy matters. Crichton and then Mike.

**Crichton Lang:** In part I would like to respond and I very much agree with Alistair's comments there. My first observation though is that on a personal level as a very reassuring way for me - and I hope everyone else –is that 98% of what's just been discussed over the last 40 minutes or so I'm excited of as Deputy Principal of UHI. There are virtually none of the major initiatives that the university is not aware of. The reason we're aware of them is because we're actively considering those opportunities or challenges or needs within the university strategic planning. I think that one of the strengths of UHI is that it is locally based. There are local academic partners within each of these communities but these local academic partners are linked into a regional



university infrastructure. I think certainly over the last 2 years health and social care have been a pathfinder for this and it's developing in other areas. Engineering and computing are the key ones at the moment. The university is getting very good at not being reactive but proactive in being cited with all the formulating of strategies of aligning all of this with funding opportunities whether that is European or SFC or through strategic initiatives or through funding from enterprise agencies to making sure that we've got the coherent strategy that maximises income across the whole range of projects and initiatives and needs of the region. It's a continuum for us which is a very complex space. It's a very exciting space. Everything that is touched on whether that is further education, higher education, research and development or innovation is part of that continuum. Regional development of workforce retention and training and retention of young people and talent attraction by bringing new people into study or work are part of that mix. I would really just want to say as is the alignment with industry and the huge investment within UHI in terms of direct dialogue with key industry partners whether that's Liberty or Boeing or whether it's in SME start-ups we need to grow inward investment in other sectors and again health is a good example. At the moment - just to say - as I said that's very, very positive but I would encourage exactly what Alistair's said that we need to be looking at the totality of all of our needs together in formulating the best possible strategies to take those collectively together. The local impact that that wider regional strategy will deliver those local impacts.

**Fergus Ewing:** Thank you very much for that timely reminder of the importance of involving UHI in nearly all the major projects. I've got Mike Cantlay and then I think we'll move on to Paul Wheelhouse and finally I'll invite Charlotte to respond to the debate before bringing things to a close. Mike:

**Mike Cantlay:** I was just going to say that the Strategic Board published its strategic plan last week. I was sure Lorne was going to leap in and say something through the debate. Last time the Strategic Board met was in Inverness and Lorne gave us a passionate tour across the Highlands and Islands looking at some of the very projects that you've just discussed. All I wanted to say was that having been around the patch for a while between VisitScotland and these 2 agencies that I presently chair that in my view we're better co-ordinated and aligned than ever we have been. As a group of enterprise and skills agencies we're also out from the Strategic Board to Scottish Natural Heritage - I'm sure John would say the same for VisitScotland - that we're better co-ordinated and aligned today than ever to deliver against the aspirations for the Highlands and Islands and you should have confidence when called upon so to do, we will.

**Fergus Ewing:** I should have said of course that Mike has at least 2 hats. Thank you. Paul:

**Paul Wheelhouse:** Thank you Fergus. I'll try and be brief and just respond to the points in turn. Certainly around LNG hubs - and the concept there - I am aware of those aspirations across Scotland. I think the point that James made around potentially maybe having a kind of a hub and then having bootstraps going down the west coast – I know that there is aspiration in North Ayrshire for example; east coast – in Rosyth. We're continuing to have dialogue with the consortia that are interested in that. I think private sector investors are obviously critical to this but we're very keen to progress that. I think Roddy's point around ferries is well made as we do have 2 LNG high powered ferries coming forward in the near future and they are committed to routes which involve the Western Isles. I think they would be pressing us to start talking about what the infrastructure needs are if that's not already underway. I'll take that away as an action point in my discussions with the operators and with Transport Scotland. It is worth stating that the Cabinet Secretary Michael Matheson as well as looking at aviation he's also looking at maritime strategy more generally so it maybe sort of worth playing these issues into the point that James was making around cruise traffic, international shipping, the sort of new silk roads – so it's that sort of have a think about what Scotland's place is in the world as well as what our domestic needs are in terms of maritime activity. I'll discuss that with the Cabinet Secretary as well. On decommissioning: very, very important – Alistair's made that point very well. We've done a lot of work through Scottish Enterprise and HIE around the Decommissioning Action Plan which has been very helpful in flagging up the scale of the opportunity to Scotland in the wider UK supply chain. In short there is £17bn between now and 2025 in terms of the total value of decommissioning projects. Of that we estimate something like just under £600m might be lost to the supply chain if we didn't have an ultra-deep water facility in the UK. We're pleased that the feasibility study has concluded that the site in Scotland is the best opportunity in the whole of the UK and of course Dales Voe has been identified by our work as the No 1 site. As has been said though by Joe importantly that does not mean that Dales Voe is competing directly with other yards around Scotland and I would stress that if we had representatives from Dundee in the room equally they would have aspirations and we genuinely believe that work will be lost to the UK and Scotland particularly if an ultra-deep water port facility doesn't exist. Because we will hopefully have one being created at Dales Voe that means that work can be captured and can be shared in terms of the collaborative projects. We would encourage colleagues from around the country to talk to Peterson's in Dales Voe to actually discuss the opportunities for collaborative working and joint bidding. We've seen Burke & Alpha going to Dales Voe which is great. I would like to see many more structures going there. The opportunity is very, very significant. We are waiting for the outcome of the BEIS study. They're study followed on from ours and we fed all the information that we collected through our feasibility study into their exercise to avoid duplication of effort. It is one where we're hoping to reach the same conclusion - hopefully with the same evidence - and then we'll take that forward. It is a massive opportunity. Certainly I'm keen to engage with colleagues from around the table on how we make sure it's maximised for Scotland.

**Fergus Ewing:** Thank you very much indeed Paul. Charlotte:

**Charlotte Wright:** Thanks very much. I maybe just attempt to summarise and suggest how we take this forward. I think we've got something quite assertive if you like in terms of the ambitions for the Highlands and Islands. That in itself is important in terms of recognition of what all of the partners across the Highlands and Islands can bring together. I think that's a really important thing to crystalize out of the meeting today. I guess some of the key elements that stood out from the discussion to me were around skills – and I'm sure that will feed through into the next item - research and how we make sure that the work that we're doing through the skills plan at the moment reflects the changing environment of some of the projects that we have just talked about. I think there is something around using the leverage here for unlocking public sector money through deals but what came through really strongly was in terms of how we unlock the private sector investment. I think there is a key focus around transport in its general sense but also about how agencies and partners including Transport Scotland can come together to unlock some of the challenges around transport. I suppose underpinning it all is what's our approach to collaboration? I think as Highlands and Islands partners we've often spoken about our ability to collaborate. This set of projects actually gives us an additional lens to focus that collaborative approach through and really give us a test of how we take a list of projects at the moment and add our collective weight into their delivery. A suggestion round that is through the Senior Officers Group which supports COHI to take that onto the next step. We can maybe agree how we report back to COHI on an ongoing basis so that you can see that actually we are working together that that collaboration is delivering the added benefits that we know we can bring to this.

**John Swinney:** Can I just add reflecting on Charlotte's very final remark there. I think it is important that we see an update on progress on a persistent basis. This is viewed to be a meaningful proactive part of the agenda of collaboration in Highlands and Islands. What are we trying to achieve? We're trying to achieve progress on some or all of these projects and what we look at is what can be done tangibly to deliver that as a consequence of the interaction between the organisations. I think on an ongoing basis we should look at what is essentially a stocktake on some of these opportunities. We've got to be adept at making sure that we respond to those opportunities as well. I think this is a very good distillation of what type of purpose there can be to collaboration around this table. It would be helpful to see updates on that in due course.

**Fergus Ewing:** Thank you to everybody for taking part in this discussion and it's revealed a hugely exciting range of major significant projects many of which could help bolster the economy in the local economies for generations to come. This has been a really very optimistic discussion but just to help the civil servants who will be trying to prepare a note of how we take forward these points in addition to the steer that Charlotte and John have already given I think it would be useful if we could express the kind of unanimous support for the collaborative model of a sort of Team Scotland

approach with HIE being in the lead in respect of economic development which of course is their statutory function but working in close collaboration. I think secondly it is very evident that the types of projects described are of many different types, sizes and parties and therefore a bespoke solution is really going to be required to advance each and the nature of that bespoke solution depends entirely on the characteristics of the project etc. Thirdly, I think the funding aspect does seem to be key - and I did mention earlier the need for clarity around funding from City, Region, Island Deals – and I think it might be useful for this body to send to our UK Government partners a message that greater clarity is required otherwise it is just a wish list to which you cannot assign any certainty. Every project has got at least 3 variables of time, specification and finance – the money, the length of the project and what the project entails. If one bit of the triangle moves then problems arise. Of the three, funding is probably the most important to get right. I think it would be helpful if there is a consensus on this to write to express this view very clearly to the UK Government about the desirability to remove the lack of clarity about funding. Particularly the timing of funding quite frankly might be even more important than the quantum of funding. The next related point is that it occurs to me that some of the projects for example Dales Voe or any projects involving ports – and Argyll & Bute and North Ayrshire have mentioned the importance of ports and harbours – but I think its prevalent I think frankly to every local authority in the Highlands and Islands is the continuance of the European Maritime and Fisheries Fund or something equivalent – is going to be essential and therefore I would propose that we convey to by letter to Mr Gove the importance that there is clarity of about continuance of funding under the EMFF. The next point I thought we should raise which hasn't featured largely in discussion of course is around planning. I'm not the Planning Minister but it does occur to me that these projects are local but each of them has a national significance and therefore I think consideration needs to be given to the status that they may have in terms of the planning framework and future planning policies. My understanding is that if projects are classified as national then putting it kind of simply it is easier to get things across the line than if they are classified simply as regional. I think that's something to which consideration could usefully be considered. The importance of working as a team across the public sector seems to me to be perhaps the easiest to announce but often in practice the most difficult to achieve. Therefore I think I would like that point to be emphasised as essential in order to achieve any project that all public bodies work together. Reference has been to 2 specific bodies in the course of the discussion. Lastly projects have been mentioned but there are many other projects either that are going ahead or have already been delivered such as Norbord, Callac and Marine Harvest; such as the Scottish Sea Farms in Oban; aquaculture and fish farming, forestry – and this discussion - just for the avoidance of doubt- is not intended to belittle any of these other projects – they're all hugely important and there are many others that I've not mentioned including for example potential pump storage projects on a very large scale which I know I can't comment on because they're under planning but these and other renewable projects would be immensely important to the continuing success of the Highland economy having built up an expertise particularly

in renewables but also of course in oil and gas. I hope it's been helpful anyway Joe for framing some sort of decision as to how we might take these things forward. From the general nodding of heads I take it that there is a kind of broad assent to the particular proposals I put forward. As John has indicated I think we should come back to make sure that we have regular updates about these projects and future work.

**John Swinney:** Thanks Fergus. You wanted to raise the issue about the daylight savings consultation by the Commission. Let's do that very quickly. We've got 5-6 minutes for that.

**Fergus Ewing:** The EU have a proposal to abandon the current system where member states change the clocks in March and October each year. Their proposal is that the final mandatory change in the clock takes place in March 2019. Each member state will have to decide whether to stay on permanent summer time or winter time. If they opt for winter time then they can change the clocks one last time in October 2019. I felt that this would be a topic of some considerable interest to many members of COHI not least the Northern and Western Isles for whom life would be spent in a state of virtual darkness for most of the day were this proposal to become a reality. I should make it clear that my understanding is that as well as the Scottish Government being opposed to this measure the UK Government's initial position is to oppose it as well so hopefully this would not be an area where there is a political disagreement about that but I thought I should bring this issue to COHI and invite contributions particularly from those northern members to indicate whether or not you feel that this body should express a view to the UK Government. I have to say that sometimes the EU make it hard to love them don't they?

**John Swinney:** If there are any observations then colleagues can raise their comments to Fergus direct to confirm their contribution to the conversation. James:

**James Stokan:** It's just a thought that we have no light at either end of the day in the middle of winter in the far north of the islands because people are either going to school in the dark or coming home in the dark or both at the height of the time. We have discussed this in the past and I'm struggling to remember what position we had taken because we had consultations on these things before but for us it's one end or the other. It's six and two threes.

**Alistair Cooper:** Thanks. We're right at the far end. We have darkness in December - 8.30 daylight to 3.30 pm dark. The real issue for us was the agricultural community. The dairy farmers and such like – though we don't have any in Shetland - but the whole agricultural community was against it because of the fact that we had daylight coming in - the feeding animals and such so it was a big issue. The children going to school in the morning - they felt that it was better that they went in daylight in the morning. They could come home in semi-darkness in the evening. They were going home to their own houses but they were going to school in the morning when dare I say it they're probably less awake. We've discovered that there is more of a risk. We in

Shetland are totally opposed to the thing from the perspective of the agricultural community and children going to school. I suspect it will be the same again although it's not been discussed to the same extent as it was last time. Roddy:

**Roddy MacKay:** Just to say that there is more light and hope in the Western Isles than there is obviously in Orkney and Shetland. This has come up previously. You're dead right in what you said when you first started off. We're not happy with the suggestion.

**John Swinney:** If there's no other contributions then we'll feed that into our dialogue with the UK Government and make sure that that's understood clearly from the perspective of the Highlands and Islands bodies that are here. Thank you for that feedback and we'll make sure that's reflected in the feedback we give to the UK Government in this respect.

Can we move on to the next item which is looking at post-2020 issues? The first of our conversations in this respect is on workforce planning and the update on the Highlands and Islands Skills Investment Plan and the Enterprise and Skills Review Strategic Plan. We looked some time ago at the Highlands and Islands Skills Investment Plan which of course if my memory serves me right was the first of the regional skills investment plans that was formulated and COHI was heavily involved in that discussion recognising some of the interaction between the challenges of - in some respects - the Highlands and Islands depopulation and in other areas population growth and the implications of all of that in ensuring that we have the appropriate investments taken forward in relation to workforce planning. We also - at subsequent discussions - have looked at our concerns about - particularly in relation to the wider context of Brexit and its link to the debate on migration and immigration - the issues that are raised in relation to the availability of a population that can actually satisfy the needs of the Highlands and Islands economies. There's quite a lot to consider in this area to make sure that we have in place an approach that can best address the circumstances and challenges in different parts of the Highlands and Islands. I think I would encourage colleagues to reflect very firmly on the issues that emerge in relation to the questions of migration which have significantly fuelled the ability of the Highlands and Islands economy to expand and for it actually to cover some of the challenges of depopulation which will become ever more challenging during the period going forward. Damien are you going to open up for us in this respect?

**Damien Yates:** Thanks very much Deputy First Minister. And members. Thanks for the opportunity to update. I'm going to give a brief overview of the intensity of the challenge that we're now faced with and I think it resonated right across the room that at the centre of the skills agenda is population and for some it's critical and for others it's very, very acute. Seonag, my colleague, will update on the practicalities of progress over the last number of years and then I want to finish with I guess an uplifting proposition in terms of some of the good things that are happening that should give us cause for assurance about where we might go in the future. Just to remind members

there were 5 themes that we all coalesced around in respect of responding to a regional skills strategy. The first of these was to recognise that skills must underpin economic growth and must be aligned with employer needs so Crichton's intervention in respect of UHI's greater visibility and alignment with economic development is a really good signal in that respect. We talked about the need for a future orientation to planning so that we're proactive rather than reactive. We talked a lot about the migration of young people in the region has reached up to 7000-8000 young people leaving the region. That has been arrested to some degree but it's still a significant number of young people leaving the region. We talked a lot about people attraction strategy so population really does need to be at the heart of driving skills. We want to ensure that we strengthen the voice of the employer in the school system. So just to pick up on the Deputy First Minister's comments about the growing intensity of this, there are 3 real areas of intensity emerging. Clearly the Brexit agenda is very, very significant for the Highland Region not just in terms of moving people into the region but the types of sectors that are dependent on migrant workers which tend to have a greater dependency in the Highlands and Islands.

The second is on demographic trends. I want to bring out some quite dramatic shifts that we're predicting out to 2041 in terms of ageing population. The final point – and it's very apposite that we're following the paper on economic growth opportunities that these challenges are live today. This is not an issue that we're trying to project into the future. The collaboration that Margaret and others referenced in respect of live projects is at the heart of the skills agenda right now. In terms of demographic trends these are across the 6 Highland authorities and they include Scotland and some of the Metro Regions. You can see the blue bar chart represents dependency ratios for population over 65 at 2016 and the projection out to 2041 show a dramatic increase in dependency ratios of older population against the working age population. It is quite dramatic and Aileen's point in respect of Argyll & Bute and to Western Isles there are very dramatic movements in those local authority areas. If you then look at dependency ratios and non-working age population to working age population then again we're seeing a worsening position on this. This really matters because the growth in dependency ratios is not just a loss of earnings or a loss of skills to the economy it then also creates a dependency cost which all of the local authorities will be very familiar with. An ageing population requires more servicing in respect of health so there is a double triple negative in respect of these ratios. It's really, really significant. In respect of Brexit some of these numbers are indicative but they should be close to the mark and they represent some very recent calls we made to local authorities. On the left-hand side you'll see the actual numbers of EU migrant workers in each region which is probably conservative because what we're finding is that a lot of people aren't even representing themselves for fear of how Brexit is going to play out. On the right-hand side you can see the types of sectors that have high dependency on migrant workers. The combination of the demographic factors and Brexit – given the perilous state we're in – just brings this even more to the fore and the major message to emerge from COHI in Moray today is that population is a major,

major agenda issue for COHI. With the demographic and Brexit trends now we're in a really perilous state and for some areas in a very, very challenging way. These are 3 by way of example and there are many more. There is a large number of growth opportunities under consideration for which actually population is the issue and skills isn't the issue. If population is the No 1 issue then we can then develop the skills beyond that but if we don't have the people to drive these projects forward then they're going to really, really struggle. We've heard already about the amazing intensity of the collaboration that we're now seeing across the partnerships because the benefit of securing this economic activity has the duality of attracting population in but also in terms of the island communities a family leaving a remote area resulting in the loss of services but the retention of economic activity in that area could actually really develop and help it blossom. It is really, really important. I guess the point we want to make is that the regional intensity of this skills investment plan is really, really important but equally I guess as was commented on earlier localism is important and translation of the regional agenda to local delivery is also really, really important. I'm now going to hand over to Seonag just to give you an update on progress against those 5 themes: things that have worked well; things that we need to do a bit better and then I'll come in at the end just to update on some new and additional work that's underway.

**Seonag Campbell:** Thank you. Over the last 6 months we've been working very closely with COHI partners to produce a review of the progress of the HIE SIP Action Plan from 2014-18 and the report is actually in your papers. The partners were asked to provide updates to the Programme Board against specific commitments. The next few slides are going to take you through the progress we've made across 5 themes but also very importantly some of the future skill challenges that the partners have identified.

On slide 1 the theme very much focused on the aligning and reversing the skills with the needs of employers and as you can see the HIE SIP actions have been delivered in full or are almost complete in 7 out of the 8 commitments identified in 2014. Particular highlights were: that we delivered 2750 modern apprenticeships last year in the Highlands and Islands against a target of 2500; we've also been really busy establishing industry led skills provision in care, digital, energy and creative industries and we now have foundation apprenticeships being delivered in every single college in the University of the Highlands and Islands network. There are 11 graduate apprenticeship frameworks available and these are focusing on the employer skills requirement in IT, in engineering and business management. The Scottish Funding Council has provided an additional 1300 higher education places over the last 4 years and it has supported the University of the Highlands and Islands in developing new curriculum, for example in interactive media, sport and fitness and marine and coastal tourism. There have been some progress in providing a professional cookery course but UHI plan to broaden its food and drink modern apprenticeship offer with a way of supporting that sector. Looking to the future critically some of the key challenges that were identified include: ensuring that the skill provisions becomes much more closely



aligned to local needs capturing and responding to the economic opportunities that are emerging round the deals that we've heard about today and developing provision that allows those people to upskill and reskill in a really fast changing workplace.

Slide 2: theme 2 focused very much on planning and preparing for future skill needs. Again there has been good progress with 3 out of the 7 actions being completed and 2 of the 7 making very good progress. The key highlights include: the co-ordination and execution of a skills research programme through the HIE SIP Programme Board. This has really focused skills research to futureproof the Highlands and Islands economy in sectors such as forestry, aquaculture and construction. We've also provided a sub-local authority skills assessment in in Argyll & Bute and Highlands to help with their skills planning. Critically we've worked to reduce overlap and duplication in commissioning and producing evidence. Plans for the Highlands and Islands Science Skills Academy have been taken forward through the City Regional Deal with funding provided to Highland Council for 4 new rooms. In addition Skills Development Scotland have established a digital hub in Inverness and that's raising STEM awareness in thousands of pupils and CPD to hundreds of teachers. However looking ahead the Programme Board have identified 2 clear areas for more focus: getting a clearer insight on a future inward investment pipeline in the Highlands and Islands and reflecting that in our skills planning and in response to the ageing demographic intensifying our efforts to capitalise on the significant employment and training opportunities that are required in the health and social care sector.

Theme 3 contained a series of actions which connectively focused on making the Highlands and Islands a region for young people. Progress here has been quite substantial with 8 out of the 9 actions exceeding or meeting the targets. HIE commissioned and completed research into young people's perception of living and working in the Highlands and Islands and they're now replicating that study. SDS has enhanced its careers information advice and guidance services in the region which has contributed to a steady increase in the participation measure and continuing low youth unemployment. We've also established a network of digital champion's to promote opportunities in digital technologies alongside the launch of the Digital Awards Career website. With HIE we are extending the reach of coding clubs in school across the region. Eight DYW Groups have been established and they're playing a really important role in connecting employers with schools, pupils and teachers. One area of limited progress was in the deployment of the STEM Net model but the Programme Board is comfortable that this has been taken forward through other STEM activity. Whilst there has been really excellent progress around the commitments made in 2014 the fact remains that still too many of our young people are leaving the region to pursue higher education and career opportunities. Going forward we are very clear that we have to redouble our efforts to develop an ambitious employment, training and education offer that excites and encourages the young people to stay in the region.

In theme 4 we focused very much on the critically important issue of enhancing the attractiveness of the Highlands and Islands as a place for individuals and families to live, work and study. The key areas of progress have been on digital connectivity with well over one hundred and forty-six million pounds worth of investment in superfast broadband and a complete pledge to deliver 100% coverage; UHI and the Scottish Funding Council have also invested significantly in residential and learning facilities over the past 4 years that makes the region much more attractive to students. The developments around the School of Health and the new provision for allied health professionals will also make a clear contribution to talent attraction and most importantly will meet the need to develop innovation in the health and social care sector. While some progress has been made on local and regional talent attraction particularly through the compelling Argyll & Bute work and the development of the regional talent attraction strategy it is clear that we need to intensify our collective approach in this area to respond to both the demographic challenge and the implications of Brexit that Damien has already mentioned. In strengthening the voice of the employers in the school system we have again made very good progress and as previously mentioned there has been a strong commitment to employer focus research to understand the skills needs of employers now and in the future. UHI is continuing to develop employer advisory groups that will inform key areas of their curriculum. There has been stronger business engagement through the Highlands and Islands Business Panel and strengthened representation of the region's businesses on the national industry leadership group. Going forward we are really keen to ensure that the employers' voice must remain at the centre of our efforts to develop workbased learning, upskilling of the workforce and talent attraction. Finally it is important to note that the Programme Board and the partners remain committed to the key themes that were identified in 2014. Work is now well underway to develop the HIE SIP Action Plan and we intend to build on the many successes that we've had to date and critically to address the future challenges that have been identified.

**Damien Yates:** Deputy First Minister I'll just conclude with the critical actions that are going forward. Clearly population is one - both in terms of immigration policy and talent attraction – localism I think is really, really important - and this alignment and responsiveness that we talked about is going to be a critical feature of our programme going forward – and in that respect I just thought I would highlight to you some development work that's underway initially with Skills Development Scotland and the Western Isles but clearly with all of the partners in respect of local delivery – much of the credit for this approach goes to some very innovative thinking in the Western Isles to Roddy, Malcolm Burr and to Bernard Chisholm. It partly anchors in Our Islands Our Future and the new Islands Bill that will emerge - but just to say that within the context of that local agenda that the overall strategic ambition for what needs to happen on skills will now be anchored by way of a new charter – our Partnership Agreement. What's really important about that Partnership Agreement from the subject matter that we're talking about just now is that in respect of skills it will be underpinned by the interlinkage of 4 policy areas: economy, education, skills and housing. In a very, very

practical way the Western Isles have taken a future view of economic growth on the islands – where are the jobs going to come from; what are the pathways into those jobs; what are the volumes of the people that they're going to need; what is the demographic outlook; what are the skillsets – so that the needs of the economy is really, really at the heart of the future of the island. That will inform them what needs to happen in respect of education, skills and housing. By way of an example Western Isles are proposing that every young person in the senior phase will have the opportunity to do foundation apprenticeships that's linked to a sector opportunity on the island to really attenuate the economic and job opportunities to those young people. Every job opportunity in the future will be framed in the context of a potential apprenticeship either a graduate apprenticeship or a technical apprenticeship so that the skill system and the local delivery will be responsive to the economy and will ensure that young people can undertake those technical or graduate skills training in their region in jobs that the Western Isles need to support - both public and private. The Western Isles have made a very, very visionary and I guess assertive position on the future of public sector investment and where those jobs are going to be. The last bit which I think is not unique to but is very, very innovative is the linking the opportunity for housing with apprenticeships and training and jobs. Last month the Western Isles were a guarantor for a mortgage in the Western Isles. The idea is that as a 5 star offer to a young person that I'm going to give you whatever level of training you want; I'm going to give you a job and I'm going to give you access to housing so why would you want to go to Inverness?

The depth of thinking that has gone into this; the intensity of the engagement - both across the private and public partners is phenomenal – but the strategic setting of it within the sense of really getting a sense of democracy of this; the community participation; the fact that it is underwritten by a community signature and that it is an area partnership. So just to pick up on the points that Margaret and others made about the intensity of this partnership: SDS has now signed up - subject to final discussions with the Scottish Government – but we intend to sign up to this formal charter because other partners are signing a similar charter. As part of this approach in the Western Isles. We will move forward on full co-location of our services with the Western Isles we've been promoting this notion of agency fluid staff - I think the Deputy First Minister mentioned this – the notion that on the front of our card it might be Skills Development Scotland but the back of the card will be Western Isles and that staff in Skills Development Scotland would be trained up in aspects of service delivery that's important for the council and the council staff that have skills that are relevant to joint areas of interest are trained up equally so that we get the maximum from the talent that we have delivering those public services. We adopt a distributive leadership model. We've moved from a matrix approach in Skills Development Scotland to having a single island manager that can be available to attend those meetings and speak on behalf of all the service delivery. As I say this would sit within the context of a community charter. I think it's a really good example of the great benefits to be achieved from regional alignment and I think that was well articulated in respect of

space and other skills agendas but the translation at a local level is really, really important. I think this charter as an example of that local intensity gives us great hope. We have had similar discussion with Orkney and some of the islands. For me this represents a great blueprint for that responsiveness to both the population and the skills agenda going forward.

Finally Deputy First Minister to draw members' attention to – I think just in the last weeks – published the latest data on regional skill assessments for each of the local authority areas. This data and intelligence has improved and developed over the 4 years and the quality of it now is pretty phenomenal. Chief Executives and Leaders of the council may not have sight of this but certainly their Heads of Economic Development will have had a full briefing on the detail of this evidence. In addition we're constantly commissioning additional research around growth opportunities that I mentioned in the economic paper to ensure that we're in advance of knowing the types of skillsets that will be needed and with respect to local action that's been invested in.

**John Swinney:** Thanks very much Damien. Within that presentation I think there was a fascinating contrast between the scale and the intensity of the challenge that we face principally in relation to the issue - which has been an issue with which we've been wrestling with for some time about the retention of young people and the balance of young people to other population groups within remote and rural communities - of equal interest is the approach being taken in the Western Isles which is very refreshing in terms of looking at how we can meaningfully tackle in a comprehensive way the issue of young people's retention by actually putting in place mechanisms that make it practically and tangibly possible for individuals to see that as an alternative. Obviously the general circumstances that we face based on the data that you shared with us in the presentation - the last time that you gave us the grave statistics - the degree of new population requirement to support economic activity in the Highlands and Islands is an acute consideration that we cannot dodge. Obviously that is amplified by the challenges we face around the migration of population which the government was singularly unimpressed by the feedback from the Migration Advisory Committee which we don't think took into account the reality of what we face particularly in this part of the country but it is very relevant to our debate today. Thank you for that contrast Damien in the presentation there. I'll open it up first with Roddy and then I'll take anyone else. Roddy:

**Roddy Mackay:** Thank you. Just to confirm that we have made great progress. A great partnership has evolved between Damien and our Director of Education, Bernard Chisholm backed up by our Chief Executive, Malcolm. We've got to a place where maybe we would look at the Highlands and Islands Partnerships or a board but because the region is so big we felt that it wasn't as responsive enough as it could be so we both said this is what we have so let's see if we can do something better with the structure. We can see the need to continue some regional oversight but we're moving it more from a transactional arrangement to a collaborative one. It was

becoming a bit transactional in the sense that they were asking for reports and we were giving reports but now we're moving to collaboration where we're taking that regional overview but then we're sort of sorting out local challenges on the ground collaboratively. I think the example that you've articulated well there Damien is working but it's in its early days. It's seeing action on the ground. We've got a charter just about to be put in place; we've got co-location well underway - what we're trying to do here is focus on outcomes for our people rather than get caught up in processes. We're all driven by outcomes. I think one other thing that is important to say in this context is that we're working away at the principal of a single island authority and investigating that. It's not something that's almost desirable to us it's almost become an essential because we're all fishing in the same pool of talent – the public sector - the health board and ourselves – we're all looking at the same people. When we can work collaboratively we get better value for the public pound. We get less duplication and we get outcomes that mean that we're addressing our fundamental issues like depopulation and regenerating the economy. It's working well on the ground. It's a good example of charter work partnership. We're talking to other public bodies about the charter. What we're hoping to see is to convince people eventually that actually on the ground we're delivering the principles of a single island public authority and hopefully that will move that agenda along rather than sitting back and starting from legislation and then trying to force people. That's our collaborative approach on that.

**John Swinney:** Thanks Roddy. John:

**John Kemp:** That actually very neatly leads into my theme which is about collaboration among public bodies. The Enterprise and Skills Board of last week published its strategic plan. There is quite a lot in there about skills which is extremely relevant to the discussion we've just been having. As you said DFM the Highland SIP was in some way a forerunner of work that was done elsewhere in the country. We've learned quite a lot from that. One of the things that we've put in the new Enterprise and Skills Strategic Plan is a 5 stage process for the way that regional skill assessments and local information data on skills needs from SDS better fit into the way that SFC funds its colleges and universities. We want to make that what is now a 5 stage process work far more effectively for the Highlands as much as for everywhere else. Some of the other things that are in the Enterprise and Skills Strategic Plan are also relevant. One of the things as an aspiration that we do is that we focus far more on the upskilling of people who are already in the workforce or who have left college or university some time ago and might need reskilled. We think that it's an area where colleges and universities have been active in the past but could be far more active in the future. The demographic issues we talked about earlier illustrate why we will need to do that. Because the number of young people bottoms out and plateaus for a while then if we're going to meet skills needs and we can't have immigration then we're going to have to use the people that are already here. We will be asking UHI through the Outcome Agreement to be far more nimble in how it does that. We're not expecting any kickback from Crichton and UHI on that. I think it's

something that UHI can do and wants to do but it's something that we will be asking them to do far more. We will be looking at ways that we can fund that more innovatively so instead of incentivising people to go for full-time courses to look at whether there are short sharp courses that can upskill people more effectively. We also want to look at the way that provision is funded. By that I mean provision across SDS and SFC. At the moment foundation apprenticeships and graduate apprenticeships are funded by SDS and mainstream provision by SFC which leads you to having 2 pots of funding which to some extent drives the numbers that are either in workplace learning or in other provision. What we want is a more flexible way of responding to the demand for types of provision rather than where the funding is. Increasingly SFC and SDS will be working closer together to respond to demand rather than just simply spending the pots of money we have. In that wider context from the Enterprise and Skills Strategic Board there are a number of things there which I think will help drive the things that Damien and Seonag talked about that will be extremely useful to the Highlands as well as to the rest of Scotland.

**Crichton Lang:** Thank you Damien and Seonag. I think that the localism in terms of the application of solutions is absolutely right. I think where UHI would absolutely agree is that the community basis of education and training is key. We've grown a lot in terms of the more traditional university offer. I'll throw some stats out. Since 2010/11 we've grown by more than 50% in terms of the HE full-time equivalent students studying with UHI. There are now 2500 more students now studying in the region for higher education awards. To underpin that we've grown our portfolio from just over 100 available awards to in excess of 250 over that period. There has been a broadening out of what students can study in the region. There are still some big gaps to be addressed. I think we can comfortably get that figure up close to 8000 FTEs equivalent in terms of in-region demand and demand an opportunity for training. We are, John, as you know, through some of the ESIF funding some of our HE streams are now very specifically engaged with the employers around upskilling and CPD which forms a curriculum that we can add to that portfolio. In other areas - and I'll stick with health - we're working very closely with industry around work based study for optometrists; with support from the Scottish Government we're looking at accelerated pathways into midwifery with St Andrews and Dundee; accelerated graduate routes into GP training through the Care Academy; as Seonag and colleagues mentioned we're looking at social care training on a work based level linked into the early education and childcare commitments. There is a common theme to all of these which is not just about community based training but also work based training which is absolutely aligning with the apprenticeship agenda. We're adding a USP either through acceleration or through added value about being live in the workplace rather than co-designed and co-delivered with employees on a fast track through career route. There is a flipside to that - and it is not an ask at the moment - it's just to put it out there that it's an expensive model not necessarily for delivery but for the learner in that there are bursaries to support at the moment Scot gen and nurse training and midwifery training. When we start to look at how we build in other allied health

professionals within the health agenda – the optometry itself – social work is another area we want to look at. If we want learners to extensively get out into communities where we hope they will ultimately be employed then there is an additional cost to the learner in terms of accommodation and mobility. Somewhere in all of this moving forward I think there are 2 bits of the discussion we need: one was how do we get cost-effective lean appropriate models of delivery for the curriculum itself but also how do we support learners to undertake that training? That is particularly relevant to the talent attraction bit of it where we want to bring young people into study from outwith the region. We need to find ways to encourage them to do that which might have to go beyond the USP or the curriculum and it may even go beyond the social experience or the physical environment that they're studying in. I don't put these things out as negatives. There is an awful lot of really, really good things that we're doing for our growth in terms of opportunities and focus but there may be other levers we need to build in.

**John Swinney:** I think in a sense those observations illustrate the fact that we've got to think through as the partnership that Damien highlighted with the Western Isles of what it is you have to do differently to try to address these particular circumstances. I think that's where we have to be open to that thinking as the mainstream offer is not working in these areas. We can see that and we can also see a set of circumstances coming our way that's going to make that even less likely in the future so therefore what are the other elements that we have to put into the mix and certainly we in government are very open to that consideration.

**Crichton Lang:** Can I add a wee bit to that what more do you need to do in different areas? This is very pertinent to our discussions about the NHS around talent attraction - but we can maybe come back to that after lunch – but with optometry where there is that gap in terms of the workforce so the what else do we need to do and the dialogue with industry then we as a HE provider need industry to contribute both in kind and financially to the implementation of that programme.

**John Swinney:** That just brings in the importance of having that very active dialogue with different industrial sectors as to what they can contribute. Margaret and then I'll come to Graham.

**Margaret Davidson:** Thank you. Can I just begin by congratulating the Western Isles and Skills Development Scotland for the work they've been doing because I've got 2 yellow pieces of sticky paper here saying this must become local and we need to step up 2-3 gears and make this relevant for people's lives and you're doing that. Well done. I think if we go away from here today with nothing more than that in my bag then I think that's really, really important for Highland. We will be looking very closely at what you've been doing and what we can adapt to do that. I particularly liked the way you've included community. I was going to wave this around the other night I was out in Fort Augustus and we've got the Fort Augustus Glen Moriston Community Action Plan. What we're doing to increase people's life chances should be part of that.

It's underpinning it. We need to reflect on that and then say what we will do to make this happen. I'm hearing it here today and I think that's really important. I really like the links with the community, the democracy involved and the community signature to it once they're happy with it. I think in the more sparsely populated areas we've got to keep putting the person at the centre and saying how is this going to be for them. We have huge opportunities as the public sector is still the biggest employer out there and we should never forget that. We need to make sure that we've got succession planning built in there. There are huge opportunities around early years coming and we need to have people ready for that workforce thinking about it. I had a long conversation with the only childminder in Fort Augustus who was turning people away day after day during the school holidays and I thought that's something we should be grasping. People will have more than one job. They might be doing early years stuff part of the day and they might be doing home care another part of the day or they might be thinking of working in a hotel for the evening or something. People now have complex lives and we need to be able to feed them the necessary skills to pick that up. They might start on a base level with their pay but if we can show them that you can progress through this if you've got the energy and the application if you want to then that too will attract. I'm very impressed with what I've heard today. We now need to make it a reality. Just to say that before I leave that, we have a real underspend around ESF funding at the moment in the Highlands and Islands and I'm wondering if there is something that we can get going fairly quickly around that and make sure that we send no money back to Europe. If we're going to be wrenched out I don't want to send money back at the same time.

**Graham Leadbitter:** Thank you. One of the points that I made at a recent Moray Economic Strategy discussion was how strong or otherwise the communication might be between on skills development and on the availability of work and how strong that communication is from the top all the way down to every teacher in every high school across the whole region. I think that is one of the critical things. In section 3 – A Region for Young People - the first action in that is enhancing careers information and advice and guidance services. When I think back to the people that influenced me in the education route that I chose to do there wasn't even a guidance teacher. It was a science teacher who had the most influence on me. Every single teacher of every single subject needs to know what the economic strategy is; where the jobs are; what jobs are coming down the line in 4-5 years' time when the students that they're teaching are going to be leaving further education. We need to make sure that that information is getting right to the front line to those teachers all the time so that the best information is available to young people to make the choices that they know. I'm certain that there are teachers and young people out there who don't necessarily know what the opportunities are available and that we've been discussing round the table here today. We need to strengthen that communication to make sure that we do.

**Crichton Lang:** On that point I think it's a really, really important point Graham. When you look at the evidence of what influences young people then typically No 1 is parents



and No 2 is teachers. I think the opportunity that the Scottish Government have supported through the Deputy First Minister for foundation apprenticeships is a really brilliant opportunity because it not only translates into the information but you can then take an action. The beauty of what Western Isles are doing is that they've looked ahead at economic need; they've looked at where the jobs are going to go and then typically what they're saying is we backend that into the schools. We say to young people if you want to stay on the island here's 6-7 sectors of which have growth prospects and here's the first year of an apprenticeship that you can do alongside your higher subjects. You don't have to commit to the apprenticeship route but you can commit to doing the first year of an apprenticeship in the pathway that you think is the pathway that you want to go down. That's the best form of careers advice. They're going to have x amount of their time with the college and x amount of their time with the employer. They complete most of the components of a first year of an apprenticeship and they can really get into the thick of: is that the job that I want? The trick that we have to do is to make sure that the foundation apprenticeships that are available in your region reflect this economic growth so on cyber, on digital, on aquaculture – on all of these areas – we have to make sure that delivery in the senior phase maps the economic trajectory that you see for the region. If you get that with the teachers being upskilled and at least everybody having the opportunity to do a foundation apprenticeship then you're on a pathway to real success because you're really linking young people to the economy in a way that it has never happened before because generally the narrative is – and you'll hear it among young people – is where are you going to university? It's not what job are you going to do or how are you going to contribute to the economy? It's what university are you going to? That's not a bad thing but it would be great to be saying I'm going to the University of the Highlands and Islands but I'm actually going to be employed by Scottish and Southern Energy to be a graduate engineer delivering renewable energy in the region. I'm going to earn £18,500 a year; I'm going to give two and a half grand's worth of tax to the Scottish Government and I'm potentially going to come out and complete my degree in 3 years rather than 4. I'm going to be earning and learning and by the way if I've got a progressive local authority like the Western Isles I'll probably have an uplift into a housing opportunity.

**John Swinney:** Crucially the imperative exists in all parts of the Highlands for such a model to prevail because everybody's up against it and every employer will be up against it. It's not as if this is not some isolated set of circumstances. I think we also know that any transition within the education system has its potential pitfalls for individuals so if you can address some of the transition issues by the link into a foundation apprenticeship for example by good thematic careers advice then you can minimise the potential for disruption to that individual's education contribution. There is a particular imperative in this part of the country of the necessity of retaining more and more young people to contribute to the economy. Aileen:

**Aileen Morton:** Thanks. I would like to start by saying that I think there has been huge progress over the time period of the Programme Board. I attended the board meeting a few years ago when it was held in Oban. I suppose my note of caution would be that from Argyll's perspective is that there's definitely a sense from moving forward that we need to make sure that there is that real focus at a local and a more gradual level as well as the regional delivery because for example we put in the majority of funding for the compelling Argyll & Bute Study because the regional plan hadn't picked up the detail we needed at a local level. Even within Argyll & Bute we recognise progress in terms of the work of SDS and HIE and Scottish Enterprise in terms of the enterprise split and the teams are now working much more cohesively together but again it has felt as though getting to that point has been what we've spent a lot of time and energy on over the last 5 years. It's now trying to step up a gear because Damien put into his presentation the comment about a local business in Argyll recruiting basically on a 2 on 2 off basis for staff and that's not the first example I've heard. It's hugely damaging for our local communities and for our economy but also for the Scottish economy as well to end up that workers are being recruited on an offshore basis to come and work on Argyll. They're coming from England and from Ireland to work in what are relatively well paid jobs. Quite often it is aquaculture or construction but that money is not then staying in the local economy and it's not staying in the Scottish economy. I did really welcome that Damien put such a focus on that depopulation challenge and the huge impact that is having in some specific areas. Can I maybe say that it is something that I think that when we go back again to that regional target that it is something for COHI to consider because Roddy's comment about Inverness and Edinburgh got kind of skipped over - quite reasonably enough in a way - but there is an international trend about people moving towards cities out of rural areas and actually even in the Highlands and Islands and we need to recognise and consider that. Nobody wants to see Inverness held back. That's not the suggestion but equally delivery in Inverness doesn't then equate to delivery across the Highlands and Islands and I think we do need to be aware of that and be cautious of that when we're looking at a regional level in these targets and delivery on them.

**John Swinney:** I think in a sense that if you go back to the slide that has Custer's last stand then Aileen you won't solve any of those issues just by solving it in the skills box because you've solved it in the skills box but where am I going to live and what about other economic opportunities? It can't be a compartmentalised solution so something of that which recognises the collective impact of policies being aligned to meet the objective. The objective here is to tackle the depopulation crisis that will face some parts. It's acute in your area and in the Western Isles but perhaps less so in Inverness but Inverness will start to have its problems once the migration constraints start to take effect. It will all start to be felt in Inverness and the communities like this so trying to have those cohesive solutions put in place are absolutely crucial. Alistair:

**Alistair Cooper:** Thank you Deputy First Minister. The situation in Shetland is the same as Argyll. We have a travelling workforce - two-thirds of the gas plant; 60 odd

folk travel back and forward – 3 weeks - it's going to go to 3 on and 3 off. The Sollum Voe Terminal is the same – travelling workforce. They contribute little to the local economy. The problem for the young folk in Shetland is if you take the oil and gas industry they don't see it as long term sustainable employment because the oil industry is so kind of cyclical – a few years of boom and bust. We try to bring them into the industry and say that there will still be oil or gas coming ashore in Sollum Voe in 2050 but if they want to live and take on a massive mortgage in Shetland and pay for it for the next 30 years they want to have sustainable employment and that's one of the things we struggle with in the oil industry. What we find is that when the oil industry says we're committed to the next 20-30 years then you get a whole heap of young folk not going to university but going directly into the industry but at the moment it's a bit shaky. They don't want to know. With the construction industry then again we're struggling in Shetland to get young folk to go into the building industry. They look at Shetland on a winter day and think who wants to be working on a building site on a winter's day in Shetland if they can get a job working on computers or whatever so we struggle to get young folk to go into the industry. I think the Western Isles example is probably the one that we need to go down where you actually create incentives to get people to go into the industry because we have an ageing workforce in the construction industry. I'm putting pressure on to get more houses built. I'm getting pressure from dare I say Kevin Stewart to build more houses and we don't have the workforce. We have to work in the short term but when you look in the medium and long term it's an ageing workforce and we need to do something about it.

**Alistair Christie:** Thank you Minister. I'm a councillor for Inverness and in the Highland Council I'm quite used to people saying that everything goes to Inverness - and thank you for making me feel at home – but I can assure you – and I noticed – I'm sure that Fergus would agree – Inverness is already seeing that drift away now. At the moment we do need to work collaboratively together because the success of Inverness is based on the success of the other regions around COHI and the other regions' success is based in Inverness. The two are inextricably linked. We've got to make sure that we move in the right direction but Inverness is seeing that drift away. There are a lot of things pulling at us isn't there? We're all successful areas for tourism and that's a pull for people wanting to work in it. Tourism is also a pull because it takes houses or homes available to rent out to the market because people put it on Airbnb instead of letting local people rent it. We've got the expansion of early years which is a great thing. It's a fantastic thing but it means we've got to increase the workforce for early years. We've got the increase of older people so we've got pressures on the adult social care network where we're struggling in Inverness to recruit care at home workers and other people to keep people in their home longer rather than have an unintended consequence or admission to hospital. We've got all these factors pulling. We've got the Science Skills Academy; we've got the space that we've talked about earlier – we've got all these factors pulling so what does that tell me? That tells me that we won't solve all this all alone through retention of staff in the area. We've got to become more practical in recruiting inward migration to all our areas to create these

jobs and we need to focus on that. We need to look at the careers advice that's given in our schools but also we need to find a way to make sure that the jobs that we have in all our regions are actually put into other schools across the UK so that people know that our areas can offer employment. It's quite a labyrinth of complexity to bring together but we need to look at this holistically and as Mr Swinney says that slide up there is pretty key to it. If we were to put 10 adult social care workers in Skye tomorrow that would be grand and would help but there's actually nowhere for them to live. There is nowhere at all. We've offered people teaching jobs in various parts of the region and they've refused it because they've got nowhere to live. We need to look at this holistically. I think the challenge for us moving forward is taking the Western Isles model – which I think is really useful and good – and seeing how we can roll that out. I think it was Crichton that mentioned that we need to go that wee bit extra and that should be about a local level as to how we do it. I don't know what we do. I know we've all got positive destinations. Highland has got a very high positive destination for people leaving education - which is great - but we need to look at what it is that wee bit extra that we need to do. I'm not advocating this but in London I remember in the 1970's and 80's they did it by paying an Inner London Weight Allowance. It helps to recognise the additional costs for people actually going to London to work and maybe we need to look at different ways and different models for actually saying what we do. It's all very well creating jobs but if it's only paying the living wage then it's not going to get people relocating to our area to receive the living wage when they can probably receive it where they are. I think we need a radical look at this by taking the Western Isles model and see how we can develop that forward to see how we can push that to the boundaries to actually ensure that we make the seismic changes that we need to in our region.

**Paul Wheelhouse:** It's really just a brief point picking up the point that Alistair was making. I was going to reference it anyway. There's a case study being done by RGU and OPITO looking at the future of the oil and gas sector out to 2035 and the fulfilment of the maximising economic recovery agenda. In essence it is the assumption about the industry collapsing from 115,000 in Scotland to near nothing over that period is misplaced. If you look at the evidence they provided, effectively there will be a need for reskilling in the sector and there will be a huge amount of digital requirements going forward for data driven production and robotics. A lot of it will be done from a nice clean office rather than on the top of a platform so I think there's a real issue there. That's something that the Industry Leadership Group that I co-chair with industry representative Milford Campbell is looking at of how do we actually reposition the sector in the context of millennials not wanting to be part of an oil and gas industry because they're more typically more concerned about the climate change and the perception of working in the industry so it's about trying to provide (a) a role for industry in the transition to the future economy and the energy system that we're having but also within the industry how do they work with the likes of SDS and others to make sure that they are providing those broad-based skills that people are going to need when they're in the sector. There are things that Skills Development Scotland can do

to help reposition people's perspective on a key industry like oil and gas to actually see there are viable careers. The other point I was going to make - which was in relation to the wider point about digital - is just around what we're seeing when looking at the computer games industry and other key sectors where digital is important - Fintec - where you've got a cluster of industries which have the same demands that can be seen as a threat but it's also very helpful in attracting talent to the area because people know that if they come to work in Fintec and that doesn't work out for them then they can work in data analytics, they can go into the software industry, they can go into oil and gas - in this case they've got options so it's about trying to collectively present that there are a number of different opportunities if you're trying to attract someone from the rest of the UK or indeed to persuade a local person to invest in skills in IT that actually it's not just a one trick pony solution. They've got several different horses they can ride if they have those skills then they are able to do anything. It's one of those cross-cutting skill areas that will really empower them. I think we could maybe work a bit better in presenting a more optimistic message to people.

**John Swinney:** Thanks Paul. I'll ask Damien to sum up just now in a second in terms of where we go from here but just let me make a few observations on that I think comes out of the paper from me. First of all in this discussion I think the first thing that we have to recognise is - and the model we've talked about in the Western Isles is a good illustration of doing this - is the fact that traditional factors are not going to work. There has to be a change of practice. We need to be open to exploring what that means. There are a number of suggestions have been made in the course of the conversation which we have to continue to develop because our ability to rely upon a kind of natural flow of individuals through our communities is just not going to deliver what we would ideally want to see. The necessity of working outwith discreet areas of policy which this illustrates is an important observation in that respect. The second observation I would make is that there has been a number of colleagues who have made the point about how it would be good to see more localism around this model. We have had a bit of Parliamentary traffic about the regional model not being fine grained enough to deal with individual localities so it's really welcome to see this but I think a bit more of that will assist in advancing some of this agenda. Thirdly - and this is absolutely common to all this area - we must ensure that employers feel immersed in this whole discussion. I think we just have to make sure that that's the case and there should be every opportunity and invitation for employers to be involved in this conversation but I think ordinarily that's perhaps not as immersed as it should be. I think making sure that employer engagement and involvement is crucial because that can then design some of the routes which enable us to retain individuals and to find good opportunities for them. Finally - and I think this is tied up with a lot of things but it has also got a particular dimension for UHI within this - and that is about how the university model can be a magnet to attract people to the area at all sorts of different levels and in different activities and particularly for some of the value added that can come from particularly the research process which again is another way in which we can tie employers into this whole process by having greater employer commitment to

research linked to UHI with an ability to actually ensure that people come to this locality and contribute to the local economy. There is a set of linked and connected themes there which again comes back to the discussion which I first started today of the importance of collaboration in anchoring all of that together. Those are some of my thoughts in drawing this discussion to a close but I think crucially we must take away from this is the necessity to take a very proactive approach to identify how individuals will stay here and contribute in the process. Damien:

**Damien Yates:** Thanks again Deputy First Minister and members. Just to say that as was recognised by the members the regional themes have a unifying and commonality to them but I think the translation of those to a local level is really, really important. I'm very happy to share and expand on the Western Isles model. I think 2 other things: we're going to hear after lunch on turning up the dial on the talent attraction strategy but I think Alistair rightly pointed to this as multi-faceted – the retention - but equally the attraction in of young families and then I guess lastly the delivery methods are really, really important. We have to move beyond – and I think we have moved beyond – and UHI is a good example of - fixed building type delivery. The Western Isles have a brilliant programme called Ease Go – distributed ways of learning are really, really more efficacious now than ever. That should support work based learning and an intensity around work based learning in a way that we've never had before. I guess Frank reminded me to just again to keep centre stage the employer proposition and maybe there is a challenge that we're not making it stark enough to the employers that actually your bottom line could be affected by not taking a more progressive attitude to future planning and workforce skills investment. Larger employers see skills as a commodity and oil and gas is the worst example. When they need it they buy it and when they don't need it they get rid of it but actually given the constraints on labour supply it is a strategic supply chain issue and smart employers are moving up the chain. JP Morgan and Morgan Stanley are recruiting from school. They're not waiting for university. They're going the graduate apprenticeship route because they know talent is going to be what they really need. That employer perspective is maybe something that we need to think harder about as well.

**John Swinney:** I saw a fabulous example of a proposition which involved Aberdeen Standard and Newbattle High School in Midlothian where Newbattle can sit down literally with young people and say to them if you want, here is a route map that we can offer you which will take you into a modern apprenticeship into an absolutely stunning company. It's there for young people and it's hugely oversubscribed because it's got such a clarity of route through it. I think that point about employer engagement and actually I would be deeply alarmed if an employer today was not seized of the talent challenges that lie ahead of us because they're huge but perhaps that's not what it needs to be. Thanks very much for that. We'll break for lunch just now. We'll reconvene at 1.30. We're joined this afternoon by Kate Forbes, Minister for Public Finance and Digital Economy who will be here to anchor some sessions. I'm going to take some time to open the Elgin High School.

**Fergus Ewing:** It's my pleasure to welcome Kate Forbes, Minister for Public Finance and the Digital Economy, who I think is making her first appearance at this gathering, who will be chairing the session after this one, so if we move on to this agenda item of COHI post-2020 talent attraction. We have already covered in the last session quite a lot of the aspects. I think there has been a sort of duplication of or overlap between the last session and this but this session I hope will allow us together to discuss what practical pragmatic measures we can either adopt or increase – in other words how in practice can we tackle a challenge and problems which we all recognise from the presentations that we've had from Seonag and Damien are amongst the most serious that face us in the Highlands and Islands. I invite Morven Cameron of HIE to give us a presentation on this matter to begin her presentation on the progress of the talent attraction work strategy. Morven:

**Morven Cameron:** Thank you very much Cabinet Secretary. I think like it was said it has built on really well from the conversation we had before lunch and also builds on the fact that at the last COHI meeting you might remember there was an endorsement of HIE leading on the setting up of a high level working group to focus on this across regional partners in terms of how we could take forward some actions against talent attraction and also the Senior Officers Group focuses on this as one of its key priority initiatives. This is where it is coming from. What I want to do is give a little bit of a strategic overview - there may be some covering of what was covered earlier - look a little bit at the national and the regional context; give a few examples of things that are being done or can be done or where there are particular challenges and then a few slides at the end towards looking at how we can maybe jointly work towards delivering the solutions. To start with first of all it was mentioned previously that a regional talent attraction strategy was developed a couple of years back. HIE led on that but it was very much done in partnership with colleagues in different local authorities and partners to bring together an overarching strategy for the region. Knowing that that was going to be a very complex thing to do even when we started out there were some key things that were agreed in that process in terms of what the key strategic challenges that we all shared and what we tried to achieve; we needed to increase the number of working age people living and working in the region; we needed to reverse the forecasted decline in population - which we will come on to –ensure that businesses located in or locating into the Highlands and Islands were able to access an appropriate scale and scope of future talent and finally possibly more challenging to develop a co-ordinated approach across the Highlands and Islands to talent attraction and retention but where appropriate recognising that every area has its own local response to these things but there are areas where there could be an appropriate regional approach. Just very quickly in terms of the definition of talent attraction – the phrase that we are all using and for lots of different reasons – this is about the working age population between 16-64; this is about a region for young people; retaining and attracting our young people through education, training, work and long term career options. This is also about the existing workforce being retained and being more productive and upskilling. These things have been touched on this morning. It's about an ageing population staying in work and being economically active for longer but more complexly - and the challenge that I think we face – particularly around COHI when we have these conversations is – there is a number of contributing factors that must be present in order to address these which are around housing – which comes up again and again and again and again – infrastructure, connectivity, health and environment, education and skills development. I think that's the kind of agreed

definition that we've been working with in relation to the strategy that we've been taking forward. All of these require different responses but some can best be done in a co-ordinated way. When we carried out the research for the talent strategy the top headlines that came across that applied to everybody were: that the Highlands and Islands has a tight labour market with a limited pool of resources. We typically have a low level of unemployment however there are high levels of under-employment, particular across remote and rural areas and island communities; secondly that we have a deficit of skilled people of working age but the challenge in many ways is not just the skills. In particular 15-39-year-olds and thirdly we were losing too many of our young people heading out to higher education outwith the area. The second part of this slide came across as part of the consultants that carried out the work for the strategy. It was agreed across all areas. Every single area has these same issues in terms of: the importance of the young people; the employability and skills development challenges; business growth in key sector development; recent and potential future impact of having a new university fully based in the Highlands and Islands; image and perception and the wider regional offering. At the end of the day these were shared challenges so how do we take these forward? Sticking with the shared challenges - some of the key issues - again we've touched on this morning are: we're losing about 2500 of our smart young people to universities outwith the region every year; talent attraction and retention is a national challenge but the issue is emphasised by the rural nature of the region and we also have to view the region's position within the national picture reflecting the changes of work - and Damien touched on this earlier as well - automation, new technology, digitalisation - replacement jobs will not necessarily be like for like - the cost of labour - these are things that are coming at us even with our existing challenges and problems in the region.

A few slides and stats. I think Mr Swinney when he was here earlier mentioned this replacement demand - the number of people that we believe that we need to fill the jobs over the next 10 years will be 72,000 so about 26% of our existing workforce will need to be replaced in the next 10 years. That is without all the additional exciting opportunities and ambitious projects that we looked at this morning being figured into that. That is kind of now - never mind the future opportunity and that's before the Brexit implications but you can also see on that slide is that the Highlands and Islands is not alone. Glasgow is already requiring 222,000 people to replace its workforce. Edinburgh East Midlothian needs 189,000 - and the list goes on. This is the context that we are operating in which is a national context for talent and not just something that is relevant to the Highlands and Islands. Indeed I was listening to Russel Griggs this morning talking about the South of Scotland on the very same point this morning which is how do they retain their young people and grow the number of people coming into their region? I think the thrust of that particular slide is that we're all in it together. This really just digs into this at a breakdown and shows that there are differences across the local authority areas within the Highlands and Islands in terms of that net demand and how it's going to be required going forward. The final kind of stats slide really is looking at population projections which overall is pointing at 1% growth. I think when I did this 6 month ago it was 0% so there's a slight change there - 1% population growth over the next 10 years in the Highlands and Islands -and again that is based on what we know now - it's on the information we have to hand - but as you can see from that particular table - if you can read it closely enough - is that it varies quite dramatically from the Outer Hebrides at -6%, Argyll & Bute at -4% to growth in Moray of 5%. There is really quite a dynamic change in different areas and in terms of



different priorities and different emphasis and the seriousness of the situation but I think overarching what we can say is that this is a very serious situation that we're in.

If we look at this particular slide which we've taken from the new RSA that's been produced which is actually a fantastic new resource for us all in Scotland – this really just also shows that the change from the structure of employment really is in that sort of middle ground. It confirms that the 34%-35% of high level posts continue so we're still looking at the requirement for high level jobs in the region going forward. The middle is being sort of hollowed out but we're kind of growing the sort of lower skilled lower level occupations as well. That's in the context of 72,000 new positions we need to be filling over the coming years. When we got together HIE setup a high level working group to look specifically at talent attraction. We had our first meeting in June and our second meeting in October which Charlotte has chaired. That was really not necessarily to go round the houses with all the different issues that we all know and are aware of but to try and identify those particular things in the Highlands and Islands that the collaborative approach could be directed at. We can't fix everything because there's such a number of challenges there but how can we actually put our shoulders together to try and achieve some improvements here? In that context we agreed 4 priority areas - which I'll come on to – and we also recognised the importance of not duplicating effort in other COHI project strands that have been taken forward as well. We wanted to make sure that the other strands whether to do with transport or housing were informing what we do going forward. I think it's important to say that the regional strategy and action plan will need to be updated to take account of Brexit; to take account of the Area Deals and the updated evidence bases that we've been touching on this morning. The other point to make here is about prioritisation. Different geographies and sectors are experiencing different levels of difficulty. One size fits all will only apply to certain types of action so different applications to the solutions will be required. We know that particular areas are suffering even more than others. What I wanted to do with this slide was just to touch on a few things. One is that the NHS and health recruitment has come across both of our high level strategy meetings on this point in both June and October as being of the top priority and just talking to NHS Highland and NHS Shetland and other NHS boards the situation is extremely serious in terms of whilst the workforce planning and strategies are in place the people aren't. Just from a quick communication with NHS Highland 25 crucial specialist and non-specialist healthcare roles are urgently required at this point in time. I think again if we're thinking in this discussion as we go forward about prioritisation we really need to be thinking about starting in some particular areas. The other thing that has come up with the NHS has been very much about the importance of joining forces. Whilst the NHS can do quite a bit. They've got a bit of resource to put behind their recruitment in trying to attract talent but people have got spouses to consider so the importance of joining together of all our different approaches is really what's required. I've got 2 short video snippets I just wanted to share with you. One is on aquaculture and this is an example of how a sector is responding to its ability to attract talent and the second one - which will follow - will be focusing a bit on a technology inward investor and how you can actually apply a different approach to attracting people of a certain type to fit with particular skill requirements. I think what is relevant about that example is that the industry responding and it is competing with other sectors and other industries as well. I think also the thinking behind that was to appeal to young people as well so obviously using the theme of Trainspotting. It's just one example and I'm sure other sectors are waking up to that. We talked earlier about the importance of industry really

buying into this and trying to address some of the solutions. I think the other one is more about an inward investment inquiry that we responded to and we wanted to try and provide some encouragement and show that the labour requirements for that business going forward. It will focus a bit on Moray and the Inner Moray Firth. The important message really in both these videos is new ways of doing things; new ways of communicating and there are some clever things that we could be doing together in taking that forward. The other aspect that keeps coming up again and again and is so clear in our key priorities which I quickly came on to after Crichton has said a few words is that UHI and its role in taking this forward. Even if you look at the opportunity for international students if you look across Scotland 10% of the student basis is international. I think in the Highlands and Islands that's only about 1% so there is a great opportunity for growth there and for using the provision of courses and new courses as an attracter to people to come into the region to actually offset that 2500 smart young people that are leaving. I don't know if you want to make a couple of quick comments there Crichton?

**Crichton Lang:** Yes if I could. I'll try not to repeat anything I said earlier on today other than maybe to reiterate in the broader sense of talent attraction that the importance of recruiting locally where that's appropriate; training locally as the local recruits of people are brought into train from outwith the region and then critically employing locally and very much aligns with the thing that Damien and colleagues were saying that there should be a golden thread through those things. People should be coming here to study at FE or undergraduate or postgraduate level but experiencing the workplace and with direct employment opportunities later on from whatever form of education they're undertaking and particularly in health that's proven to be really, really critical to retaining the healthcare staff in the local NHS boards is to have them training within placements in those areas. I would like very briefly to focus a little bit on the other end - the research and postgraduate end of what we're doing – and noting that in that period of growth that we talked about this morning that we got research degree awarding powers in 2017 and that has really allowed us to focus much more strongly on postgraduate research and innovation agendas and interfacing with industry partners at that level. As I said we're using proactively a lot of our own strategic investment funds – ESIF, ERDF, City Deal, Research Excellence Grants and university innovation funding in a very joined up way to engage with those employers and to shape our curriculum and our research activities to suit their needs to help them to build their businesses and their workforce. By that I include – and it's important moving forward into our investment in research staff so that we can undertake collaborative applied research with industry and public sector partners. We provide the university academics in that space which is helping them to develop and grow and test product in the region and that's very, very attractive to some industries to have this region as a natural laboratory in terms of applied solutions to this region's needs but then they become proven products that have a greater economic value in a wider UK and international market. The postgraduate studies that we can offer are also helpful to those employers including the NHS to help them to attract and retain high quality staff because those staff can then be offered the opportunity to undertake academic research to study for PhDs and doctorates as part of their career progression with that employer. At the very top end of talent attraction that can be a very, very important attracter to bringing people in. In summary – and apologies to those who have heard me talk about this before – I do want to focus very briefly on school of health and what's happened over the last 3-4 years right across the

curriculum and research areas. UHI took on the pre-registration nurse education in 17/18. We've grown recruitment from 100 students a year to 145 a year coming in across the Highlands and Islands area to train as nurses already in that time. We're now running with St Andrews' and Dundee's Scot Gen to train in the region trainee generalist GPs for local recruitment and as I mentioned this morning with industry we're developing for the north of Scotland a BSc honours optometry programme to meet this major gap in the workforce but also once that gaps filled to provide what's called opportunity for a shift to left to get more clinical care into community based primary care settings. That links again to the NHS's solutions for sustainable health and social care. We've added advanced nurse health practitioner programmes again to retain staff and progress them through nursing careers and other allied health degrees. Quality improvement science is another area for collaborative research and applied service improvement in healthcare with the NHS and we've now got funding for the region midwifery training on an accelerated postgraduate model. We've also added a MSc in applied bioscience skills for industry to provide a postgraduate workforce into the SMAs and other life science industries that are moving into as part of HIE's push around investment. That's actually just a flavour and I think it links in with things that can come out of Morven's video. The more industries you attract in and support and retain and grow the stronger and more compelling that message gets on a regional basis about who's here and what a vibrant successful area it is that others can either come and work or set up their businesses here. The next major focus for us - building on from health - is around engineering and computing and linking it into the earlier paper. As I said we're aware of the Boeing discussions around Moray and the proposals for a smart systems hub as part of the Moray Growth Deal. We're aware of the discussions with IBM; we're aware of decommissioning and spaceport developments in North Highland and other parts of the Highlands and Islands; we're aware of the West Highlands College's links with Liberty; developments with the MoD; Faslane in Argyll & Bute and the whole aircraft engineering aerospace corridor that really goes right the way from Perth right up to the far north. We're also aware of potentially very large tenders around civil engineering in terms of road upgrades for transport and logistics across the region. As we did with health we're looking now to making substantial investment in leadership to pull all of these initiatives together into a coherent body of curriculum, training and applied research to serve all of those initiatives. We also have innovation groups that are exploring other sectors. We have that for health; we have it for aquaculture - linking into one of Morven's videos - but also in other areas including creative industry, energy, water industry, tourism and heritage – really just scoping out from within the university what the key partnerships and initiatives and projects might be and discussing that with HIE and other stakeholders. These now lead to big, big collaborative bids – Strengthen Places bids and other City Deal bids. One last very quick point is at the other end I would also want to note that we have invested in major expansion of teacher education in the region. So for example the provision of schoolteachers across more and more disciplines particularly at the other end of that STEM pipeline and particularly to get young people trained in school are aware of the career opportunities and onward study opportunities.

**Fergus Ewing:** Thank you very much to both Morven and Crichton. Can I open it up for suggestions? I think we're really looking for practical suggestions here, I mean - what can we do either at a council, government or UK level to get more people to come

and stay in the Highlands and Islands and what are the barriers? I've got Gary and then Margaret.

**Gary Robison:** Thanks Minister. I think there's a real challenge here and I think Crichton has already started to outline the challenge that we have in health to get enough people properly qualified in the right place at the right time and I think the fact that we are remote and rural makes that challenge all the greater. My Chief Executive always says that health doesn't have a recruitment problem but that it has a supply of labour problem and that is particularly acute in the islands where unemployment tends to be quite low. I hear folk saying if you've got low employment then that's a good thing but it isn't really because in the islands you either have a job or you go somewhere to find one. The real challenge for us is to make sure that we can retain population in the islands in order to run the services that we know we're going to need and increasingly need in the case of health and care. One of the big things that is a barrier to recruitment in the islands is around transport and I was quite surprised that that wasn't in the earlier slide from the Western Isles – the one with the economy and skills – because I think that is key to so much that we actually do here in the islands. We have people coming up for interviews - and the health board will pay for them to come up for an interview - but very often people come up for an interview and want to take somebody with them to see what the place is like – it is very seldom that somebody just comes up themselves – more often or not it's someone who's looking for a job and wants to bring the family with them. When they go to look into the cost of bringing someone up to Shetland and find that it is over £400 that in itself is a barrier. When they start to consider that it's going to be over a thousand pound to take a family of 4 on holiday from the islands - I think there is still a huge amount to be done around transport and ensuring that we get an effective and efficient transport service in the islands. It was something that Mike Cantlay raised. He was at COHI in Shetland - wearing a different hat as was I – and that is about how quickly transport is changing and how quickly we need to adapt to the way things are going. I travelled this time on the ferry and took my car with me. I was hearing on the radio just this morning that in future private hire companies are going to be having driverless cars on the road in 3 years' time. If I can fly and be ferried to where I need to go that begs the question do I need to buy a car anymore? Is this ferry contract which I know Mr Whitehouse is heavily involved in at the moment going to be the last one where we actually consider people taking their cars on the ferry and going on holiday? Will they fly instead and use somebody else's car when they get to the other end? I think there is so much in that but I think the key thing for remote and rural areas is that we have to drive down the cost of transport. This time last year we were fortunate in Shetland that we had 2 airlines competing against one another which was great while it lasted - and I think there was a suspicion that it wasn't going to last very long – but I think unfortunately the wrong airline lost out because the airline that's operating – it's operating small aircraft – 34 seat aircraft – as opposed to the one that was operating a 72 seat aircraft – was the one that lost out. At the end of the day I think every airline - besides the one that has the smaller aircraft - will tell you that the way to get the price down is to use bigger aircraft. The number of people that are flying from Shetland was enough to justify it and again if I can pick up on something that's topical in the news is that we live on a rock in the middle of the Atlantic Ocean – as do our neighbours in the Faroes Islands – the Faroese Airline – Atlantic Airways – has just leased it's fourth Airbus aircraft this week and in another innovation it's going to put wifi on all its aircraft and yet we're still talking about when and if we're going to replace 30-year-old aircraft.

I think another thing that makes life more difficult in the islands is just that access to healthcare because we can't do everything in Shetland. It's just the nature of it. There are specialisms that we will never have and that does require people to go off the island. We need to look at what's on offer both in terms of the air services and ferries and something that Angus Campbell asked me to raise as part of his brief as chair of the CalMac Users Group is around the connectivity on the ferries. The broadband on the ferries whether it's the Northern Isles or CalMac on the west coast is extremely poor. You get the sort of reassuring bars on your phone that say you're connected to wifi but the unfortunate thing is that nine times out of ten the wifi isn't actually connected to anything else. I think that needs to be addressed. Only last week I heard a really harrowing story of a gentleman who had gone to Aberdeen on the ferry. He was waiting for a transplant. He had stayed at home for years not going anywhere in case he got that phone call. He got that phone call when he was on the ferry. He drove off the ferry the following morning with the message delivered in the morning and he was told that he needed to get himself up to Aberdeen Royal Infirmary. By the time he was in the taxi going to the airport that he got another message to say sorry too late. There was no broadband working on the ferry. There was no mobile signal and in the 21st century I don't think that's good enough. I think it's something we really need to address.

**Fergus Ewing:** All these things are very serious. We're not taking anything facetiously or frivolously but we are looking for solutions here or what more we can do. We're looking for a more sort of prognosis rather than just diagnosis because we do appreciate a lot of these problems are systemic ones particularly in the islands. We've got Margaret and then Graham and others please show. In the limited time that we have can I have brief contributions please. Margaret:

**Margaret Davidson:** Thank you. I was in Newcraigs the other day. I was speaking to a psychiatrist and she said over the years there has been one constant factor in where we've successfully recruited to the Highlands and Islands. They've a Highlands and Islands connection. A Highland connection whether it's the current generation or a previous generation or the fact that you've been going there for your holidays for the last 20 years really works. I don't think we make enough of that. I think that that is something that before we know it we will have Donald Trump going back home so watch yourself Roddy! The other thing is that she said anyone that comes for a well-paid job wants to see career progression. We have to say to them that because you're living in Lairg it doesn't mean that you can't get career progression and just point to them how they can do that and that they can still get their better quality of life that they can get by moving into our communities. Those are 2 things which I don't think we probably make enough of but there is also an unused pool of talent in the Highlands that we need to work with. We need to keep hold of more of our young people – god forbid that we don't - but we actually have lots and lots of retired people or people who commute to places like London or offshore for a month and then back onshore for a month so we actually need to be using those to the maximum effect. Many of them are prepared to take career changes and do something different. We need to be attracting them back into the workforce. Often with someone who has retired at 55-60 you can get a decade of very productive work out of them before they decide that they're done. They want to do something worthwhile or they want to do something completely different with no responsibility attached to it and actually to just turn up, do it and go home to enjoy the rest of their life. I think we just need to focus

on the things that work. Over the years we've attracted many people to the Highlands and Islands. Of course it's not enough but we need to focus on the things that have actually worked. We can see it if we look.

**Fergus Ewing:** Brief contributions please –Graham then Aileen then James Stockan and then John Thurso.

**Graham Leadbitter:** Just very briefly the point was made by Crichton about the NHS and teacher work that's going on to try and get people into those professions is really good. It has to be balanced with the needs of the private sector as well but thinking - and being a bit of a devil's advocate with this – but I think the focus has to be the public sector first because if we don't get the public sector right then it's difficult for the private sector to recruit. It's difficult for them to recruit if they've got someone looking up teachers and looking for education information in the Highlands and Islands and it says teacher shortages and that our schools have to close for 2 days or something like that then that makes it really difficult for them to recruit. If we don't sort out the public sector then the private sector not going to follow. The same applies to NHS provision. If there's problems with Dr Gray's which we know there are, in terms of recruitment then we know that that's a disincentive for people in the private sector in our regions. Is there an argument there to place more emphasis on the public sector at least in the short term and then push that to a more even balance later on?

**Fergus Ewing:** Thanks Graham. Aileen:

**Aileen Morton:** Thanks. I think in terms of the solutions I think it definitely has to be around the marketing in that reach across the UK that was picked up this morning as well. The one thing I would add though is that there is a need to kind of embed that in the community and also marry recruitment to fill jobs with entrepreneurship. We have a company near Lochgilphead - and it kind of picks up on Margaret's point - that they recruit from right across the UK and right across Europe in highly skilled well-paid jobs but people come and they move on quite often if they don't find someone to have a relationship with. Actually their main ask to the council when they're talking about what support they might need was a decent restaurant in Lochgilphead was the answer. Our Syrian Refugee Programme in Bute – the greatest success is that actually in terms of recruitment we've not been as successful but there are 3 thriving businesses set up on the island because they've taken that step so I think it's trying to marry both sides of it. We need to grow jobs as well as recruit to fill those jobs. Very briefly I would like to add that Morven obviously picked up on the split in population forecasts. I know this is not necessarily just a COHI issue in that we're all facing ageing demographic issues but between 2001-11 it was 4 west coast local authorities that depopulated and the NRS forecast statistics are that it will be 8 west coast local authorities that depopulate over the next 20 years. There is a real distinction in terms of where the growth and fall is.

**Fergus Ewing:** Thanks Aileen. James Stockan and then John Thurso.

**James Stockan:** Thank you Fergus. I would like to just come back in on the whole research and innovation side of things because we need to have things that attract people to make sure that we do specific things throughout the whole region to say and are distinct that we can flag up like an advertising tool because particularly that's what

young people - and it's where people's last bit of education is important - and I know doing a lot of stuff on undergraduates it's really important to retain but also postgraduate stuff - it's absolutely critical because it's when people come through the postgraduate position that they're then looking to settle. We've had so many youngsters in and around the town of Stromness because of the Heriot-Watt connection over the years. When many different nationalities come I've had young people weeping in my house because they've had to go home because they've been a thousand pounds short of what they need to be able to earn to stay in this country. It's a shocking problem and that is people who are non-EU students and now we've got the EU students coming into that same basket. We've got to work on that to find a mechanism because these people want to stay. They want to contribute. They're some of the best people. They're bringing the most vibrancy into the remote communities that you can possibly find so please help them to make sure that they go there. What Gary was saying about the driverless car - the whole mobility is a service agenda. We're looking at the whole thing about flights. Some headline things attract people to think that there's something going on there and I want to be part of this so let's find as many of these niche wee things to distribute around the Highlands and Islands and people will be attracted.

**Fergus Ewing:** Thanks James. John Thurso and then Graham Leadbitter and then anyone else then please show. I'll take Alistair Cooper and then I think we'll try to move towards a conclusion. John:

**John Thurso:** Thank you Minister. You will know of the launch earlier this year of Scotland Is Now but not everybody in the room may know that it is a collaboration between all the agencies to give expression to the brand of Scotland round the world and it's based on the concept that the same message works for invest, work, study, live and visit. It is based on using algorithms and social media in key markets. I wonder if the principles could not be read straight across into what we're trying to do here which is about working out where the people we want to get to are using this modern technology and messaging to do it. If anybody would like to know more about it then I would be delighted to do a master class afterwards.

**Fergus Ewing:** Alistair Christie and then Alistair Cooper. Alistair Christie:

**Alistair Christie:** Thank you Fergus. I think we should look at things a little bit differently. When any organisation is recruiting - so if Highland Council is recruiting for a head teacher that's fine but often there's a partner or a spouse associated with that that needs a position as well. It's the same if NHS Highland was recruiting for a doctor. It's a holistic family solution that is required. We should be recruiting for the whole family. That doesn't just stop there. I don't think there's enough collaboration between Highland Council, NHS Highland, and Moray Council when recruiting. If you don't get it right then you're in competition with each other. If we're all advertising for a head teacher at the same time then it's not the world's best outcome. One authority might be happy and the rest won't. I think if you're starting from scratch would you have so many councils or statutory organisations having Recruitment Departments or would you go for Team Highlands and Islands to actually strategically regionally look across and actually recruit in total as to what is required in the area? Why is it that if say Police Scotland are recruiting for inspectors then why doesn't it say that actually we also require child protection workers, care at home workers, early years workers and

consultants at the hospitals? I think what you focused on what we need as organisations rather than the whole regional needs in order to thrive and be prosperous and recruit then that means taking out some barriers and taking people out of their comfort zones; we've shared recruitment and shared services. I think as way forward to actually try something radical and different we should be looking along those lines to recruit. If it doesn't work then we haven't lost anything. If it does work then we can only gain. I do feel that often we're working in silos when we're recruiting and not looking for the whole family approach when we're wanting a unit to actually relocate to the highlands and maybe it's time we should actually turn the glass upside down and look at it in a different way.

**Fergus Ewing:** Thanks very much. Does anyone else want to make a brief contribution then please show otherwise we'll just move to sum-up? Alistair:

**Alistair Cooper:** Thank you Minister. I think we still have a difficulty in the education system in the schools there's not enough emphasis on bringing young folk into industry apprenticeships and such like. The emphasis now seems to be the key demand for 17-18 to get Highers and such like. I think that a lot of young folk should be encouraged to go out into the workplace at 16 and start earning and continue their education as part of that learning process and not just become a City & Guilds joiner but somebody that could go into the building industry and go right to the top. Again we have the new spaceport industry and exciting prospects that young folks can get excited about but they also have transferrable skills from the oil industry and such like. I think we have to do more in the schools to get young folk tuned to the opportunities in their local area and again what the Western Isles is doing so I think we need to do as much to transfer skills from one industry to another.

**Fergus Ewing:** Thanks for the contributions made. Morven:

**Morven Cameron:** Thank you for all these contributions. That's really helpful. As you might imagine we're having some similar conversations with this Strategy Working Group which again will meet in January and we'll feed this through. The 4 areas that we have agreed are the top priority where we can usefully work together is about regional messaging information and marketing and in fact Mr Thurso, Chris did a fantastic presentation of the Scotland Is Now and shared a lot of that information and he's part of that group so we'll definitely be getting into the algorithms there. Housing is key but we agreed that as a group we can't actually necessarily drive forward these things individually it has to be taken across the region. Education and skills were the third priority and the fourth one was about gathering better evidence to influence policy in terms of using the talent attraction agenda as a driver for some policy going forward. I would take some of these contributions today back to the High Level Working Group. It will set up in the New Year and we'll try and pin down a more detailed set of actions from that. We can report back on that as we move forward. I think the collaborative approach where it's appropriate is really what we want to try and drive forward here.

**Fergus Ewing:** Thanks to everybody that's contributed. This is not an easy area. This is a problem but it's very difficult to come up with brand new solutions and actually there probably aren't any brand new solutions, but I think I want to emphasise that an awful lot of good work has been done already and both Morven and Crichton highlighted examples of that which were much appreciated and obviously local government is



doing in different circumstances many, many good things so I want to emphasise the positive but I thought the most really telling contribution came from Alistair Christie about the desirability of more collaboration and less competition. If there are 2-3 vacancies for head teachers then would it not be better to have one advert for 3 and you're more likely to get a pool of applicants who may or may not be interested in one or more. That does seem to me to be an approach which - if it's not already tried - and perhaps it is - I'm not sure - is worthy of being tried and I thought it was a very interesting one but I guess it really would be one principally for local authorities to pursue but not exclusively. The same thing could be said to apply to colleges who are perhaps in competition with each other and to NHS boards who are obviously in competition with each other. Moreover the second area of discussion was marketing and first of all I thought the 2 films that Morven showed were both excellent in different ways – one a bespoke offering about a particular sector of aquaculture and incidentally James when I visited Orkney just a couple of weeks ago and celebrated the success of Scottish Sea Farms' 10 years in Orkney. The average salary is £35,000 and last year they paid a bonus of several thousand – the same to every employee. That's a pretty good story to tell so I just mention it here. The marketing of the sort of generic attractions which Margaret talked about but perhaps not doing enough to promote the attractions of the Highlands and the quality of life in the Highlands. I think those qualities did come across in the second video albeit it was restricted perhaps only to a couple of areas within the Highlands. Plainly issues such as housing and availability – and I thought the bit about Tornigrain was very good. A dynamic new town being created in itself is a plus isn't it? We maybe need to think a wee bit more about housing in other parts of the Highlands where there is extreme pressure on the lack of housing where people come and they go after 2-3 years because they cannot get somewhere to bring their family. I'm afraid Strathspey very much to my way of thinking as a resident falls into that category as do other areas. I'm surprised that nobody mentioned social media as a focus but perhaps that comes in a bit later on at the backend of a marketing campaign and perhaps that's something that could be focused on by yourself Morven as to what role social media might play particularly in attracting younger interest given the universality of social media and its ability to communicate without boundaries to particular audiences as well as to a mass audience. The 3 last items I just wanted to mention briefly as matters which should be covered in any note that we conclude are: the matter raised by James about financial limits about not earning quite enough to be able to stay. I think that's something that many of us feel is arbitrary and unfair. It would be great to have the power to deal with that to prevent people from being forced to leave Scotland who wish to stay here. That seems the most obvious thing that we could do. These limits are quite controversial and set by the UK Government and I'm glad that that was raised because I think many of us have felt that this is a manmade damaging barrier that could be dismantled if there was the will. The fact that it is reserved shouldn't inhibit us from raising it and it won't. The matter of inducements wasn't specifically raised although in the NHS - and in other areas – there have been signing on and staying on fees of £10,000 or £20,000 for GP practices and for dentists in rural Highlands. This is a method – but I'm not sure how ethical it is - but I think it should be further explored and considered where it is necessary in order to fill particular vacancies. Lastly I think the evidence provided by HIE on the differential nature of the issue and Aileen referred to this that different parts of the Highlands and Islands have vastly differing challenges and statistical predictions as to population trends both up and down but sadly mostly down. The research base is actually quite good. It's quite positive. I think that must

be an advantage for us in planning everything. I gave the messages for the officials really to try and bring together the strands of various evidence. I'm extremely grateful for everybody in contributing. I think that the collaborative model that Alistair proposed in particular which has emerged from this COHI meeting is one that might well get some traction amongst the players around the table here perhaps in individual discussions or wider discussions which perhaps SDS and HIE can help to facilitate as necessary. Thank you very much indeed. I think as John Swinney mentioned he's due to return later this afternoon. I have to depart to do other things. It's a great pleasure to be able to introduce Kate, a friend and colleague and Parliamentary neighbour with a vastly more challenging large constituency than mine – I think it's several times larger than Greater London which I believe has 90 MPs – so Kate really we've got you as a bargain. Kate will be chairing the next session on regional economy. Thank you very much. Kate:

**Kate Forbes:** Thanks very much Fergus. Apparently it's bigger than the country of Jamaica so I don't know what that makes me. We're here to talk about a post-Brexit regional policy for the Highlands and Islands. Obviously this comes off the back of a really excellent paper prepared by the Highlands and Islands European Partnership and widely circulated in June and hopefully you've all seen a copy of that. Of course with Brexit looming – what is a meeting without mentioning the B word – we're facing the prospect of those European funding streams ceasing. In preparation for this meeting I was trying to think of all the places I've seen the European Stars sign in my constituency alone and whether its harbours, roads, HIE, UHI or buildings we see the benefit of that funding in the Highlands and Islands over the course of the last 4 decades. The purpose of our session just now is to discuss some of the principles that we believe should underpin any new replacement scheme: the Share Prosperity Fund. The details around that remain vague at best so it's an opportunity for us just now to discuss what those key principles should be to underpin any new funding streams. Of course you're very well placed to have seen the benefits over the last few decades and to consider ways to perhaps improve outcomes and to underwrite any new commitment with some core principles. I'll hand over now to Stuart Black to take us through this discussion. Thank you.

**Stuart Black:** Thank you Minister. Thank you for the opportunity to present this report on behalf of Highlands and Islands European Partnership. As you mentioned the report was produced in June 2018 and just to remind people HIEP consists of the 7 local authorities in the Highlands and Islands, the University of the Highlands and Islands and Highlands and Islands Enterprise. Fundamentally the report was produced to influence the future development of regional policy effecting this important part of Scotland. Regional policy's fundamental aim is to support lagging regions - and I think it's important just to remind ourselves of that - regions which have generally suffered from lower GDP or higher unemployment or a combination of the two. The report illustrates that the Highlands and Islands is also a region of ambition and as we've heard this morning we've got a strong focus on areas of research excellence such as SANS in Oban or EMIC in Orkney; we're producing some hugely important products – not just for Scotland but for the UK as a whole – whisky, salmon, food and drink - and we've got key sectors such as renewables and life sciences – so it is a region that isn't a declining region but it's a region of opportunity. The future regional policy - where the first part of the paper really talks about what we want it to deliver and the first aim is to empower the region to contribute more to the Scottish and UK economy. If you

look back to the Highlands and Islands Development Board's first annual report it makes a very similar point that we need to enable this region to fulfil its full potential but also to contribute more to the Scottish and UK economy. EU regional policy as the Minister has said has had a major impact on the region. In fact the building that we're sitting in today is an example of European funding affecting the local area. European Social Fund, European Regional Development Fund, European Maritime and Fisheries Fund – the list goes on – they have had a major role to play in the development of the Highlands and Islands over the past 3 decades and more. What we're looking to in the future is to consider the shared Prosperity Fund from the UK and also the potential for City, Region, Island and other Growth Deals to contribute to this area of policy development. The second part of the paper talks about the characteristics of the future regional policy and focuses on a number of different attributes. Firstly an improved regional competitiveness and inclusive growth but also focusing on parts of the region and indeed regions with the greatest challenges. We feel that we can consider remoteness and fragility as well as traditional measures such as GDP. A future regional policy should be flexible; should be simple and streamlined and also importantly for this region should be aligned with agricultural and rural development policy. In fact in many ways the funding from the Common Agricultural Policy is actually more significant in numeric terms than the structural funds that we're seeking to replace. There are also important areas of policy such as leader rural development policies which we feel wider regional policy has to be aligned with. Thirdly we set out in the paper what we see as the key opportunities for a place based approach to regional policy. Some of these areas have been discussed already over the course of today but the key amongst them is physical and digital connectivity; the development of sectors and clusters with regional competitive advantage- and in particular to focus on small and medium sized enterprises and on support for innovation; the rollout of new technologies into business and how they can be developed to greatest advantage; talent attraction and retention –as we've discussed for a large part of today are also fundamental; support for the education and skills infrastructure such as the building we're in today - in fact UHI without ERDF would be a very different beast as we were discussing with Crichton over lunch. Finally community capacity building along the lines of the leader programme and also - just the last point - but making sure that the Highlands and Islands develops as a world class tourism destination and recognising the importance of that industry to our area. Those are the points that we were seeking to highlight in the report. I'm happy to take any questions. Thank you.

**Kate Forbes:** Thank you so much Stuart. Moving to our open conversation I think we're looking for 3 things: firstly those principles for directing funding; secondly what are the outcomes that we're trying to measure in the Highlands and Islands and thirdly how can we improve on current mechanisms? I'll start with James.

**James Stockan:** Thank you very much Minister. I think this item on our agenda stands head and shoulders above everything else although everything else we've been discussing today is extremely important. We've got to look back at our history and you go back to the 1960s and the crisis in the Highlands and Islands when the Highlands and Islands Development Board was first set up. If it wasn't for the progress that was made we would not be sitting round the table as these agencies if that hadn't happened and we had not worked our way in. I like what was written there that it's regional policy for the Highlands and Islands. We must have regional policy. It's an

imperative that we have this and that we get support from the Scottish Government and from Westminster or whoever to make sure that we remain in a distinctive place. The funding levels and the way that we've been supported over the period has meant that the place has prospered but our challenges are not over. One of the main things that we're looking for today is to get absolute commitment that we can continue as a distinctive region to make sure that we get support to have that regional policy. We've been in contact with places similar to ourselves like Cornwall to ask them what they're doing in a post-Brexit position and we've also got to watch that all the funding doesn't get conflated with a shared prosperity fund. This is absolutely critical that we get a level of support that is going to make sure that the Highlands and Islands are fit for purpose in the future. There are 2 things we're asking: firstly to make sure that we get a definite commitment to making sure that we have a regional differential and the second thing is that we around the table get the chance to go into how the mechanisms and funding of that is actually taken forward because things are changing; the dynamic is changing; our extreme remote and rural areas are some of the most fragile and need some of the most help. We're asking for the 2 things: firstly that we're there and also that we can influence how it's going to be set up.

**Kate Forbes:** Thanks very much. Amanda:

**Amanda Bryan:** Thanks. Just to echo some of what James has said there. I think it's incredibly important to recognise that the region has I guess received a disproportionately high level of assistance from the European Union to date really to try and overcome some of the challenges that we face. I think to see some of the ongoing recognition that as many of those challenges haven't gone away and certainly we've heard about some of that today. What I would say is that we need to make sure that how we articulate this then we need to make sure that it actually chimes especially if we're going to be negotiating with the Westminster Government rather than Brussels who are perhaps less receptive to regional policy then we need to make sure that we're speaking that language. I think it's really helpful to consider the inclusion of agriculture as well as rural policy remembering that agricultural policy and support covers not just agriculture but forestry and environment as well and actually there is where we have a huge amount to offer in terms of what we deliver in terms of natural capital in terms of delivery of ecosystem services. I think we can make a very strong case for how we can actually deliver on these wider public benefits. I think if we can make sure that we articulate the outcomes of what we're looking to deliver through this policy in those terms then I think that will find common ground with the language that Westminster is speaking.

**Kate Forbes:** Thanks very much. Gary:

**Gary Robinson:** Thanks Minister. I was a wee bit rushed when I was responding to Fergus but perhaps I can just sum-up. I think what is absolutely key to any policy in the Highlands and Islands is the one that's mentioned in here of enhancing the region's physical and digital connectivity. It is absolutely key to everything that we do. We need to have efficient, effective, affordable – and as I said futureproof transport – if we're going to make a success of things in the Highlands and Islands, and that's right across the piece. Travel can be a significant part of all our working days and life in general, so it's so important to have good communications so that work and life can continue as you travel. At the moment that's pretty patchy to non-existent. I do think

that that needs to be really brought out in this if we're going to really make a difference. James spoke about all the excellent things that have been done since the 1960s but the one that I still see as outstanding is around transport and how do we actually crack that one because I think it is obviously one of the most challenging ones or it would have been done by now. I think it really is the one that we have to focus our efforts on if we're going to make a success of this. Thank you.

**Kate Forbes:** Thank you. Anybody else: Bernard:

**Bernard Chisholm:** I can maybe just mention the rural policy issue that's been raised by Amanda. There was a group – the National Council of Rural Advisers - which I co-chaired - it made a report available recently and the Programme for Government as I understand it contains a rural strand the concept behind the proposals of the NCRA was the creation of a rural strategy that would be embedded in the national strategy and in the short term to understand what were the economic drivers that could help the likes of HIE and the South of Scotland Agency; it could help government and national policy take account of the small microbusinesses and middle sized businesses that have been the drivers over the last 7 years in Scotland's economy. The bulk of our growth has actually been through the rural economy from all the statistics. That is with Mr Ewing at the moment but the hope is to answer Amanda's point that we'll have rural policy very much embedded in the national economic strategy with the benefits that that will have.

**Kate Forbes:** Thanks. Before I bring in Alistair – in some of the messages that I'm certainly hearing today in terms of how a new fund can best be targeted - is that it needs to be multi-annual; it needs to be separate from any block grant; it must be even easier to implement and flexible to respond to the challenges as they emerge – so just to throw that in. Alistair:

**Alistair Cooper:** You've actually just stolen my thunder because you've just said what I was going to say. I think we need to keep this local. We've talked a lot about the local items today and I think we do need a Highlands and Islands programme rather than be part of a Scottish-wide programme. I think that there are particular challenges when you come to the Highlands and Islands. The difficulties of maintaining folk at the periphery and again agriculture is - dare I say - when you get to Shetland and the extremities of the Highlands even – it is a very different animal than agriculture dare I say in the Black Isle or further south so we have to be aware of that. I think fisheries – Stuart did mention very quickly EMFF - that fisheries are a very important thing – if you look at post-Brexit – and if we're going to get more fisheries to the UK we need to be able to handle that in the UK. I'm not just talking about Shetland; I'm talking about Scotland and the Highlands and Islands where the bulk of the fishing effort actually is. When you come to aquaculture the bulk of the aquaculture activity is actually in the Highlands and Islands. There is a strong argument here for localism and I would like to see us going back to the local programme which recognises the particular challenges that living and working and existing in the Highlands and Islands has.

**Kate Forbes:** Thank you. Margaret:

**Margaret Davidson:** Thank you. First of all just to come in behind James and say how important this is. This maybe everybody's worst nightmare as Brexit approaches

but it is also an opportunity and we need to take it. It is about Brexit that we're talking here - not just about rural policy – this is about what happens after Brexit. I think what we do is that we have a clear Highlands and Islands regional policy as Alistair articulated. We need to also look at how we can devolve more decision-making to the Highlands and Islands. We had a very successful European Funding mechanism in place in the Highlands and Islands. That was taken from us and we would very much like when we get the Shared Prosperity Fund back to the Highlands and Islands that we make our own decisions because I think we're best placed to do that. I know we need a national strategy on many things but the public agencies around the table here need to have an accountability and a commitment to a Highlands and Islands strategy built into what they do. For me I think that is where we should all be aiming to go after Brexit because we have to help ourselves as best we can.

**Alistair Christie:** Thank you. Just again to back up the points that have been made already. Stuart's made the point about going back to the 60s when the Development Board was set up. There's been a huge improvement in the infrastructure in what the Highlands and Islands has to offer. It's a change since then but if we think about what we've been discussing today we're still discussing issues about transport links; we're still discussing issues about connectivity, about talent attraction, about depopulation - the underlying issues are still there and they still need a weather eye on them. They constantly need to be worked on and constantly tackled. We've had issues in the past where European funding that has essentially come to the UK because of the circumstances of farming in Scotland such as the difficulty to farm areas that have pulled in huge amounts of money have been distributed throughout the UK despite the fact that it is for specific farming purposes in the north of Scotland that that money has been attracted. We need to make sure that we get as much as possible to Scotland and then beyond that we need to make sure that we devolve the decision-making for regional policy out to the highlands and Islands.

**Kate Forbes:** Thanks. Aileen:

**Aileen Morton:** Thanks very much Minister. I think in terms of the mechanisms and how you would improve on the current one then I think to be honest most of the changes would be Scottish-wide. I think we would all – like everyone in Scotland agree that – simpler and more straightforward and less backend heavy audit processes and things like that would be supported. I know for example at the moment we've been doing a lot of work in terms of our Money Skills Argyll Project through the Big Lottery Fund but that works been reflected by every other local authority that's done a similar scheme in terms of trying to simplify the process and make it deliver what it was supposed to deliver. I think in terms of Highlands and Islands specific only comes back to Margaret's point about trying to devolve down some of that decision-making to a more local level so that it's not all just set somewhere in Scotland like in Edinburgh. In terms of the outcomes I would agree with other folk that there definitely needs to be a focus around connectivity and education and skills which is quite often different. We were talking about talent attraction and marketing. I think that one of the challenges for all of us is that we all want to give that really positive message about all of the opportunities that are here right across the Highlands and Islands and the ambition of our regions but you have to balance that. When the A83 closed a couple of weeks ago the message that they were trying to give out was that Argyll & Bute is still open for business but you do hit a point where your own residents start to say are you

kidding where's the lobbying and campaigning for the fix? You've got that competing message of there are issues and challenges but you're also trying to give a positive message as well. I think that connectivity one is the one that trips all of us up. I suppose in terms of principles I'm fine with the list but the one that I would maybe add though is maybe picking up something around rural poverty because a lot of the work that's done on poverty in Scotland tends to be around SMID which doesn't really reflect where our issues are in terms of poverty particularly fuel poverty and things like that. I think it would be helpful as well if COHI could kind of formally adopt a position that it does support that regional policy approach. I know the HIE paper in some ways was maybe missing what some of the local authorities wanted to see within it because there were agencies in the HIEP Group as well who maybe weren't comfortable with that lobbying position. I think it would be good if COHI and the representatives of the Cabinet in essence could agree that that was a priority to take forward.

**Kate Forbes:** Just before I come on to Alistair it's worth reminding ourselves of the breadth of European funding we're talking about as well. I believe Fergus would have mentioned earlier the Maritime and Fisheries Fund; there is also the European Investment Bank; there's losses in areas like Horizon 2020 and then also for a number of the marine energy projects that you can think of that have been funded. It's making sure that we see that breadth. Alistair:

**Alistair Christie:** Thank you Kate. I think you raise a really good point there about the diversity of the funding. We don't want to lose sight of that but much of this funding we've received in the past has sustained many, many jobs in the third or voluntary sector. Those jobs will need protecting otherwise we'll have an economic problem caused by the lack of funding for these groups. I don't like the talk of devolving down. I would prefer it if we could use something a wee bit more positive maybe the word empowerment. If we can empower the region and communities to actually take ownership and leadership on helping shape the regional policy then I think it's far more positive. It will then allow the region - because just bear in mind our region is unique within the UK and within Scotland - so it will enable this region to actually contribute to UK growth, Scottish growth and community growth. I think we need to shape it in those terms. We talk about infrastructure and we talk about broadband and other things but to my mind one of the most important aspects is what Aileen said about the poverty agenda within this. So much European funding in the past and so much strategy that's come through the various schemes has been directed at addressing poverty or social imbalance on inequality across our whole Highlands and Islands Region. We need to make sure that whatever we put in place as our policy is robust in tackling that to ensure that the safety nets that have been put in place over many, many years are not just cast aside and we can actually ensure that those disadvantaged people and those people most in need whether it be fuel poverty; whether it be rural poverty; whether it just be general need in upskilling in budgeting and finance and other things have got access to the advice, information and services they need to ensure they get the best start in life. I would like to see that addressing inequality as being at the heart of anything we take forward as regional policy.

**Kate Forbes:** One last question: it was mentioned in Stuart's presentation around different sources of funding and the ways in which they can probably help each other to meet certain incomes for example in terms of agricultural funding so what is the

sense in which there are opportunities to bring funding together or perhaps separate funding?

**Alistair Cooper:** We'd like to be involved in setting the criteria because we'd like to look at that. There is many ways we want to make it - I think it was Aileen who said - as simple as possible. We need to make sure that we can make this bureaucracy-light so that the advantage goes not into the system but into the outcome. I think that we could set this whole thing up on an outcomes basis to maintain and support traditional industry but also to develop the new things that are going to come along if there's a change in fisheries and actually stimulate – keeping the lights on in every community that should be the outcome – keeping more lights on in every community in the Highlands and Islands and allowing them to flourish and prosper. Setting that criteria is where we want to be involved. It's not for us to decide today but we want to make sure that we're included today as we move forward.

**Kate Forbes:** Thank you. Graham and then I'll ask Stuart to wind it up.

**Graham Leadbitter:** Just in terms of setting the criteria I think there has to be a recognition that the people in the area know what the thing is that needs to be done. With that you need flexibility in the programme because sometimes the best thing that can happen for a community is a new road; sometimes it could be a new fibre optic cable; sometimes it could be a spaceport - it could be anything and everything in between these things. It can have a similar level of impact for that individual community; for a community of ten; to a community of a hundred or to a community of ten thousand. It has to be flexible enough to deal with that.

**Kate Forbes:** Sorry hands are now going up – I'll go Charlotte, Amanda and then Stuart. Charlotte:

**Charlotte Wright:** Kate: I just want to ask a question so you might want to come back to it. It is just to understand the status of the current discussions with UK Government and the likely timeline given that current programmes run to 2020 for approvals – 2023 spend – to understand whether we're likely to have a hiatus or anything I suppose that you can update us on and what more can we give you or contribute to in terms of the value of European investment in the Highlands and Islands to date to continue to make the case about what a difference it has made here?

**Kate Forbes:** Briefly in terms of where we're at in terms of proposed replacement funding there was a statement on 24 July which was issued and it sketched out 5 key points around the current position of the replacement funding. These were: that it would respect the devolution settlements; it would engage with the devolved administrations to ensure that the fund worked; across the UK there would be a consultation launched this year; that it would be a simplified integrated fund and lastly it would be linked to the UK's industrial strategy and local industrial strategies in England and would tackle inequalities between communities by raising productivity especially in parts of the country -and this is critical for us - where economies are furthest behind. At the moment there's that relationship and that discussion which is ongoing between the devolved administrations. I know that Ivan McKee who was due to be leading this session met with Lord Henley who is the Parliamentary Under-Secretary of State at BEIS met officials last month. Amanda:



**Amanda Byron:** Just a quick thing. Probably a phrase that's more hated than Brexit is state aid. It's a bit of a plea that whatever is put in place that they make sure that it's not then stifled by overzealous application of state aid or whatever takes its place. The reason why we've ended up with a very prescriptive process is because that then effectively had the nod in terms of state aid compliance. What we would like is something that retains the degree of flexibility; is focusing on outcomes that actually applies state aid or its equivalent in a light way in order to empower and facilitate development and not stifle it. Thank you.

**Stuart Black:** Thanks Minister. I think just picking up some themes from the discussion clearly what we need to do is frame a regional policy which is actually asking for investment in areas where we've got a competitive advantage so it's not a case of this is a declining region with no hope; this is a region with opportunity which can contribute more to the Scottish and UK economy. I think the first points made by a number of speakers were around investing in success and opportunity. I think Amanda's point about some of the benefits that we have in this region around the environment and investing in that area was a well-made point. Also I think that in terms of the future of the funding the idea of multi-annual and flexible is clearly something that could be signed up to both in the Highlands and Islands but across Scotland as a whole. I think some areas of activity around fisheries – we have a particular interest in this region because so much of the industry is based in the Highlands and Islands – it will be key to have an influence in that area of policy. I think in terms of local decision-making to the Highlands and Islands I think it fits with the engagement with the devolved administrations. I think there's clearly a role for the Convention of the Highlands and Islands to play in terms of framing regional policy at the Scottish level and influencing in that area. Finally on addressing rural poverty I guess the whole point of regional policy is to help lagging regions to bring up wages and improve salaries but I think as Alistair points out that won't happen automatically and it may need special measures around the European Social Fund and around training to target the most disadvantaged communities so that they aren't left behind by future regional policy.

**Kate Forbes:** Thanks very much. It is a fascinating area at the moment because it's so integral to the Highlands and Islands. Just looking at the amount of money that Scotland as a whole has benefited from between 2014-23 - £800m in European funding is set to be invested in Scotland and we know on the ground how vital that is in the Highlands and Islands not just in terms of economic outputs but also in terms of social outcomes which is a vitally important point that's been made by a few people whether that's in turn around SMID, fuel poverty and social outcomes are vital. I think a few other key points that have come across loudly and strongly are: that recognising the distinctive nature of the Highlands and Islands and therefore the importance of regional policymaking that is Highland specific and is local; that it's not just about implementing it's also about shaping the mechanisms as well at a local level in order to empower local communities and regions to have the flexibility to implement and apply funding; a breadth there to look at the number of different funding strands and that it is actually quite easy to forget the breadth and diversity of sources of funding for example to look at the way in which CAP enables local rural communities to continue thriving as there is a social output there; it's got to fit in with a wider post-Brexit picture – that's the point that Margaret made - and Alistair commented on the number

of jobs that are employed as a result of European funding and actually it's not just about accessing cash it's also about the jobs and the opportunities that are created there; again connectivity seems to be the key theme when it comes to where we invest and lastly it has got to be outcome based so again it's not money coming in and money going out for its own sake that we can total but it's actually making sure that there are outcomes that we can look at over the course of a year to a decade and see tangible improvements in not only social outcomes but also in infrastructure and job creation. Hopefully that's a fair summary of that debate which I'm sure we'll return to at a later point. Thank you very much Stuart and thanks to the Partnership for producing the paper. We're now having a break which will last for 25 minutes and when we come back we'll be discussing digital.

**John Swinney:** Welcome everyone. My thanks to my colleagues who have taken the other items through whilst I've been away opening the lovely Elgin High School. Can we move on to the next section which is on digital infrastructure which we've recognised over time to be probably one of the most consistent elements of the agenda of the Convention of the Highlands and Islands over the years. We recognise it to be of enormous significance in how we take forward our priorities and indeed the Convention has created the forum in which we've had some really purposeful discussion particularly with Ofcom in the past which has been very beneficial. In that respect I'm delighted to welcome to join us today Jonathan Ruff and Huw Saunders from Ofcom with us today and you're very welcome. We've had Ofcom representation here before. We've also had representation from BT and from the mobile operators and I think those conversations particularly with the operators have actually helped to illustrate some of the significance of this issue for us and the challenges that have to be overcome. I'm very grateful to you for coming today and taking part in this conversation. As I said at the outset of the meeting we had hoped to have DCMS participation but we don't have on this occasion which we will pursue with the UK Government. I'll invite Paul to say a few words to open up and then Kate Forbes will say a few words and then I'll maybe ask Ofcom for some perspectives just after that and then we'll open it up to further conversation. Paul:

**Paul Wheelhouse:** Thank you very much Deputy First Minister. I'm delighted to be here to discuss digital infrastructure issues today and to work a double act with my colleague Kate as well. Obviously connectivity in the sessions that the Deputy First Minister mentioned has cropped up a lot as well not just in terms of digital but also transport so just to make the Deputy First Minister aware of that in terms of population retention and attraction but as you may know already our ambition is in making Scotland a truly digital nation - one that's economically and digitally futureproof - which ties into what we've been discussing today. We feel there's been good progress. Indeed that was reflected in HIE's presentation earlier in terms of the areas where there has been good progress. The Digital Scotland Superfast Broadband Programme has delivered transformative results across the Highlands and Islands taking fibre broadband coverage from 18.6% in January 2014 to 91.6% in October 2018 and more than 900,000 premises across Scotland have benefited from the work to date of which 180,000 have been in the Highlands and Islands, however from my own Ministerial correspondence, from reading the transcript of the previous COHI meeting in Millport and indeed when engaging with stakeholders I know this is only of small comfort to those who are yet to benefit particularly in Scotland's more remote rural and indeed island authority areas. As Mr Ewing stated

in Millport when reading the transcript. That's why we've chosen to act despite legal and regulatory responsibility for telecoms resting solely with the UK Government. We've invoked our economic development powers in effect to intervene where there has been clear evidence of market failure and we'll continue to do so. A substantial sum of £600m is being invested in the initial procurement for the Reaching 100% Programme as per our commitment to deliver 100% superfast broadband access across Scotland by which we mean 30 megabits per second or better. As was stated in Millport this is currently 96.5% funded by the Scottish Government and we're currently seeking more ambitious contributions from the UK Government in helping support that agenda as we speak but in recognition of the unique challenges presented by the geography and topography in much of the Highlands and Islands Region we have chosen to allocate the majority of that £600m to the north procurement lot – one of 3 lots – that's in the contract. In addition as we have stated previously we're also mandating coverage in key locations - all within the north lot – to ensure that every part of Scotland regardless of how remote it is within reasonable distance of new fibre infrastructure. Despite our concerns over the lack of UK Government investment in broadband deployment in Scotland the full fibre ambitions outlined in the UK Government's Future Telecoms Infrastructure Review offer an opportunity for renewed collaboration between our 2 governments. It is perhaps an obvious point to make but parts of rural Scotland will be amongst the most challenging areas in Europe to deploy full fibre infrastructure. On that basis we believe that they would seem to be suitable testing ground for outside-in delivery approaches and this would yield valuable learning to be applied across the UK and would be a positive signal that our 2 governments are aligning our efforts in this area ensuring best fit with our existing R100 activity. I've had some initial discussion with council leaders in the course of introductory meetings in my new islands brief role but I just want to put on the record that I'm really keen to continue to engage very strongly with all the authorities represented here today on how we can actually roll out rural broadband under R100. Of course I also recognise that many rural homes and businesses need good mobile coverage and this is a point again that Mr Ewing referred to in the last COHI meeting in Millport that good mobile coverage is just as important - if not more so – than broadband coverage and indeed I know this very point has been emphasised beyond the COHI sessions. I regret though as with broadband the UK Government has shown pretty little interest to date in improving 4G coverage in Scotland over and above commercial deployment so again it has been left to the Scottish Government and our partners to take action again to address through our economic development powers and locus evidence of market failure. Two years ago we developed our ground-breaking mobile action plan working with the mobile industry to help make it easier to deploy mobile telecoms infrastructure. I know Fergus is not here today in this session but I would want to commend Mr Ewing for his initiative on this with colleagues in the Scottish Government and elsewhere. It's one that I'm very keen to see delivered upon. Our Scottish 4G Mobile Infill Programme aims to push 4G coverage beyond commercial rollout by investing up to £25m of public funding to deliver futureproof 4G mobile infrastructure to selected mobile hot-spots. Deployment plans for delivery of the initial 16 mast sites – of which 11 are in the Highlands and Islands – are currently being developed by the supplier WHP Telecoms. Of course the wheels of progress never stop turning and the Scottish Government will not rest on our laurels. I want to reassure you on that point. In fact consideration has already been given to how we maximise the benefits of having a nationwide futureproofed digital infrastructure and

I guess that's where Kate comes in as well in terms of how we deploy that infrastructure to best effect. Adopting a truly collaborative approach across the public and private sector interest will be key to ensuring that emerging digital opportunities and solutions are identified quickly and progressed effectively.

Ultimately we believe that our goal of making Scotland a truly digital nation is a challenging but achievable one. We look forward to hearing the thoughts of those in this room today about how we do so. I'm new to this post but I do genuinely think that if we get this right we can move Scotland from being somewhere that's traditionally been in the wake of telecom rollouts across the UK to being ahead of the curve for the first time with potentially some of the best broadband speeds available within the UK and that hopefully will be a source of competitive advantage where presently it's a source of competitive disadvantage. As members are aware my Ministerial colleague Kate Forbes the Minister for Public Finance and Digital Connectivity is with us today. She has just chaired the previous session very well. I'll now hand over to Kate to say a few words and introduce our guest speakers from Ofcom who are also welcome to the room. Kate:

**Kate Forbes:** Thanks very much Paul. If Paul has covered the challenge but the opportunities of the infrastructure in getting mobile connectivity and broadband to every home then my remit is once we have that connectivity then how do we support our people and our businesses to make the best use of it because I see digital as a key way in making Scotland - and indeed the Highland economy – more vibrant, more inclusive and more outward looking because digital is part of something much bigger. It's not just a subject area of itself it enables everything else. It enables inclusive economic growth; it enables reform of our public services; it enables us to tackle inequalities more effectively and it also enables us to empower communities and children. We know that by 2024 tech will be the fastest growing sector in Scotland so what an opportunity that would be for the Highlands and Islands if we are at the forefront of that revolution. As it stands recent figures show that the digital sector contributes around £5.25bn to the Scottish economy and again the beauty of digital is that it's not required to be based in any one place and so the benefits therefore should be spread across Scotland. I want to touch on three of my top priorities when it comes to that agenda. The first is productivity. I talked about the Scottish economy and there's many debates around how we ensure that we are as productive as possible and indeed that's an issue that effects a more fragile economy like the Highlands and Islands. My view is that if we can support every SME in the Highlands and Islands to be more productive then you instantly see the entire economy starting to lift and even where there is very good connectivity we see that businesses are not making the most of digital opportunities for example in tourism I was amazed last summer at the height of the tourism non-crisis on Skye to meet a B & B owner who told me that he was situated in the middle of Portree but hadn't had a single guest all season and I couldn't get my head round that. I pushed further and he told me that he wasn't online in any way so he was missing out on the opportunities. When it comes to supporting SMEs – we've got a whole range of initiatives – whether that's a £50,000 digital development loan or whether that's the digital boost programmes delivered through Business Gateway the key is that businesses see the success of other businesses and recognise it by not just e-commerce but digitalising their internal processes. Participation: we know that we need about 13,000 new entrants to the industry just to stand still. Over the coming

years only 23% of the workforce are women and again there is a huge opportunity for the Highlands and Islands to train up our workforce to be – not just working in the tech sector but to have the digital skills to work right across the Highland economy. The last piece is around the skills. It's supporting - and this is where we all come into it – supporting children going through education to be learning in digital ways that when they come out the other end they actually have the digital skills no matter what sector they go into whether that be the health and social care sector or whether it is actually working as software engineers. On that note I think it is critical that we don't just leave the digital debate to the connectivity. It's once we're connected are we making the most of it in the Highlands and Islands? On that note I believe I will now hand over to Ofcom. Many thanks for them being here today.

**Jonathan Ruff:** Good afternoon everybody. My name is Jonathan Ruff. I'm the Regulatory Affairs Manager of the Ofcom Scotland Team. I'm joined here today by my colleague Huw Saunders who is the Director of Network Infrastructure at Ofcom. Thanks firstly for inviting us to come and speak to you about digital connectivity. We've put together a few slides which we can go through in a few seconds but I just wanted to acknowledge from the bits of conversations that we've heard earlier today that I think we can all agree that digital connectivity is playing an increasingly important role in people's lives. As the Deputy First Minister noted Ofcom was here 2 years ago and there's been quite a lot of changes. Things that have happened since then: we've got the Scottish Government's initiatives on 4G and the Reaching 100% Programme as well as the UK Government's Broadband USO and more recent future Telecoms Infrastructure Review. Today – just in terms of the slides we've put together – we thought it would be helpful just to set out Ofcom's role and the regulatory framework that we operate in; we'll touch on a few of the ways that we reflect Scottish citizens and consumers' interests; we'll talk about the picture of connectivity in the Highland and Islands; we've got some data caught by local authority level; we'll have a quick discussion about challenges both technical and regulatory and then we'll have a quick chat about how Ofcom is taking action to improve connectivity. Ofcom – we regulate fixed line mobile telecoms, TV, radio, video, on demand services post and the airwaves that are used by wireless services. Most of Ofcom's areas are reserved to Westminster but we are independent from government but we are accountable to the UK and the Scottish Parliament. Ofcom was set up in 2003 with the Communications Act and we have a duty first and foremost to promote and further the interests of citizens and consumers. In practice these are the 3 ways in which we do that: we promote competition to ensure that markets work for consumers; we secure standards and improve quality and we protect consumers from harm. What does that mean for digital communication services? Broadly that means designing a framework that encourages investment; promotes competition on the fixed broadband and telephony networks; promoting efficient use of the mobile spectrum and improving the quality of communication services. Obviously Ofcom is a UK-wide regulator. That means we're committed to delivering good outcomes for citizens and consumers regardless of where they are in the UK but I thought it would be helpful just to give a few insights into how we reflect the interests of consumers in Scotland. The most important change since Ofcom was last here in October 2016 has been a Memorandum of Understanding that's been signed between the Scottish Government, the Scottish Parliament and the UK Government - which came from the Scotland Act 2016. What it does mean is that the Scottish Government in conjunction with the UK Government are able to appoint

a dedicated board member to the Ofcom Board that represents Scotland's interests. We have a statutory advisory committee: the Advisory Committee for Scotland which is made up of non-exec experts from industry and other key stakeholders. We've recently opened an office in Edinburgh so we're expanding our presence in Scotland as well and that's very helpful for getting along to Parliament to meet with MSPs who are representing constituencies in the Highlands and Islands. We also regularly attend committees. On the telecoms side it's the Rural, Economy and Connectivity Committee. Sometimes we're asked to come and give evidence there. As I said we've got a Memorandum of Understanding with various bodies which formalises a lot of the things we were already doing. It means that the Scottish Parliament and the Scottish Government have a role in setting Ofcom's strategic priorities. One of Ofcom's key roles is to provide data to help inform the wider policy debate. I thought it would be useful just to hand over to my colleague Hew who can talk through the picture in the Highlands and Islands. Hew:

**Huw Saunders:** Thanks Jonny. I'm actually part of the expansion of the Ofcom office. Prior to 2016 we had a sort of small office in Glasgow of about half a dozen people and I'm pleased to say that since the creation of the Edinburgh office we've grown to over 40 people. I'm one of those who moved up from the London office despite the fact that I lived in East Yorkshire so it simplified matters. I have a slightly shorter commute despite the fact that I still spend half my time in London but never mind. I think it's important to note that it's not an office just dealing with Scottish issues. It's an office dealing with UK-wide issues. For instance the data that I'm about to step through is part of a programme that we refer to as Connected Nations which is something I've had responsibility of for 6 years. It's a periodic sort of snapshot of the state of infrastructure within the UK. We now update that twice a year as well as the main report. The data I'm going to talk about is actually derived from a report we published a few weeks ago which is based on data as of May 2018. This is in some ways the most important headline number - which is by local authority - the number of premises that can't get what we consider to be decent broadband - which is the 10 megabits per second downstream and 1 megabit per second upstream. The figure that's been accepted by the UK Government as the basis for the new broadband USO. These numbers are in the report so if you go to the update they are detailed there. I think the point is that clearly there is work to be done. Other than North Ayrshire unfortunately a lot of the local authorities represented in this room have a significant proportion of their premises that can't get decent broadband and that is something clearly that we think is important to work on and I'll touch on how we're doing that later. In terms of superfast the situation is actually surprisingly not too bad. The reality is that certainly over the last couple of years availability of superfast has improved significantly but there is still work to be done and obviously the R100 Programme addresses that. The starkest position probably is on the availability of ultrafast where quite clearly again beyond North Ayrshire the reality is that there is ample opportunity for outside-in. If we turn to mobile then on the face of it the situation doesn't look all that wonderful but I will say that what we've tended to report the last couple of years is coverage by all 4 operators. The reality is that there is significant difference certainly between 3 of them and the one that we perhaps regard as the laggard. The reality is on the ground that there is choice of operators in a broader area so one of the things that we will be aiming to do in moving forward is look at coverage by operator. One of the things that is particularly important in this context is obviously given the fact that

the EE network is the basis of the new ESN network delivering the services to the emergency services. They're expanding their coverage significantly in quite rural areas which obviously the Scottish Government is seeking that leverage through its own infill programme. I think the reality is that there is going to be significant improvement in a number of rural areas probably in the next 2 years as a result of the EE ESN work and also the other work that's been identified. At the moment the situation looks a little bit less favourable than it is actually the case on the ground. If you want coverage in many rural areas the situation is better. It's only if you want the choice of all 4 operators then there's a problem. Because it's more established 3G mobile services clearly has got a higher level of coverage at the moment but again I think the reality is that 3G is yesterday's technology and over time we would expect most of that spectrum to be repurposed and used for more modern technologies and in due course 5G. There is some improvement to be made. As Jonny said it's playing an increasingly important role in our lives. Our CEO Sharon White is on record as saying that decent reliable broadband and mobile is now an essential service. In reality only a few years ago it was a nice thing to have whereas now it's a necessity. We recognise that and we are obviously working to ensure that everybody has got access to that. As more and more public services are moving online it is a fundamental part of engaging with the wider society so I think we do take our responsibilities in this area very seriously. There has been significant improvements and more needs to be done but the reality is that Scotland has got specific challenges. It is not specific to Scotland. There are other parts certainly Wales, some parts of northern England and parts of Northern Ireland which have similar lower population densities and challenging terrain but there's more of it up here. The reality is that is always going to be a difficult issue particularly if you rely just on the market. I think the reality is that the commercial case for rolling out in more rural areas - as in Scotland - is always difficult to make. There are certain attributes of some network technologies that make services more difficult to deliver. They've got longer copper wires for instance which means that the number of broadband technologies that rely upon copper wires don't work as well. There's a lack of network infrastructure competition and competition always is a good driver of better services and there are other issues particularly in the mobile sector where there have been planning problems; the fact that overall we need more base stations to cover larger areas - there are a number of issues that are Scotland specific but need to be addressed as part of the bigger picture. The point I would like to make there is if you look at the environment overall then leaving it to the market is not an adequate solution. Clearly there is a lack of competition in rural areas and that does mean that to some degree the usual regulatory levers that are aimed to encourage competition are never going to be fully effective. We recognise that there is a role for governments here and the sort of interventions that are mentioned already such as the R100 - and on the UK-wide basis the USO Programme - have a key role to play and we have a role in actually delivering against them. If we talk about the USO for a moment as you're probably aware we've been working with the UK Government on that. We have an obligation now to designate a USP - universal services provider - we are aiming to publish a consultation on that process within a few weeks - certainly by the end of the year we would hope - with a provider or providers nominated within a consultation period before it comes into force. We think this is an important step in ensuring that access to decent broadband becomes a right rather than a privilege. However as a regulator we're not sitting on our hands. We're not sort of relying on past glories. I think there is a strong thread of regulatory

development that we can point to over the last couple of years. From our perspective probably the most important is the Strategic Review of Digital Communications which was undertaken in 2016. That has more recently been updated with our July 2018 strategic policy position: Regulatory Certainty to Support Investment in Full Fibre Broadband – a snappy title but I think it actually cuts to the chase of what we’re trying to do – which is to get more fibre networks or full fibre networks or their equivalent out there because that’s really the futureproof technology we think that society really needs. The key changes that we we’ve looked to implement in really the strategic review was a sort of forecast of where we’re going –the July 2018 document is that we’re now planning to do over a relatively short period. I’ll come on to the detail in a little while. It is interesting to note that the document that’s referenced in the bottom right-hand corner - which is UK Government’s Future Telecommunications Infrastructure Review – is broadly along the same lines. I think we’ve got to a point where I think they’ve accepted that things need to be done and the things that we were already contemplating was basically what we were suggesting is the same right solution. What are all those things? They’re all about full fibre and fibre rich networks. The specific actions that we’re undertaking are: creating a more independent Open Reach which controls the infrastructure that is most extensive across the UK so that Open Reach actually acts on behalf of all of its customers not just the BT Group’s own retail arms and makes network investment decisions to actually meet the overall market requirement rather than just the BT Group’s. We’re looking to reduce network bill costs to increase the opportunity for competition. The key way of doing that is making access to the duct and pole network of Open Reach open to other operators but not just for mass market broadband but for a range of services so that they can exploit economies of scale to deploy networks to support not just fixed deployment but also 5G. It’s an important element of future mobile networks that a lot more fibre is in there to provide backhaul. We’re also looking to set prices for Open Reach’s services through our Wholesale Local Access Market Review to make it a lot more encouraging to network investment. We’re having to introduce consumer protection measures like giving customers a right to automatic compensation when things go wrong and that comes into force early in 2019. We’re improving access to quality service managers. As I said earlier we’re working with the Scottish Government on R100 but we’re also delivering the UK Government’s USO. I think the other thing that we’re doing in the background are in some ways equally important and they include particularly a more holistic position on market reviews. In the past we tended to take a relatively silo approach to individual markets and that’s prevented that scale of economy leverage in terms of investment that I mentioned earlier on. We’re also in the background working on things like the Electronic Communications Code Reform which is the prime legislative vehicle for relationships between communication providers and landowners in terms of access to facilities to actually build networks on private land. The UK Government has something called the Busting Barriers Taskforce and we’re active in that helping with looking at some of the issues surrounding those issues on planning, the street works, new build developments wayleaves etc. In mobile in particular I think it’s worth noting that we’re taking a number of specific actions - the most obvious is that we’re about to auction large chunks of new spectrum particularly at 700 megahertz in the 3 gigahertz range which will be useable predominantly for 5G - as it’s called - but it’s important to note that 5G in this context is not just a mobile technology. One of the interesting developments over the last couple of years has been the increasing



recognition that actually the networks that use this spectrum could also be used for fixed access and more economically with a better service – you're certainly talking about superfast and indeed now in North America and elsewhere there are some technologies and some spectrum allocations that are being used to deliver ultrafast services of 300 megabits per second. The reality is that when we talk about fibre services full fibre is a good aspiration but fibre rich services – services that have got fibre a long way into the network but then perhaps use wireless for the last drop become much more commercially and technically viable as you go forward. This is an area that certainly we will try to make sure is feasible with the spectrum allocations that we do make. The proposals for the 700 megahertz licence option – we have been consulting on and they do include additional mobile network coverage obligations but this is quite a tricky area and we need to strike the balance between what the industry is prepared to accept as part of the auction process without them in fact saying no its too high a cost and we're not actually going to participate and buy the spectrum but we do think that there is a happy medium that could eventually be struck and I think will also be looking at other issues. Last week we published a Memorandum of Advice to the UK Government that we provided a little while ago which is looking at the other options for extending mobile coverage further including things like roaming etc which have obviously been on the agenda for some time. They're obviously considering that technical advice. We are considering further the representations made to us in the 700 megahertz consultation and we will be coming up with finalised proposals in due course. At that point I'll hand back to Jonny.

**Jonathan Ruff:** Thank you Huw. Part of the motivation for expanding our presence in Scotland and opening an office in Edinburgh is to ensure that we're better reflecting the interests of Scottish citizens and consumers. We're very keen to work with members of COHI here - and one of the ways we can do that obviously is through the local authorities that are represented here – one of the key ways we can do that is to provide data and technical expertise. It's not the easiest link to read on this slide so I'm happy to circulate it after today's session but if you go on to the Ofcom website you will be able to download mobile coverage by 2G, 3G, 4G, broadband speeds from 2 megabits all the way up to ultrafast by local authority so you can pull all this information out into a spreadsheet and use that to inform the basis of your briefings in any policy discussion that you're having even considering planning applications. There is a variety of tools on the Ofcom website that I would encourage you to use. Obviously there are both Huw's and my email address there and do feel free to contact us. There are a number of things we can do here if you need help interpreting the data or if there's questions about any sort of technical and regulatory policy challenges then again we can help there. At the start Miss Forbes mentioned the importance of digital skills and Ofcom also acts as the Secretary to the Cross-Party Group on Digital Participation at the Scottish Parliament. So I work quite closely with Willie Coffey MSP who runs this group and we have a number of members from all across Scotland so if you're interested in being a member of that and getting minutes from the meeting or even contributing to shaping the agenda then feel free to contact me and we can do that. As Huw mentioned we have an end of year Connected Nations Report – which is usually published around December - we are looking to have a Connected Nations event and we're going to try and get out of the Central Belt for that one so if anyone has any good ideas as to where we could host that Connected Nations event then feel free to contact me and hopefully we can have a discussion about any of this. Thank you very much for your time.

**John Swinney:** Thanks very much Jonny and Huw. I think we'll open it up for points on the discussion. I think you understand the centrality of this to our agenda. I suppose looking at some of the material particularly that Huw covered then obviously brings into sharp relief the scale of the challenge that we have to reach 100% and obviously our ability to reach 100% is influenced by how much private operators do under their own commercial decisions. I suppose what I'm interested in is how much more Ofcom can put pressure into the system through your regulatory responsibilities to get private operators to essentially be reaching further because what we've found with the superfast broadband programme is that through the mechanisms that we've had in place there the ability to achieve more than we first envisaged was going to be the case because of the nature of applying proper incentives and I suppose in some respects the operators might see constraints as well which required them to do more. I'm just interested in what more Ofcom believes it can exercise, influence to try to narrow the scope of the remaining 100% challenge for the R100 contract because it isn't about commercial opportunity it's always a subjective judgement in that respect. What I think is commercial BT or EE might think is absolutely appalling - as a concept I'm sure they probably would - but nonetheless we should be pressing for that. Huw:

**Huw Saunders:** That sort of brackets the problem we've got quite neatly. Our perspective in terms of the public good about what is the appropriate level of profit from investment as against the private sector's perspective which can be quite different. I think from a regulatory perspective we have a limited regulatory toolkit in terms of putting effective pressure on multi-participants. Our prime focus is on reducing costs for them hence the duct and pole access which we do think is really important because rolling out fibre networks from scratch 80% of the cost is literally civil engineering. If you can reduce that significantly as you can if you're renting somebody else's ducts and poles then that's a major win and it makes a major difference to investment. I think that's something that shouldn't be underestimated in terms of its potential impact. In very rural areas even then it's going to be -

**John Swinney:** Can I interrupt you there Huw, is there a climate that you think exists between different players to enable that to happen - that sharing duct example because what struck me when we had a conversation is actually - if my memory serves me right- in this room 2 years' ago with the mobile operators was that I felt that we were trying to weave people together who were really quite reluctant to be woven together but to be fair to them I think in the last 2 years they've been prepared to be woven together.

**Huw Saunders:** I think that's probably fair. I think the mobile operators are fairly fractious is the way I would describe them overall partly because they're sort of broadly equivalent. There is a sort of peer group pressure and I think probably a sort of sibling rivalry. I think the fixed environment is slightly different. There's the incumbent. In large parts of the UK as well you've got Virgin Media but in the rural areas that's not a factor but what is happening is that there are 2-3 investors or new market entrants who are looking at the opportunities and say we think we can actually rollout networks that can go significantly further than they've gone before. I think we're trying to say fine what do you need to actually deliver on that and they say well access to BT's ducts and poles is the prime issue. We're in the process of

trying to deliver that. It exists already as a product but as I said earlier it's got limited availability. We're trying to open up the bands for availability to make sure that actually all the services that are commercially viable can be delivered and that improves the business case. I think that's a very important piece of work and we'll push the envelope of what is commercially viable. I think that's something that's going to pan out over quite a prolonged period because I think we shouldn't underestimate 2 issues: since this is literally go out there and put in a new network it's not just flicking a switch so it does take time. Before I joined Ofcom I used to work for a small operator called Kay Com - which some of you may have heard of - but it's actually traditionally centred in Hull in East Yorkshire. Where is the most fibred city in Britain? It's Hull. As of March 2019 it will have 100% fibre availability. Why - because it took a strategic decision nearly 10 years ago when I was there - I was the Corporate Strategic Planning Director at the time - to actually go for a fibre future. It's taken that length of time to deliver against it so let's be clear fibre investment is not a short term programme. It will take time to deliver. The second element is a limited workforce available to actually deploy. There is going to be quite a lot of tension over the next few years in terms of the apparent lack of progress because it does take time and there is a limited workforce that can deliver it. I think saying that we are using all the regulatory levers at our disposal is true. I think the reality is that we are increasingly focused on trying to use them in a way that's as effective as possible but in the short term there are limits to what we can do.

**John Swinney:** Others – James:

**James Stockan:** Thank you very much. There are some very positive messages in this and some absolutely terrifying ones because it's the time of delivery that is a real challenge. It was said earlier for children to be digitally skilled for the future and if we carry on for our islands we're going to have a whole generation that are just missing out completely and will be totally disadvantaged. I believe we've been neglecting them. If we don't do something in the interim and get them up from half a megawatt to over 10 or something so at least they can participate. There's a huge issue there for us. There's a social imperative that we do something right now to cover that. I'm interested in your whole analysis that some of these places will be microwave links. There is a whole lot of stuff coming on to the market. We would like in the far remote rural areas where the commercial market will never stick up a business case to be able to experiment a bit so we're looking for a bit of slack in that so that we can invest a little bit between the local authorities or between the partners or between the government to try things out because if they don't work then at least we've tried for the people but we can't leave people in the situation that they're in at the moment.

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

**Margaret Davidson:** First the good news – the masts have been hugely improved since we've had that session and since they started sharing information in a safe space and we've got a whole network of masts starting to come across the Highlands and Islands which is improving matters a good deal. Secondly not quite such good news is that we're still waiting to know how far R100 is going. I've got children who go to school; they get home and they can't do their homework and all the rest of it. Quite a lot of our communities are hacked off to the back teeth and they've been putting wireless broadband in. We've got 2-3 operators across

Highland who are trying their best to get round everybody. They can't get round everywhere. What we want to do is know how far R100 is going so we can deal with the rest that we can go from the outside-in. We've got a City Region Deal. We cannot spend until we know because we can't spend public money twice in the one place. It's just about hair pulling out time with waiting. Patience is at an end because the people we represent are telling us their patience is at an end. Either we really gear up to do some interim solutions – which is what I've actually done – I cannot wait another 3-5 years to get fibre broadband to my door. I'm on wireless and I'm paying £30 a month and I'm glad to be paying it because I'm getting about 40 megabits and it will do until we can get something better. There are other communities who are pretty rich. They've got quite a lot of community benefit money. They want to put in fibre and some of them are doing a deal with Open Reach about fibre to premises. They've got a 50/50 deal that they've been doing. If we can be encouraging more of that then we can cover some more of the ground but it always brings us back to how far R100 is going? That is the big piece of information which we haven't had for the last 2 years and I really don't want to wait another 18 months until we get it. We were promised an update – and a good educated guess – of where it was going by the end of June and now we're coming towards the mid to end of October and we have no more news. Please can you help us help ourselves because that's what we're trying to do?

**John Swinney:** Thank you. Some of the questions on R100 won't be answered until the conclusion of the procurement but let's not let procurement get in the way Margaret of the due process. Colin do you want to give a bit of a response? Any other contributors wanting to contribute to this discussion?

**Colin Cook:** As you said Cabinet Secretary this is subject to a procurement process at the moment and there are still 3 bidders actively discussing that process. It works in procurement cycles and I think they're in the fifth of six now in terms of discussions. We're getting closer to a point where we can come and talk about when and where. There were some delays because of some legal challenges within that procurement process. I think those are known about. We're getting to the point where we can talk about what's going to happen but what I would say - and I think we learned this through the Digital Scotland Superfast Broadband Programme - is getting it right and getting the best deal will ultimately provide the best service for people in all areas of Scotland. We have to negotiate hard. We've got to get the best deal and this is as was said earlier by my colleague Huw here it is a complicated and complex set off negotiations to spend £600m of public sector money. We are working on it. We will give updates just as soon as we possibly can and ultimately R100 will provide access to everybody. The question is how far will that fibre go and I'm getting some very encouraging noises through the process but we have to get the best deal.

**John Swinney:** Thanks.

**Melanie Newdick:** In my other life outside NHS Highland I get to travel for a holiday company. I've just been in Estonia and Lithuania - fastest broadband speeds in Europe – and Estonia particularly - near universal wifi coverage. It's kind of ironic when you come home and you can't use your phone. For NHS Highland Kate's question was what do we want to do once we get the services that we need? We

know what we want to do; we know it now but we can't do it. We're being pushed to improve our productivity and our efficiency and change the way that we deliver services but we can't do that now because we don't have the infrastructure available. We can't roll out Near Me across the communities. We can't roll it out to people's homes so that they don't have to go into a health facility. We're stuck. My worry is that as we get pushed to make more productivity and efficiency savings that we'll be stuck in the position where we have old models of care because we don't have the infrastructure to be able to change in the way that we absolutely should and that everybody wants us to and the people who use our services want us to as well.

**John Swinney:** There is a challenge that comes with the assumption of digital accessibility that then creates perhaps 2 tiers of service availability to individuals and then that actually becomes more expensive to the public sector than licence expenses. Other contributors: Alistair:

**Alistair Cooper:** Thank you Deputy First Minister. The situation in Shetland is that if space comes to Unst in terms of tracking and such like we need diversity so R100 will only pull in one circuit. We need another circuit which is diverse from the first so that you can ensure that there will be continual connectivity as all these satellites go whizzing past. That is a big issue for us. We'll have to deal with that. We're looking for R100 tomorrow but I accept that the procurement process will take its time as it does in local authorities. The other issue which is slightly more longer term - but it is one that we need to be aware of - is that if HIAL goes for an air traffic control system based in Inverness then we will need multiple lots of connectivity to ensure that it works properly. In Shetland's case you're probably needing 4-5 diverse routes and we need to build that in today. I accept that R100 won't deal with it but we need to take cognisance of that sort of thing today so that if it does happen we act knowingly.

**Margaret Davidson:** One thing which in my tetchiness I didn't ask at the time was we have the first BT contract - which gave us a lot of cabinets around the place - is still not reaching a decent percentage even in the cities because of the copper wire network. They're needing a solution and maybe they just wait for R100 to but we really do have a huge frustration growing. The increase in tourism - they want to know what broadband they can get - we're doing our best to get wifi. We've got free wifi in a lot of our tourist towns now which really helps however they go to a B & B up a glen and there's nothing. We've got people who can't sell their house because of the state of their broadband. It gets more and more all the time and still we're waiting. We're desperate to help ourselves. We're desperate to tap into the Swan network wherever we need to where we're not going to get with R100. If we've got some remote villages then we'll find other solutions. We need to know how far it's going. We need to know that it's as fast as possible. It's really holding a lot up. As James said it is actually letting down a generation.

**John Swinney:** I know Margaret these issues are deeply felt - but some of the statistics that Paul went through earlier on about the difference between 2014 and 2018 - so there's a colossal amount of progress that has been made in a relatively short space of time. I think the challenge is undoubtedly - and it comes back to the whole nub of the question I asked Huw - if the commercial opportunities had been there to do this outside-in then that's what the market would have done but they weren't there so they didn't do it. It falls to the public sector and in 4 years we've

gone from very low levels of connectivity to really very high levels and I appreciate that not every B & B has got it but it's at very high levels. R100 as Colin has said is a project to get to that 100% connectivity in a finite time but what we can't be certain about because we don't know the answer to the procurement question is – is it going to be fibre in all circumstances? That's the question we don't know the answer to at this stage but if people are saying well what's coming our way and what can we expect then the guarantee is there that we'll get to 100% connectivity by 2021. That's the project on offer. If there are propositions that can be advanced through partnership with BT Open Reach then all very well but fundamentally there is a commitment to get to 100% coverage within that time framework. I think a lot has been achieved so far. Colin:

**Colin Cook:** The other thing that might be of interest to COHI is part of the planning that we're doing for R100 is that we are looking at those alternative solutions - this tranche of work that we called aligned interventions. We certainly could come and discuss the plan or get input into next time if that would help to start to accelerate some of that alternative thinking you were talking about.

**John Swinney:** Paul:

**Paul Wheelhouse:** I just wonder whether there is any scope - having discussed it with Virgin amongst other operators - whether there is scope for closer collaboration on the ducting issue or the civil engineering side where we've got Transport Scotland projects and where we have other local projects which may open up opportunities for ducting to be put in or to cut the cost of the construction. I was discussing with Frank at lunch there about currently there's barriers to the projects where we have energy companies electricity distribution networks actually providing opportunities for fibre to be deployed on their poles and across their grid to be able to save having to create the infrastructure from scratch. I just wanted to pick up the point the Deputy First Minister mentioned earlier on about what regulatory drivers Ofcom can do so is there any potential collaboration with other regulators such as Ofgem and indeed National Grid and indeed the UK Government to try and see if there is any way they can help to free that up because as Frank was making the point, power is going to every property so if there's an opportunity to use that infrastructure more creatively that might be a good one to pursue. I'll come back and summarise on this point later.

**Colin Cook:** Just briefly yes there would be the simple answer. There is already something in place called an Access for Telecommunications Infrastructure Regulations which is derived from the European Directive that actually allows for access for telecoms operators to non-telecoms infrastructure. It also has a power to require co-ordination between different utilities in terms of basically digging up the street. I will caution however that sometimes it is not as easy as it might seem. Timing is the critical issue whether its Scottish Gas networks or whoever wants to dig up the streets they need to do it then. The telecom operators say well not now but probably in 12 months' time so there's always a phasing issue which is a bit difficult. Putting in additional duct is not problematic because the incremental cost is relatively low but the question is: will anyone use it; is it in the right place etc and that's always a bit of a challenge. There is an existing regulatory framework that could be exploited more in my view. We are working with our counterpart regulators through the UK Regulators Network to try and explore these issues in more detail.

**Paul Wheelhouse:** That would be very helpful to explore for any further opportunities that we could take forward in Scotland given the scale of grid infrastructure that we're going to require for the delivery of the energy strategy for connectivity to the islands. There's lots of opportunities that may arise from that. I'll just whip through some of the points at summary. There has been a very interesting discussion and just to pick up some of Margaret's points just in response. We've had to make a conscious decision around R100 to focus that on the remote, rural and island areas and to take an outside-in approach. Obviously we're working with the commercial operators to see how much more they can do to try and plug the gaps in urban areas and to continue to identify those so if you are aware of any that we can obviously flag up to commercial operators then I'm happy to do that. To illustrate the point that the Deputy First Minister indicated I think it's true to say that in the absence of the DSSB Programme there would be next to no coverage in any of the 3 island authority areas. They're now all over 70% which is one very good illustration of the progress that's been made so far. In terms of the points that have been raised earlier on I think it's a useful point that has been made earlier on by colleagues from Ofcom around many areas already having perhaps at least one mobile operator. It's just the fact that you're not able to get all the networks so there's something to build on there. Perhaps we need to flag up and highlight that Scotland is not the desert in terms of mobile phone coverage that some people think it is. We're talking earlier on about how to attract people to the Highlands and Islands and to secure investment in the Highlands and Islands. Clearly if the perception is that the network is very poor then if we can counter that by someone saying there are network providers in those areas. It might be that you might not have your network of choice but there are networks available and building from that would be an appropriate takeaway from this session. Obviously Clare made a very important point about the topography and the sparse population density. I was chatting to Grant Moir earlier on and I can see that in the past we've had success in working with network operators to highlight areas like the National Park which has maybe a small residential population but a high number of tourists. That's true of many areas of the Highlands and Islands there are tourism hotspots that perhaps flagging up the data around tourism numbers might help convince network operators that there's actually market for the telecoms infrastructure that otherwise might not appear to be strong in the absence of a residential population. Obviously I pick up the points about the USO Programme and the USP. It will certainly be interesting to see when the information providers that have been nominated for that. In terms of the independence of Open Reach. I take the point entirely. We've met with Brendan Dick and the team at BT and Open Reach about the transformation business model there and the potential that could have. Clearly we need to kind of understand how we can best capitalise on that change to drive perhaps smaller providers to make use of the infrastructure as you are alluding to. I do think the reducing network bill costs would be an issue that we could - maybe collectively the local authorities and other players could play a role in helping with that. In terms of - wayleaves can sometimes be an issue and a difficult thing to resolve for operators. If we can all work to put our shoulder to the wheel on that then that would be useful. In terms of the MoU introduces consumers - the dedicated board member. I don't know whether perhaps you could provide some information about how that board member can liaise with us all collectively but it is for individual local authorities to make representations which might be a useful way of making sure that that person's

role is used to maximum effect though I appreciate they're not a representative as such probably on a board or they're bringing their experience of Scotland but the more they know about the local problems the more they can highlight the challenges that are being encountered in the Highlands and Islands to the main board. I think in terms of the other points that I was going to flag up: I suppose just looking at opportunities to engage and how best we can use this forum to monitor performance going forward. Obviously as the Deputy First Minister has said this is a regular item that has come up throughout the existence of COHI and clearly will continue to be of focus. I notice that obviously Margaret and others were particularly concerned about the R100 coverage and not having sufficient information. Colin has given a very full answer on that. I suppose the other point to highlight is that we are not able to intervene where there is a commercial solution. One of the most important tasks was actually getting the mapping data which wasn't as easy as you might think. Certainly one operator was particularly difficult to get the data from but it has been resolved thanks to Colin's team so well done for that. Now that we have the complete data which has gone forward to all the contractors and hopefully that enables them to come up with as accurate a possible picture of taking the white areas that are not going to be covered by commercial operators and coming forward with detailed cover so that – assuming by the middle of next year - we have a procurement outcome and then the detail will be able to be shared very quickly after that.

**John Swinney:** Thanks very much Paul. Thanks to Huw and Jonny for their contribution and I can only promise them that they'll probably be back in due course to help us out on this topic given its significance. If we can move now to the outcomes of today. There are outcomes for a number of discussions. There are 5 outcomes.

Outcome 1: potential future projects - COHI welcomed this work to identify projects of strategic significance and expressed unanimous support for the collaboration across partners and with the private sector. The role of HIE in leading this work was recognised - recognising that a bespoke solution will be required to deliver each project. The COHI Senior Officers Group will be tasked with taking this work forward ensuring that COHI is provided with regular updates. This work will recognise the importance of flexibility and adapting to opportunities that arise. A letter was sent to Michael Gove about the importance of the UK Maritime and Fisheries Fund. Finally opportunities to include the strategic projects identified through the processes in the forthcoming National Planning Framework will be considered. This is a significant point. Essentially I think what its saying is that HIE is going to have to be in the mix for all these projects in as much as we're trying to get as much of these projects done. The point about the relationship to the National Planning Framework is just as important because of the significance of some of these projects. Other partners have clearly got to be involved.

Outcome 2: daylight savings – COHI members raised several concerns about the UK Government's proposed threat to end seasonal clock changes in the year 2019. The Scottish Government will ensure these are reflected in ongoing discussions with the UK Government.



Outcome 3: building on an example of the Western Isles Council and Skills Development Scotland, we will work across partners for the next year to identify and plan a programme of responses to the sub-regional population and skills challenges for the Highlands and Islands.

Outcome 4: talent attraction – public bodies working together to have shared recruitment campaigns; lobby to address arbitrary income units which impact on people from outside Scotland being able to stay in the Highlands and Islands; explore financial inducements to fill posts in the public sector and use research base on population projections to plan action. I wasn't here for that discussion but I think –

**Damien Yeates:** I had a discussion with Morven and John from VisitScotland and I think probably what's missing is a firm commitment to a collective compelling campaign to attract the right people to each of the regions and each of the types of economic growth areas. John likened it to the picture of a trout jumping out of the water about to catch a lure and we need to know the audience in respect of the trout and we need to get the lure right in terms of the mechanism. That needs to be both above the line - marketing strategy - but also below the line in terms of social media. I think that needs to be explicit because we need to deliver on that and commit to doing that and I know that's what Morven was looking to do. The discussion was curtailed a little bit but I know that it was her intention to do that.

**John Swinney:** I think we should amend that first bullet point to make reference to a compelling, inclusive all-embracing public support because we've been very pleased with the degree of co-operation and collaboration we've had in the Scotland Is Now umbrella. I think that's the model you're talking about for this specific purpose.  
John:

**John Thurso:** That was the model I cited: Scotland Is Now. I suggested that. The phrase I used when we were discussing at tea was from an old marketing campaign which was fish where the fish are and use the right fly.

**John Swinney:** The other point I was going to make is I think I would like to expand the third bullet point. I think financial inducements should be explored but also something like those innovative mechanisms because we've got to have a pretty broad view about what will be required to be done here. I think if we put in: explore financial inducements and other innovative interventions to fill posts in the public sector – it may also be that – I had a conversation with some colleagues just a little while ago about just some of the adaptability that we've got to have in some of our approaches to ways of working within the public sector which might be relevant there as well. If we can make that change.

Outcome 5: post-Brexit regional policy – COHI recognises the importance of European funding to the economic development of the Highlands and Islands. Members asked the SG to continue to work with the UK Government to ensure that the Shared Prosperity Fund, City and Growth Deals underpinning regional policy is outcome focused, flexible and responsive to the distinctive characteristics and ambitions of the Highlands and Islands administratively, efficient and straightforward yet inclusive and collaborative with aligned local, regional and national accountability

and empowerment multi-year additional and at least comparable to previous European funding in diversity and quantum. There's a deadly serious point in here that European regional policy has actually been very, very effective and in my humble opinion has got a lot to teach most other sources of policy and I would worry and that's what I think these many beautiful words that have been crafted here are important to try to retain that character of regional policy because it has been successful.

Outcome 6: digital – Ofcom are keen to work with COHI members and are happy to provide data and technical expertise to Scottish local authorities; looking to reduce civil engineering costs associated with building new telecom networks from scratch; COHI members are still looking for information on just how far R100 will go; looking for ability to implement interim solutions and potentially invest their own resources to do so; SG will provide information once contracts have been awarded and are happy to discuss aligned interventions and technical solutions with local authorities; possibility of relaying tourism hotspots to mobile network operators to encourage them to invest and network build in those areas where the resident population is low; SG to work more closely with Ofcom to create a more effective regulatory framework and use COHI forum to better monitor progress. Aileen:

**Aileen Morton:** Can I maybe say because it wasn't picked up in the conversation we had on this the issues that Kate highlighted at the start weren't raised then because we got caught up in the technical challenges so it's just to flag it up that I think it would be good to bring back those issues at some point maybe once we're clear around the R100 and things like that so that we do have that discussion because I think it does bring opportunities but it also brings challenges in terms of the earlier discussions we had about talent attraction and losing young people and things like that.

**John Swinney:** We can incorporate that point in the feedback Aileen. Gary:

**Gary Robinson:** Thanks Deputy First Minister. I just wanted to go briefly back the European funding one if I might.

**John Swinney:** Let me close down digital before we go any further. Are we all done on digital? Right Gary:

**Gary Robinson:** It's just the form of words that the UK Government are coming with around this. It's not as concise as we were used to in for example Article 174 of the Treaty where regions of permanent geographic or demographic handicap were identified. I think we're being offered something that- not just in terms of the money I'm sure - but also in terms that actually identify the areas where funding is going to go. I think it appears at first glance to me any way that there is to be an attempt to sort of water it down. I think that phrase in the Treaty actually absolutely clearly identified where we're at and that we are a region that requires that support so just something around the wording to make sure that we're not losing out here by it being diluted.

**John Swinney:** That's the kind of point I was making there about the character of European regional policy which I think has been driven by Article provisions where

you don't actually need a lot of words to drive a sentiment behind policy which has been in my opinion very, very successful. I think what this is trying to do and what we need to make sure is reflected in the final wording is exactly your point that we don't want to lose that character in policy. We should perhaps add to our digital about writing to the DCMS to express our disappointment about the non-appearance of Ministers and officials. If folk are happy with that then I'm happy to accept because it's pretty poor. Any other comments or observations as we draw to a close: Thank you Moray Council, Graham and Roddy and your colleagues for your welcome today and thank you for your Moray College. Thank you very much for your hospitality. It's a pleasure to be back in Moray College, UHI once again. Thank you one and all again very much for an open and forthcoming conversation about mutual issues. Thank you for your participation.

**Thank you.**

END OF COHI MEETING