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Working Documents

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DOCUMENT 1-1177/82

REPORT

drawn up on behalf of the Committee on Agriculture

on the state of agriculture in the Highlands and Islands
of Scotland and other severely disadvantaged regions of
the Community

Rapporteur: Mr James PROVAN

1.2.1

At its sitting of 18 February 1982, the European Parliament referred the motion for a resolution tabled by Mrs Ewing and others on the crisis in agriculture in the Highlands and Islands of Scotland (Doc. 1-1021/81) with request for a topical and urgent debate pursuant to Rule 48 of the Rules of Procedure to the Committee on Agriculture as the committee responsible.

On 9 June 1982, the Committee on the Environment, Public Health and Consumer Protection requested authorization to draw up an opinion. On 14 June 1982, the Bureau authorized the Committee on the Environment, Public Health and Consumer Protection to draw up an opinion.

At its meeting of 31 March 1982, the Committee on Agriculture decided to draw up a report and appointed Mr James Provan rapporteur.

The committee considered the draft report at its meetings of 23/24 November 1982 and 18/19 January 1983.

At the last meeting, the committee adopted unanimously the motion for a resolution as a whole.

The following took part in the vote: Mr Curry, chairman; Mr Früh and Mr Colleselli, vice-chairmen; Mr Provan, rapporteur; Mr Adamou, Mr Barbagli (deputizing for Mr Bocklet), Mrs Castle, Mr Clinton, Mr Cronin (deputizing for Mr Davern), Mr Constanzo (deputizing for Mr Kaloyannis), Mr Dalsass, Mr Diana, Mrs Ewing (deputizing for Mr Mouchel), Mr Gatto, Mr Helms, Mrs Herklotz, Mr Howell, Mr Hord, Mr Jürgens, Mrs Le Roux (deputizing for Mr Pranchère), Mr Ligios, Mr Lücker (deputizing for Mr d'Ormesson), Mr Maffre-Baugé, Mr Marck, Mr M. Martin (deputizing for Mr Vitale), Mrs S. Martin, Mr Mertens, Mr Papapietro, Ms Quin, Mr Sutra, Mr J.D. Taylor (deputizing for Mr Battersby), Mr Thareau, Mr Tolman, Mr Vernimmen and Mr Vgenopoulos.

The opinion of the Committee on the Environment, Public Health and Consumer Protection is attached.

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The Committee on Agriculture hereby submits to the European Parliament the following motion for a resolution, together with explanatory statement:

MOTION FOR A RESOLUTION

on the state of agriculture in the Highlands and Islands of Scotland and other severely disadvantaged regions of the Community

The European Parliament:

- having regard to the motion for a resolution by Mrs EWING and others (Doc. 1-1021/81),
 - having regard to other severely disadvantaged regions of the Community,
 - having regard to the report of the Committee on Agriculture and the opinion of the Committee on the Environment, Public Health and Consumer Protection (Doc.1-1177/82),
- (a) Whereas Article 39 (2) (a) of the Treaty provides that the social structure of agriculture and the structural and natural disparities between the various agricultural regions must be taken into account in working out the common agricultural policy;
- (b) Whereas, to achieve the aims of the common agricultural policy as set out in Article 39 (1) (a) and (b) of the Treaty, special measures appropriate to the situation in the less-favoured agricultural areas should be taken at Community level;
- (c) Whereas, in certain less-favoured areas of the Community within the meaning of Directive 75/268/EEC, there are serious problems of under-employment;
- (d) Whereas, in these areas, the percentage of the working population engaged in agriculture is relatively high and agricultural incomes are very low;
- (e) Whereas the infrastructure in these rural regions is inadequate, particularly in public services such as service roads and communications, electricity, drinking water; whereas the provision of services is an important prerequisite for the improvement of agricultural structures, and the stemming of depopulation;

- (f) Whereas agricultural production in these regions is seriously hampered by physical and climatic handicaps, as well as distance from the main market centres;
- (g) Whereas, in the mountain and hill areas, the improvement of land use and diversification of interests is an essential prerequisite for the improvement of the rural economy in these regions;
- (h) Whereas relatively few farmers in these regions are capable of implementing a development plan with a view to attaining the comparable income level referred to in Article 4(1) of Council Directive 72/159/EEC of 17 April 1972 on the modernization of farms, as last amended by Directive 82/436/EEC;
- (i) Whereas the development of beef cattle, sheep and goat farming, together with the improvement of pastures, drainage and irrigation, could help to bring about an effective and permanent improvement in the economic position of farms;
- (j) Whereas the market organization for these products should be adjusted to take into account the particular conditions of these regions;
- (k) Whereas an improvement in the value added on agricultural production is essential, particularly through encouragement of processing and better marketing in these regions;
- (l) Whereas afforestation and the improvement of forests, including measures to protect and maintain forests, constitute appropriate means of improving employment in these regions;
- (m) Whereas the development of tourism and fishing constitute essential means of ensuring the long term development of these rural economies, by fully using all the resources available, for example, sporting and tourism;
- (n) Whereas it is necessary to improve training by establishing training centres or by enlarging and renovating existing centres;
- (o) Whereas these objectives should be furthered by action combining these various elements within the framework of a programme;

- (p) Whereas the Agricultural Development Programmes in Italy and Ireland may be regarded as precedents for the deployment of the EAGGF in broadly based agricultural development programmes in the severely disadvantaged agricultural areas;
- (q) Whereas other particularly deprived regions, including the Highlands and Islands of Scotland, could benefit from similar agricultural development programmes;
- (r) Whereas it follows from the foregoing that the above-mentioned measures constitute a common measure within the meaning of Article 6 of Council Regulation (EEC) No 729/70 of 21 April 1970 on the financing of the common agricultural policy, as last amended by Regulation (EEC) No 3509/80;

I. PROGRAMMES TO MEET SPECIAL PROBLEMS OF SEVERELY DISADVANTAGED AREAS

1. Emphasizes that the provisions of the common agricultural policy have failed to prevent a serious decline in the rural population of the least favoured and more peripheral areas of the Community; and have seriously jeopardized their economic future by creating greater competition to the traditional products of the uplands, in particular store cattle. This has been caused by improvements to and encouragement of production in the more favoured regions;
2. Points out that these regions suffer from severe handicaps, with high cost of production, and in particular:
 - (a) a limited range of production possibility - mainly store livestock for meat production which provides the lowest incomes - whilst the intensive system, pigs, poultry and barley beef, are not possible;
 - (b) strict limits to the production of winter feed, and in particular limited cereal production for animal feed;
 - (c) climate and altitude, with a short growing season, particularly in the Highlands and Islands of Scotland, one of the most northerly regions in Community with the highest rainfall levels, which leads to severe leaching and acid soils; persistent and high winds are also a real difficulty;
 - (d) high transport costs, particularly in the maritime peripheral regions which suffer from exceptionally high costs of trans-shipment, particularly by ferry;
 - (e) small local demand, due to the low population density, with a smaller - and even decreasing - choice of outlets, limited local markets and poor infrastructure, all leading to lower returns;
3. Believes it a matter of urgency for accelerated development plans to be drawn up for the rapid improvement in the production efficiency, marketing facilities and infrastructure of the most severely disadvantaged regions in the less favoured areas of the Community.

To this end accelerated agricultural development programmes should be drawn up for regions to be defined in terms of:

- (i) excessively low incomes in relation to the national average
 - (ii) serious decline in population
 - (iii) very low population densities
 - (iv) long and expensive lines of transport and communication
 - (v) agricultural structures insufficient to maintain the existing farming population
 - (vi) limited range of agricultural production possibilities;
4. Stresses that such programmes should be drawn up to meet the particular needs of each region, and after consultation with local organizations and other interested bodies;

II. IMMEDIATE MEASURES TO IMPROVE AGRICULTURAL INCOMES

5. Emphasizes that the long term success of such programmes will depend on measures to ensure that agricultural incomes will be sufficient to maintain results, without which investment will be largely wasted;
6. Believes, therefore, that structural measures must be accompanied by improvement to the market organizations of the principal products so as to ensure greater profitability of agricultural production;
7. Points to the dramatic decrease in cattle numbers in the less favoured regions, which leads:
- (a) to an unacceptable fall in the value added of agriculture and the subsequent reduction in the turnover of related sectors in these regions, so rendering unviable these major economic activities,
 - (b) to the consequent closure of many of the markets, slaughter-houses and processing factories, so undermining employment in the principal population centres,
 - (c) to an under-utilization of the soil and a gradual decline in fertility;

8. Believes, therefore, that market organization for beef should be improved by an increase in the suckler cow premium under Regulation 1357/80 for hill beef cattle so as to stop their decline and to encourage an increase in their numbers;
9. Believes that payments to breeding cattle should be extended in areas covered by accelerated programmes to cover young stock, thereby providing producers with the possibility of benefiting from higher spring prices;
10. Calls for a reasonable increase in the hill land compensatory allowance in these particularly disadvantaged areas to a level equivalent to that granted in Ireland, with 50% of this amount paid out from the EAGGF, since the prices received by the more peripheral producers are substantially lower than those received by other producers;

III. IMPROVEMENT OF TRANSPORT INFRASTRUCTURE

11. Believes that the main priority should be given to improving transport infrastructure;
12. Does not believe that the structural measures outlined below will be sufficient to offset the exceptionally high transport costs of the peripheral maritime regions and in particular islands;
13. Requests, therefore, that there be introduced on the basis of Community financing a road equivalent tariff to compensate for the costs of trans-shipment of goods;
14. Points out that improved transport will increase the mobility of administrative units of business enterprises, so leading to a loss of much needed employment in these areas;
15. Requests therefore that grants should be given in priority to companies maintaining their administrative presence in these regions;

IV. A MORE FLEXIBLE APPROACH

16. Underlines the serious economic and social problems that may be created in existing less favoured areas by the establishment of reinforced regional development programmes;

Requests therefore that additional aid be foreseen for intermediate zones or farms so as to avoid excessive distortions;

17. Believes that tax incentives can be as effective as capital grants in programmes to limit rural depopulation; and requests the Commission to adopt more flexible guidelines in derogations to rules on fiscal aids for these less developed regions;
18. Requests that adjustments be made to rules governing all Guidance measures so as to ensure that smaller production units be allowed to benefit and that the rules of application take into account particular local circumstances;

V. IMPROVEMENT IN MARKETING STRUCTURES

19. Stresses the importance of increasing value added by developing marketing and processing in these regions, through investment grants and training programmes;
20. Believes that Community financing should be increased and made more easily available, particularly in cases where responsibility has been taken to play an active local role and through the formation of cooperatives;
21. Emphasizes the importance in the first five years of measures to encourage the development of management and market skills in these regions by means of financial encouragement to marketing groups and cooperatives;

VI. LIVESTOCK AND FARM IMPROVEMENT

22. The development of beef cattle, sheep, goat and deer farming should also be encouraged by specific measures, including aid for the improvement of breeding animals, and their progeny, with consideration being given to the setting up of local artificial insemination systems where a "Community" flask is available;

23. Believes that more intensive efforts to improve the agricultural production structures and infrastructures of these regions will constitute an essential step towards safeguarding their economic future and should include :

- (a) additional Community aid for fencing, drainage and irrigation, the reseedling of pastures, and lime subsidies
- (b) aid for the purchase of machinery for fodder production by groups
- (c) the construction and improvement of farm roads and local roads used mainly for agriculture and forestry, together with ferry and port facilities in the maritime regions;

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VII. THE RURAL ECONOMY

24. Considers that training and research centres situated in these severely disadvantaged regions would play a particularly vital role in development programmes, acting as:

- (a) a focal point for development initiatives within the regions themselves
- (b) a basis for rural advisory services able to respond to local needs
- (c) institutions able to recognize the special needs of these regions more effectively than present educational establishments which are excessively biased towards industry and the town;

(d) training and retraining for diversification;

25. Stresses the importance of tourism, forestry and fisheries as a complement to agricultural activities and to providing a long term source of employment;

26. Believes that forestry measures should allow for smaller on-farm areas and shelter belts as well as major plantations:

- (a) requests that consideration be given to ensuring that tenant farmers and owner occupiers will be able to benefit from forestry plantation schemes and that forestry grants be available under the EAGGF for these regions;

(b) further research be financed on afforestation in areas previously considered unsuitable;

27. Stresses the importance of fisheries to many of the more peripheral areas of the Community, and of increased Community financing to encourage the creation of local processing factories, in view of the fact that the great majority of fish caught in neighbouring waters is processed outside the region;
28. Points to the problems of transport of fish to distant markets on the poorly equipped road structures of these regions and believes that improvement will depend on the adoption of integrated development programmes;

VIII. ENVIRONMENTAL PROVISIONS

29. Believes that development programmes in an area of particular importance for fauna and flora should contain adequate environmental safeguards, funded under Article 661 of the Budget;
30. Further believes that a separate report is necessary to decide how such interests and investigations be funded in the future, and reconciled with other interests;

IX. SPECIFIC ACTION IN FAVOUR OF PARTICULARLY DISADVANTAGED AREAS

31. Considers that the Agricultural Development Programmes in Ireland and Italy provide precedents for Community participation in broadly based agricultural development programmes in the most severely disadvantaged regions of the Community;
32. Calls upon the Commission to come forward with appropriate proposals for agricultural development programmes in the Highlands and Islands of Scotland and in the other severely disadvantaged agricultural regions which have not already benefitted from Community support of this kind;
33. Emphasizes the desirability of progressively introducing a greater coordination of the various Community Funds and policies in order to ensure that the development essential to these regions is encouraged as effectively as possible;

X. INTEGRATED DEVELOPMENT PROGRAMMES

34. Recommends that a most effective means of preventing rural depopulation will be the extension of integrated development programmes to severely disadvantaged areas once experience in their implementation has been gained;
35. Believes that measures in such an integrated development programme for the promotion of tourism forestry, agriculture and fisheries should constitute the first step in the creation of a Rural Development Fund, intended to operate in all sectors of the rural economy, so ensuring greater coordination and collaboration between all the different services of the Commission and national agencies involved;
36. Stresses the importance of the proper coordination of the various Community funds in order to ensure that the development essential to these regions, is encouraged as effectively as possible;
37. Instructs its President to forward this resolution to the Council and Commission.

EXPLANATORY STATEMENTINTRODUCTIONThe need to retain the rural population

1. At the time the EEC Treaty was drawn up, it was generally believed that continuing economic development would enable urban areas to provide employment to those leaving the countryside. The drift from the land was considered a natural, even desirable process. Mansholt's plans for improving the structure of agriculture were based on reducing the farming population.

The present economic situation does not allow for such an optimistic view.

In the rural areas the migration to the towns has led to very serious social and demographic problems. Unemployment already high in the rural areas, hits exceptionally hard at the younger people. They leave to go to the towns in search of better prospects. An age/sex imbalance in the population structure is left behind, with an increasingly higher proportion of older unmarried farmers. There comes a point when the whole social fabric of rural communities is threatened with collapse. Maintaining the basic infrastructure of the rural areas in this situation becomes extremely expensive and unlikely in the present economic climate to receive the additional financing required.

Today, when in many rural areas agriculture can no longer offer sufficient employment or acceptable levels of income, it is clear that the resulting drift to the towns has very serious negative effects in the urban areas, adding to the bill for unemployment payments, and increasing the pressure on the already strained national budgets.

Apart from the economic costs of rural depopulation in the rural and urban areas, there are wider implications for all our societies. There are few who would willingly stand by and allow the destruction by neglect of the rural societies and the cultures they have developed. These are part of our heritage and important to us all, not least the city dweller.

Rural depopulation is accompanied by an inevitable destruction of essential social amenities. Paths, bridges, lanes and buildings fall into disuse and the countryside can no longer offer the facilities that are increasingly required by the population as a whole.

2. We can agree it is essential we try to maintain the rural population in existing areas; but the problems are considerable. The economies of rural areas tend to follow the economic fortunes of the larger urban areas. In a period of recession the number of mobile industrial projects declines considerably. At the same time the problems of rural areas tend to be left in the background as the economic and social problems of the urban areas increase and gain the headlines.

Solutions must be found before the problems become irreversible. But the solutions must be realistic. The development of small local industries will have a major role to play. But the backbone of employment, as today and in the past, will be provided by agriculture. Initial efforts must be concentrated therefore on stabilizing and then developing agriculture in the more peripheral regions. We must be selective as well in terms of the regions where initial efforts are applied. The greatest problems are faced by those farthest from the great urban centres. Distance, when added to climatic and physical handicaps, makes competition with more favoured agricultural regions too unequal a contest.

3. Given that financial and administrative resources are limited, a plan will be put forward in several stages:

- (a) In the immediate future efforts should be concentrated on accelerating development plans for the most badly hit agricultural regions. This itself could be done in two stages, pilot schemes for the 'core' problem areas, with schemes extended once greater experience has been acquired;
- (b) In the longer term a Rural Fund should be set up to ensure a properly coordinated development of all the economic activities in this region.

The Highlands and Island region

4. The Highlands and Islands Development Board (HIDB) area¹ covers some 36,000 square kilometres, or 49% of the area of Scotland and 17% of the area of Great Britain. With the exception of a few farms on the east coast of Ross and Cromarty, Inverness and Nairn, the whole of the area is designated as 'less-favoured' for the purpose of EEC Directives 75/268 and 75/276. With a population of 323,000, the population density of approximately 9 persons per square kilometre compares with 67 and 244 respectively for Scotland and Great Britain, and 62/km² in the most sparsely populated region of Southern Italy - Basilicata.

The area suffers exceptional demographic, economic and social problems associated with remoteness, poor climate and an unfavourable terrain. The whole area is largely dependent on the primary industries of agriculture, forestry and fishing. Physical infrastructure is deficient by modern standards in some parts of this area; poor roads and a dependence on ferry services, for example, impose considerable constraints on development. The land is of very poor quality and is suitable only for extensive farming or forestry. The average farm size is small with very few holdings being capable of providing a full-time occupation. Average incomes are low, a high proportion of the population is in the older age groups, unemployment rates are high, and with a general lack of job opportunities the area has long suffered from migration.

The area has been subject to massive depopulation over a very long period. During this century, for example, the population of north west Sutherland has declined by over 50% and the decline in the island population in the same period ranges from 33% to 45%. Despite considerable public sector investment, establishment of special agencies and geographically limited North Sea oil development, the economy of the area remains precarious, over dependant on primary industry and on seasonal employment, more exposed to the effect of adverse economic circumstances and demonstrating the problems of rural decline in a more intractable form than elsewhere in Great Britain. The proportion of a population aged 65 and over is around 20% over a large part of the area compared with 12% for the country as a whole. Unemployment rates in May 1979 were well above the Scottish average over most of the area and on some islands were nearly twice the Scottish rate.

¹ comprising the Highland Region, Argyll and Bute District and the Island of Arran in Strathclyde Region, and the Island Authorities of Orkney, Shetland and the Western Isles

5. The climatic and geographical problems of this area are extreme. The decrease in temperature with altitude on the mainland is very marked with a consequent very narrow margin between success and failure in agriculture at higher altitudes. The length of the growing season is shortened by 12 days for every 100 metres of altitude and this together with a variability from year to year and late frosts confines stock farming and cropping to the valleys and more favoured situations. The mean annual wind speed is equalled by few populated land areas.

Much of the mineral soil is derived from infertile rocks and this together with podzolisation, relatively uncommon in Europe, results in soils of low phosphate content and low productivity. The conditions of high rainfall, as much as 4,000 millimetres in some upland areas, leads to the formation of acid peat of low phosphate content; the value of which to agriculture is very limited, although suitable for forestry. Good agricultural soils are therefore confined to the alluvial stretches of the river valleys, the raised beaches around the coasts, and the larger pockets of brown forest soils which occur on the lower hillsides free from rock outcrops.

6. Shetland, the most northerly group of islands, some 130 miles north of the mainland, consists of some 100 islands of which fewer than 20 are inhabited. The islands are windswept to the extent that trees are virtually non-existent and while there are deposits of peat, the soil is generally poor.

The Orkney islands, which are separated from the mainland by the turbulent Pentland Firth, form a group of some 70 islands, about 20 of which are populated. They contain low undulating hills, covered in areas by fertile glacial drift deposits, but again high winds and gales are common.

The Inner and Outer Hebrides, the islands groups off the west coast, contain more than 500 islands, fewer than 50 of which are inhabited. The terrain varies considerably from mountains to tundra-like areas. Skye, Mull, Canna and Eigg, contain potentially the most fertile soils, but development is severely limited by remoteness, and the additional costs and time involved.

Limited Agricultural possibilities

7. Well over 90% of the utilisable land in the area is of such poor quality that severe limitations on use make it suitable only for extensive livestock farming or forestry.

Use of agricultural land in Scotland - June 1980

	<u>Highlands and Islands</u>	<u>Rest of Scotland</u>
	<u>% of total area</u>	<u>% of total area</u>
Total agricultural area	100	100
Rough grazing	72.6	50.3
Common grazing	18.9	0.3
Crops and grass	7.4	47.1
Wheat	0.02	0.6
Barley	1.1	13.3
Oats	0.3	0.9
Potatoes	0.07	1.1
Other crops	0.008	0.4
Fodder crops	0.3	1.7
Grass	5.7	28.8

8. There are over 21,000 agricultural holdings in the area, of which about a quarter have a standard man day requirement in excess of 100 days. An analysis of approximately 10,000 statistically significant holdings (i.e. more than 40 standard man days) shows that about half have fewer than 20 hectares.

9. A feature of agriculture peculiar to the area is crofting, a form of land tenure based on small communities composed of crofts having small areas of cultivable land and an area of common grazing. The majority are tenant-occupiers who, under special legislation, enjoy a high degree of security of tenure regulated by the Crofters Commission.

There are about 18,000 crofts, and the great majority of crofters are spare-time or part-time farmers, with more than half devoting less than 2 days a week to their holdings.

PE 80.388/fin.

10. The Highlands and Islands naturally are dependent on upland farming, the most common farming system being extensive livestock rearing, with calves and lambs being produced for fattening on low-ground farms in other parts of the United Kingdom. Twenty-five per cent of the Scottish beef breeding herd and 34% of the Scottish ewe flock are to be found in the area.

11. The very extensive nature of the livestock production means that the net product per hectare is little more than 15% of that of the national average.

	North of Scotland	GB average (all farms)
Stocking density Livestock unit per ha.	0.17	1.3
Rent (£ per acre)	£0.89	£5.32
Gross output (£ per hectare)	£24.10	£138.80
Labour income (£ per labour unit)	£784.00	£1436.00
Net Product (£ per hectare)	£9.1	£55.6

12. This in turn has led to an accelerating decline in livestock numbers in the Highlands.

Livestock numbers in the Highlands and Islands - 1975-1980

	1975	1976	1977	1978	1979	1980	% change 1975/80
Dairy breeding herd (female)	31,143	30,699	30,679	30,861	30,122	27,994	-10
Beef breeding herd (female)	151,026	146,890	140,513	135,305	133,469	130,653	-13.5
Breeding ewes	1,066,055	1,061,337	1,021,011	1,012,246	1,009,199	1,041,399	- 2.3

13. In recent trends this decline has been strongest in the beef sector. The beef breeding herd expanded significantly during the 1960s peaked in the mid-1970s, and since then has declined steadily from 151,000 in 1976 to 130,000 in 1981 i.e. a 14% decrease in five years. The most marked decreases have occurred on island and West mainland locations with the Shetlands and the Western Isles enduring respectively 27.5 and 23.0% drops.

The long term trend in breeding ewe numbers has been downward although this was reversed in the last two years where small percentage increases were recorded in the flocks in the Highlands and Islands.

Market prices for cattle have not kept pace with increases in input costs. Gross margin data illustrate clearly the financial problems encountered by cattle producers in the hills and uplands during the last five years.

Trends in Island-based Suckled Calf Enterprises (Historic Prices)

	<u>1973</u>	<u>1974</u>	<u>1975</u>	<u>1976</u>	<u>1977</u>	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>
Calf Sales (£)	93	70	77	130	135	170	171	166	223
Subsidies (£)	<u>40</u>	<u>66</u>	<u>47</u>	<u>41</u>	<u>29</u>	<u>29</u>	<u>29</u>	<u>35</u>	<u>55</u>
Gross Revenue (£)	133	136	124	171	164	199	200	201	278
Variable Costs (£)	55	70	95	105	115	132	158	180	210
Gross Margin (£)	78	66	29	66	49	67	42	21	68

The indications are that gross margins dropped from £78 per head in 1973 to only £21 in 1980. In real terms (at 1973 prices) the 1980 gross margin was worth only £8. There was a slight improvement in 1981 due in part to the EEC's Suckler Cow Premium payment, but this scheme which awards a flat rate to all suckler cow herds irrespective of their location, does not, by itself, affect the relative disadvantage of producers in remote locations.

14. Although the current situation in the sheep trade is one of improved returns, it is important to highlight the differential in market prices prevailing in the Highlands and Islands compared with the rest of Scotland. There is clear evidence that Blackface lambs endure a traditional price discrimination, kilo for kilo and this phenomenon, while possibly amenable to correction in the long term, presently assumes the proportions of a regional problem in the Highlands and Islands.

15. The decline in the profitability of beef cattle is shown in the dramatic slump in farm incomes in the Highlands and Islands region.

Farm Incomes for Upland Farms and all Full-time Farms in the Highlands and Islands - Index 1975/76 100

	Retail Price Index	Upland Farms						All Types					
		Management and Investment Income			Profit			Management and Investment Incomes			Profit		
		Actual	Index	Real Value	Actual	Index	Real Value	Actual	Index	Real Value	Actual	Index	Real Value
1975/76	100	3514	100	100	6389	100	100	7641	100	100	10339	100	100
1976/77	123.5	5032	143	116	8292	130	105	11440	150	121	14459	140	113
1977/78	132.2	4793	136	103	8396	131	99	5825	766	57	9060	88	67
1978/79	146.7	5758	164	111	10560	166	113	7628	100	66	11696	115	77
1979/80	165.1	1239	35	21	6108	96	58	4628	61	37	6834	85	51
1980/81	194.0	1300 ^a	37	19	6413 ^a	100	52	4165 ^b	55	28	7951 ^b	77	40

^a Assumes 5% improvement in 1980/81

^b Assumes 10% decline in 1980/81

Net Farm Incomes by Type of Farm - Scotland 1975/76 to 1980/81 - Index Numbers (1977/78 = 100)

	<u>In current money terms</u>						<u>IN real money' TERMS</u>					
	1975/76	1976/77	1977/78	1978/79	1979/80	1980/81 (forecast)	1975/76	1976/77	1977/78	1978/79	1979/80	1980/81 (forecast)
less favoured area, mainly sheep	69	93	100	114	73	70	91	107	100	105	59	48
less favoured area, sheep and cattle	91	130	100	120	65	71	121	149	100	111	52	49
less favoured area, mainly cattle	91	103	100	139	69	83	121	116	100	128	56	57
lowground cattle and sheep	141	142	100	106	107	98	167	163	100	98	86	63
cropping	270	364	100	82	196	98	358	417	100	76	158	67
dairy	108	131	100	86	32	30	143	150	100	79	26	21
ALL TYPES	143	159	100	99	74	63	189	182	100	91	60	43

Note: These figures are based upon actual farm accounts data obtained by the Scottish Colleges of Agriculture and published by the Department of Agriculture; the forecasts have been prepared by the Department of Agriculture. The information is not directly comparable with the Net Income Data for the whole of Scottish agriculture, since that is on a calendar year basis; and the period of farm accounts varies from farm to farm.

Forestry

16. Forestry has a special role to play in the economy of the region and to reducing cost of agricultural production in certain areas.

On some islands every single piece of wood has, at the moment, to be imported from the mainland at great expense. Even small-scale afforestation would go some way to providing local material for fencing and other uses at lower cost.

17. In the Highlands and Islands, approximately 300,000 hectares are already planted with trees. The scope of increased afforestation in the Western Isles is limited because of climatic factors but there is technically a further 700,000 hectares suitable for forestry mostly on the mainland.

18. Forestry, apart from providing income at a future date, provides employment and other social benefits. It enables a farmer to diversify from his traditional activity. Furthermore, trees planted, even in small numbers, provide protection from wind, prevent erosion of soil, regulate the flow of water, provide a habitat for wildlife and increasingly are providing recreational facilities. The fencing associated with forestry is of considerable benefit to neighbouring land. Where afforestation is on a larger scale, the necessary forest roads provide access to agricultural land, increasing the viability of the holding, and enable public services, (mail, electricity, heating fuel, school buses, fire and ambulance services) to be more readily available to isolated dwellings.

Fisheries

like an important contribution to the economy of the Highlands and Islands. In 1978 some 204,000 tonnes was landed in the area at a value of £37 million, which represents about 30% of the total value of Scottish fish landings.

20. There are about 3,600 fishermen in the area of which about one-third are only engaged on a part-time basis; this includes some 200 crofters who spend some of their time fishing. In addition, some 2,500 shore jobs in merchanting, processing, transport, boat building and various ancillary trades depend on fishing and consequently the industry is of considerable importance to many communities.

21. Most of the vessels which operate from fishing ports in the Highlands and Islands are seine netters or small trawlers under 80 feet in size and do not generally range far from coastal waters. Creel fishing for nephrops provides a valuable source of income for part-time fishermen.

22. The problems of access to market and inadequate harbour facilities means that special assistance is required.

Improving farming conditions

23. There is, however, considerable scope to improve farming conditions and efficiency, so as to produce a higher output, a better quality product, and increases in the income derived from agricultural activities.

24. The escalation in transport costs in the last few years means that the cost of inputs such as hay and fertilisers is much greater than in more central parts of Scotland whilst the price realised by stock is correspondingly depressed. This situation is, of course, aggravated where sea crossings are required. The development of the highest possible degree of self-sufficiency in animal feeding stuffs is thus an important objective.

25. Many of those engaged in agriculture in the Highlands and Islands could never achieve full economic viability from agricultural production alone. Tourism and craft industries offer opportunity for additional income. In the Western Isles the Harris Tweed industry has provided supplementary income for some crofters and there is potential for encouraging and developing similar craft industries throughout the Highlands and Islands. The administrative structure to promote all the aims of an integrated programme covering the whole of the Highlands and Islands already exists and an extension of the area would ensure the best utilisation of EAGGF funds.

26. The improvement of livestock in the Highlands and Islands is paramount to the success of an integrated development programme but other measures aimed at land improvement, forestry and fishing are equally important in achieving a balanced approach to the problems of the area.

A first priority: to increase the incomes of upland farmers

27. In the rural areas which face handicaps of poor soil, difficult climates and long lines of communication, it is extremely difficult to maintain satisfactory incomes to farmers. And the problems cannot be overcome by the standard schemes to improve agricultural income by means of rationalization and modernization. In fact one of the problems is to attempt to put farmers in remote areas in a position where they are able to benefit from the standard improvement measures. The basic problem is one of very low incomes leading to lack of investment and even lower incomes, as the upland farmers are unable to compete on equal terms with the lowland farmers.

28. The agricultural sectors of the poorer rural areas have borne the brunt of the crises presently facing agriculture since they are more heavily dependent on those sectors in decline and in particular livestock. Incomes in the livestock sectors are generally lower, and in remote areas incomes of livestock producers are lower than the great majority of producers.

29. In the case of cattle and sheep, upland farmers require hardy types, which are generally smaller and take longer to finish. While being of a high quality, those smaller and more poorly finished animals cannot compete in the saleyards with the more developed products of the lowlands, which fit in better with today's consumer demand. The prices for upland animals are simply not keeping up with the average trends. Greater efficiency for the better off farmers, helped by Community funds, means lower prices to the upland farmers. The EEC has done little so far to remedy this basic problem, and, a point we will come back to in greater detail later, has made it worse to the extent that the larger lowland farmer is more able to qualify for Community grants, and so become an even more formidable competitor to the upland producer.

Often the choice is between sending stock as stores to distant centres and trying to sell in the smaller local low demand markets or itinerant traders, neither of which offers the best possibilities for reasonable prices.

30. The returns to the upland farmer are lower than to farmers in other regions. The more difficult the region, the higher the capital costs per unit of output become - for example, winter housing for cattle and sheep. Variable costs are also higher: transport increases the cost of fertilizers and feedstuffs, with the limited choice available preventing the shopping around that helps to cut costs, although stock investment is very high in comparison to crop production.

31. The lack of adequate support for the upland beef producer is critical because cattle are essential to maintaining and improving the fertility of the uplands and to providing rural employment. Only cattle provide for a sufficiently intensive use of the land that is required for good grassland management and for obtaining a sufficient value added in agriculture and in the related industries, be they processing or service.

In this regard, the greatest concern must be expressed at the decline in the cattle population of many upland regions. The trend is increasingly downwards and this has the most serious implications for maintaining the rural population.

32. The first priority must be to increase farmers' incomes in these regions so as to generate investment and achieve the basic objective of a more productive use of the land. Whole regions may consist of well over 70% rough grazing which in many cases is deteriorating due to lack of investment.

33. It is important to emphasize that aid should not be limited to fixed capital investment. Low incomes cannot be remedied overnight. It may take several years before investment pays its way. Programmes should provide for a 2 - 3 year lead-in period, with special aids where necessary.

It is also important to maintain the advantages of low capital investment and over capitalization should not be encouraged by grant aiding expensive infrastructure such as buildings.

34. The particular handicaps of upland regions should be recognized and aids for operating costs: lime, fertilizers, feedstuffs, and so on given on a permanent basis.

These individual measures should be backed up by local and regional programmes of improvement in roads, drainage and other infrastructure on a selective basis, as well as assistance to improve marketing and training, particularly through producer groups.

35. The approach above all must be balanced. There is little point in improving structures if market prices are insufficient. The last few years have given sufficient examples of ambitious programmes which could not be maintained in the face of market weakness.

36. A first priority must be to introduce a number of improvements to the EEC market organizations.

A rural fund

37. While we can agree it is essential to try to maintain the rural population in existing areas, the problems are considerable. The economies of rural areas tend to follow the economic fortunes of the larger urban areas. In a period of recession the number of mobile industrial projects declines considerably. At the same time the problems of rural areas tend to be left in the background as the economic and social problems of the Urban areas increase and gain the headlines.

38. The Community so far has failed to act effectively, largely because when the Community was established rural depopulation was not considered a major problem. No specific administrative or financial structures were set up to deal with this question. A rural fund should therefore be created. We shall deal later with the best way in which a rural fund should be organized. Before we can do that we have to establish more clearly what a rural fund should do.

39. In the past there has been a tendency to concentrate on major individual industrial products to generate growth at peripheral areas. It has become clear that the role of such projects has been over estimated, particularly if we take into account the severe limitations of finance available at the present moment. Effort should be based less on high cost schemes and more on encouragement to small scale projects seeking to use more effectively the existing human and natural resources in the rural areas themselves. The accent should be less on finance, and more on people.

40. The accent must be more on the coordination of the strands of Community policy within a properly planned framework rather than simply working within the presently accepted logic of each individual sector, be it agricultural, social, industrial or competition policies.

At present these policies run on separate tram lines going in divergent directions. Efforts at coordination are symbolic. Whole series of measures are operating with opposite effect. The Community's principal regional policy at present is in fact the Common Agricultural Policy which has been an important factor in encouraging rural depopulation. The only way to overcome these inherent problems is the establishment of a Rural Fund, or the treatment of less-favoured areas as regional development areas.

Local Development Groups: revitalize the rural regions

41. The obstacles to the creation of small scale rural industries is not solely or even principally lack of finance. Rural areas suffer, above all, from isolation: the isolation of the individual, a lack of contact with others facing the same problems, unfamiliarity with banks and financial institutions and absence of any support by institutional and political authorities.

These factors explain the overriding importance of encouraging the formation of local development groups which can:

- develop and support entrepreneurial attitudes
- recognize the potential for new enterprises, and
- bring projects to the attention of development agencies and financial institutions.

The scarcity of development funds available in rural areas is mirrored and partly the result of the scarcity of management skill. Overcoming this weakness must be a major priority.

It is not sufficient to leave these tasks to the local authorities. Their freedom of action is often limited legally and psychologically by the fact they receive their funds from the Central Government. But the weakness of local governments in stimulating economic development is often the result of the lack of a proper organizational framework rather than constitutional impediments.

42. One positive and cost effective step which could be adopted would be to ensure that Local Development Groups of the correct size and level exist in the problem rural areas, grouping local political leaders, businessmen, tradesmen, farmers and local groups.

43. Associated with local groups should be a rural advisory service, including regional managers providing the essential accounting and marketing skills.

Development groups and advisors would also be able to ensure that proper liaison existed between the different bureaucratic structures, a problem which baffles the small individual groups and firms working without assistance.

44. A further important step would be the creation of special training courses concentrating on the type of management skills required in the rural areas. The present educational establishment is excessively biased towards the needs of industry in the town. Special institutions sited in the rural areas would probably be required if a truly new approach to the special needs of these regions is to be recognized and properly satisfied.

Small industries: generate new income

45. Since it is both difficult and expensive to create new jobs in rural areas, the first priority should be to stabilize existing employment, which means in essence ensuring adequate incomes to the existing largely agricultural population.

46. The most effective measures which can be taken to ensure satisfactory income is to supplement off-farm earnings. The dispersal of small scale industries would create opportunity for part-time farming. Small farmers are willing to take up other forms of employment where the possibility exists locally. It is important that the distances to be travelled are not excessive. Where no local extra farm employment exists, farmers are unlikely to change their place of residence. Any strategy based on major projects in a limited number of sites is likely to bring disappointing results.

47. Tourism is one of the principal ways of increasing employment in rural areas. Finance schemes to assist farmhouses to offer holiday facilities and for the establishment of camping and caravan facilities would not be costly. The main problem arises from the necessity to upgrade housing in the rural areas, which is often of insufficient quality for the tourism industry.

Improving the amenities

48. The principal handicap to the development of new sources of employment in rural areas has been traditionally the lack of essential amenities and in particular

- roads
- electricity
- water and sewage

49. In the present day, fortunately, there are many fewer regions lacking essential services. Priority programmes should be drawn up for the remaining regions.

50. Often, however, the road and rail services, where adequate in terms of communications with major outside cities, are often insufficient within individual regions. Neighbouring towns are all too often separated by rivers, mountains or even the insistence of trunk roads in going straight to the capital. It is very difficult in these circumstances for a particular town to develop as the centre for a region and to act as a growth point. Improving regional communications must play an important role in development programmes.

Creating new financial instruments

51. Rural development is about people. But they must be given the means to act, and excessive burdens on the rural areas alleviated.

Rural areas have difficulties in generating from within sufficient financial resources, particularly since the cost of essential services is very much higher than in urban areas.

Road and rail communications, for example, must be maintained over longer distances and by fewer taxpayers. Major items of expenditure, such as fuel, food and building materials are significantly more expensive because of the transport distances. New schemes are required to help the rural areas meet the financial requirements of development. The more important could be as follows:

(a) reduction in the tax burden

- lower rates of VAT on basic commodities such as fuel and building materials
- tax incentives
- higher thresholds for income tax payments

(b) reducing the cost of financing development

- subsidies to cover interest rates
- easing of credit restrictions (as applied for example to cars)

(c) financial assistance to development

- EEC financial assistance to road and rail communications
- EEC aid to establish rural training centres
- agricultural assistance schemes
- industrial assistance schemes (including aid towards the cost of creating industrial zones, new factories and marketing facilities),

(d) reducing the cost of development

- more flexible planning regulations
- redefinition of the Community's competition policies so as to allow for more flexible provisions to apply to developing regions.

Research

52. The most pressing need is for research programmes to determine the problems of rural areas and their particular needs. Their needs should not be defined purely in agricultural terms but on the conditions faced by the whole population, according to:

- population trends
- degree of economics and employment growth
- unemployment levels
- income levels
- degree of employment in agriculture/industry
- age and sex structure of the population

Rural regions could be divided into:

- (a) priority rural regions faced by serious depopulation, a reduction in the working population or a higher than average rate of economic slowdown
- (b) rural regions dependent on agriculture
- (c) rural regions with a higher than average employment in non-agricultural activities
- (d) developing rural regions.

53. On the basis of this research, pilot development regions should be designated by the Community.

The steps to be taken

54. In the course of future Budget deliberations, a new line should be entered in the budget to provide appropriations for research projects to define more clearly priority rural development regions, their requirements, and the special needs of other rural regions.

55. Beyond this very immediate stage it will be necessary to ensure that the proper administrative structures are created in the Commission. Simple coordination of overlapping work of existing divisions is a meaningless concept. Nothing will be achieved unless a team is established with clear objectives, undivided loyalties and strong political support.

56. The clearest and most satisfactory solution would be to create a new Directorate in the Commission, funded from a separate budget entry and sole responsibility of one Commissioner.

57. This may not be possible in the shorter term, in which case it is feasible to dissociate administrative and budget structure, with a Division established to implement a rural fund, under the responsibility of the President of the Commission and funded by budget lines entered under the Agriculture, Regional and Social Funds.

tabled by Mrs EWING, on behalf of the Group of European Progressive Democrats, Mr GRIFFITHS, Mrs BUCHAN, Mr GALLAGHER, Mrs CLWYD and Mr GENDEBIEN with request for a topical and urgent debate pursuant to Rule 48 of the Rules of Procedure on the crisis in agriculture in the Highlands and Islands of Scotland

The European Parliament.

- considering that farm incomes in the EEC generally are going through one of the most serious crisis in modern times;
- considering the objectives of the Common Agricultural Policy as set out in Article 39 of the Treaty;
- considering the vital role that agriculture plays in the economy of the Highlands and Islands of Scotland where up to at least 30 per cent of the working population are in jobs dependent on agriculture;
- considering that the region suffers from the problems of sparse population, peripherality, mountainous terrain, remoteness from agricultural markets, high transport costs and a savage climate of low temperature, high rainfall and consequent acid soil;
- whereas the Western Isles sub-region has been selected for an Integrated Development Programme;
- noting with regret that after 3 years of negotiation this programme has still to be implemented;
- whereas the economic situations of the other sub-regions in the Highlands and Islands have deteriorated considerably in the interim period;
- noting that the dramatic decline in oil-related construction activities and the failure of two large scale industrial ventures which were established with Government assistance in an attempt to stem the flow of outward migration have been largely responsible for this deterioration;
- whereas the unemployment rates are considerably greater than the UK average and substantially greater than the average unemployment rate in the Community;
- whereas the authorities concerned now assert that the agricultural sector provides the only real hope for sustained employment in the region which has one of the most tragic histories of decline and outward migration;

- noting with concern that agricultural profits in the Highlands and Islands are considerably lower than they were in 1975/76 and that incomes decreased by almost 60 percent in real terms between 1976 and 1981;
 - noting with concern that the average farm bank indebtedness has been estimated to have increased by 48.5 percent between 1978 and 1980 (and that an increase of 72 percent has been found in the case of hill farms);
 - alarmed by the recent decline of the livestock sector which has always been the dominant factor in Highland agriculture;
 - deeply concerned that the number of full time agricultural workers declined by almost 14 percent between 1975 and 1980, and anxious to prevent a further drift from the land;
 - whereas the Agricultural Development package agreed on 24 June 1980 under Council Regulation 1820/80 for the West of Ireland may be regarded as a precedent for the deployment of the EAGGF in broadly based programmes in the least favoured agricultural areas of the Community;
 - whereas the European Parliament's Budget Committee and a large majority of Members present at the Budgets Session in November 1981 voted in favour of an amendment which sought to create a new line in the budget with a token entry for an Agricultural Development Programme in the highlands and Islands of Scotland;
 - noting with regret that this amendment which was intended to facilitate the deployment of Community Funds in the region failed to obtain the absolute majority required for its adoption;
1. Considers that the fragile economy of the Highlands and Islands of Scotland is even more dependent on agriculture, forestry and fisheries than at any time over the last 15 years.
 2. Considers that the agricultural sector provides the main hope for sustained employment in this region.
 3. Regrets the decline which has taken place in the region's agriculture since the United Kingdom joined the Community.
 4. Requests the Commission to come forward with appropriate proposals for an agricultural Development Programme for the Highlands and Islands of Scotland.
 5. Urges the British Government and the Commission to reach agreement on the Western Isles Integrated Development Programme with the shortest delay.
 6. Requests its President to forward this Resolution to the Council and the Commission.

OPINION

of the Committee on the Environment, Public Health and Consumer Protection

Draftsman: Mr MUNTINGH

On 23 June 1982 the Committee on the Environment, Public Health and Consumer Protection appointed Mr Muntingh draftsman of the opinion.

The committee considered the draft opinion at its meetings of 1 October and 25 November 1982 and at the latter meeting adopted the conclusions unanimously with one abstention.

The following took part in the vote: Mr Collins, chairman; Mr Muntingh, draftsman; Mr Bombard, Mr Del Duca, Mrs Dury (deputizing for Mrs Seibel-Emmerling), Mr Forth, Mrs Van Hemeldonck, Mrs Krouwel-Vlam, Mrs Lentz-Cornette, Mrs Maij-Weggen (deputizing for Mr Ghergo), Mr Mertens (deputizing for Mr Alber), Mrs Pantazi, Mr Protopapadakis (deputizing for Mr McCartin), Mrs Schleicher, Mr Sherlock, Mrs Spaak and Mr Turner (deputizing for Miss Hooper).

Having looked carefully at the motion for a resolution tabled on 15 February, having examined the effects of the CAP on the environment and in particular having looked at the experience to date with the only accelerated development project for the area, the Western Isles Integrated Development Programme (Regulation 1939/81), the Committee wishes to make the following observations.

1. The committee understands the importance of agriculture to the Highlands and Islands of Scotland as indeed it understands its importance throughout the Community.
2. The committee notes the predominantly rural nature of the Highlands and Islands of Scotland and recognises that agriculture must provide a significant portion of the income of many of the people of the area. It also recognises the disadvantaged situation of this region and welcomes Community action to lift some of the burden of such disadvantage. The committee in principle therefore welcomes sensible measures to ensure for the population of this and other disadvantaged areas a reasonable living standard.
3. The committee however notes that other important components exist in the regional economy including craft and heavy industries, tourism and forestry, and in considering any development scheme for this region believes it essential to ensure that these are also assisted according to need.

4. The committee considers that concentrating support through a single policy area (namely agriculture) may constrain development across the board, cause conflict, and in some cases damage the environment to the detriment of other important commercial interests such as tourism, local crafts or fisheries.
5. The committee notes that Scotland has very important natural and semi-natural areas and that their aesthetic appeal, and the cultural, sporting and recreational outlets which they provide are one of the major reasons for tourism, which is of considerable economic benefit in the Highlands and Islands economy.
6. The committee notes that the UNEP/IUCN/WWF World Conservation Strategy which was adopted by the European Parliament, the first parliament in the world to debate and adopt this document (Resolution of 20.5.1980¹) identifies the Highlands and Islands as a "priority biogeographical province of the land for the establishment of protected areas", the only such designation in the European areas of the Community. Special efforts to conserve living resources and plan sustainable and environmentally acceptable developments should therefore be pursued within the Highlands and Islands.
7. Whilst accepting the importance of agriculture for the region, the committee notes that much of the region suffers critically from the twin agricultural problems of poor soil and adverse climate, which contribute considerably to the overall disadvantage of the region, and that these natural and geographical disadvantages are exacerbated by the remoteness of the area from sizeable markets, thus increasing supply and distribution overheads.

¹ OJ No. C 147, 16.6.1980, p. 27

8. The committee considers that whatever subsidies or grants are given, they cannot overcome these natural and geographical disadvantages, only make their effects less dire. Community intervention is therefore likely to be most honestly and effectively directed at attaining agreed social objectives, such as the maintenance of a reasonable living standard, and support for rural services and transport through a full panoply of aids for all, including environmentally positive initiatives, rather than for providing what is likely on normal financial analysis to be uneconomic support for solely that sector of the community employed in agriculture.
9. Noting that long-term improvements to the economic base of an area must be the objective of worthwhile intervention either from the Community or elsewhere, and considering that comprehensive improvements cannot derive from support in one policy area alone (i.e. CAP), the committee believes that cross-sectoral funding schemes should be applied. Input to these schemes would include funds for other social provisions and activities, e.g. developing craft industries, fish farming, infrastructure development, protection and maintenance of areas important for nature protection, scenic values, etc.
10. The committee believes that the comprehensive improvement of the economic base and the maintenance of a sound environment should be pursued in accordance with recommendations in the draft Third Action Programme of the European Communities on the Environment for the period 1982-86, (1-793/81 COM(81) 626 final), in particular "the creation of an overall strategy, making environment policy a part of economic and social development". In this way truly integrated development is provided and measures are taken to ensure that any one policy is compatible with others. This should particularly apply to the CAP since this is at present the best-funded policy area, and one which has contributed to the destruction of environmentally sensitive areas and apparently continues to do so.

11. Furthermore the committee notes that the Highlands and Islands of Scotland represent one of the most important breeding areas in the Community for circa 20 species of birds included in Annex I of the Council Directive on the Conservation of Wild Birds 79/409 and an important wintering area for others. The region also contains a number of vital habitats for important migratory species. The widespread use of CAP funds for the agricultural improvement of large areas of the Highlands and Islands would, without sufficient environmental safeguards and resources, place under severe pressure and jeopardy some of these vital habitats. The committee regards it as imperative that any intervention by Community agencies ensures that the objectives of Community legislation are upheld.

12. The committee also considers that it is possible that use of agricultural funds may lead to more capital-intensive farming, and in turn to farm amalgamation and mechanisation, and consequential rural depopulation and unemployment. Use of funds to support traditional practices, and to encourage diversification in other directions could contribute to population stability and in addition assist those not directly involved in agriculture. In order to research the best use of Community funds to secure the objectives of population retention and the creation of reasonable standards of living in disadvantaged areas, the committee recommends a review of the options for Community aid which must be compatible with the protection of important areas in the Highlands and Islands.

13. The committee is concerned that national pressures to derive the maximum possible income from Community funds may tempt governments, in cases where Community funds are available in certain policy areas only, to forget to give full and equal consideration in any case to other policy areas. Community funding covering all policy areas equally would ensure that governments could freely chose to apply and receive funding as is most appropriate in any situation.
14. The committee believes that schemes promoted under existing FEOGA arrangements both in Scotland and elsewhere should in each case provide for an environment impact assessment (E.I.S.) funded by the EAGGF. In particular, schemes in the Highlands and Islands of Scotland must include careful scientific consideration and economic assessment and evaluation of the alternatives available. Such schemes should not contribute significantly to hydrological change or pollution of river or lake systems of importance to salmonid fish species, diminish significantly the habitat or food supply of bird species included in Annex I of the Directive 79/409 or of bird species which are migratory, or adversely affect other features or landscapes of exceptional tourist interest.
15. Special attention was given by the committee to the Western Islands Integrated Development Programme (established under Regulation 1939/81) since this represents the only example in this region of a Community instrument to accelerate development.
16. The Western Islands Integrated Development Programme (IDP) entails spending a total of £56 million over 5 years, £20 million of which will be on agriculture and fisheries, the other monies on infrastructure and local industries, 40% of the funding may come from Community sources. No money is

budgeted for in the IDP to be spent on environmental protection, but it estimates that £110,000 (0.2%) would be needed for monitoring the environmental impact of the scheme and providing advice on the subject. Nevertheless, the committee considers that measures which are necessary to prevent or remedy damage caused to the environment by the integrated development programme should be financed in the same way as the development programme itself, that is to say partly by the recipient country and partly by the Community. However, the Community contribution should under no circumstances be drawn from the 'Environmental Fund' (Article 661) since its resources are totally inadequate and are required for the purpose of protecting, maintaining and improving the environment. In this connection, see the amendments tabled by the European Parliament on 28 October 1982 to items 4240, 4242, 4260 and 4261.

7. The committee considers that failure to budget money to secure adequate safeguards in environmentally sensitive areas, or in areas of importance in respect of Council Directive 79/409, is unsatisfactory and will cause unnecessary conflict and possibly damage to the environment.
8. The committee notes the particular importance of the Western Islands environmentally, and agrees that as first and last steps in the process, advice (normally an E.J.S.) and monitoring should play a part in any strategy to protect vulnerable areas. However, the committee also considers it essential to provide specific funds to safeguard such areas from the consequences of development funding, so as to ensure that the local community is not disadvantaged by the loss of development opportunity.
9. The committee is concerned that the conflicts inherent in the proposed IDP will result in a 'people versus wildlife' argument, and that this will lead either to aggravated damage to the environment, or to the creation of pockets of poverty where development aid is refused in environmentally sensitive areas.
0. The committee notes that Regulation 1939/81 requires the UK Government to give an assurance that actions envisaged are compatible with the protection of the environment. An assurance was given but the committee notes that certain proposals affecting the machair and inbye lands (£3.4 million earmarked for agricultural land

improvement) have attracted widespread criticism from environmental experts, including the UK Government's statutory advisor, the Nature Conservancy Council. The measure of this criticism is that the proposals if implemented would be incompatible with the protection of what is generally agreed to be a fragile environment.

21. The committee is also aware that, in answer to Written Questions 574, 575 and 576 of 1982¹ the Commission gave its opinion on the Western Isles Development Programme, stating that 'bearing in mind the various provisions for the protection of the environment (in the United Kingdom) the Commission does not believe that the programme is likely to pose threats to the sites to be protected under Article 4 of Directive 79/409/EEC'. While the committee hopes that the Commission will be proved right, it continues to have doubts.

22. The committee further notes that, now the Community is Party to the Convention on the Conservation of European Wildlife and Natural Habitats (The Berne Convention), Community institutions are obliged to comply with its obligations. In particular Article 6(b) of the Convention prohibits deliberate damage by the destruction of breeding or resting sites of listed wild fauna, and this clearly covers many species to be found in the Highlands and Islands. In consequence, Community funding of any such damaging actions must be avoided, or alternatively a specific derogation under Article 9 of the Convention must be made.

23. The committee observes that one of the major environmental protection safeguards written into the Western Isles IDP (para. 10) requiring that '... if assessment should identify a need for changes which may be held as a consequence to involve real damage to the ecosystem there should be a careful consideration of costs and benefits for the project...', has already been disregarded by the UK Government. Indeed the responsible minister has clearly stated

¹ OJ No. C 275, 18.10.1982

that there will be no cost benefit analysis of schemes as normally applied in such circumstances (House of Lords Official Report Col 1354, 27 May 1982).

24. The committee is aware that the Western Isles IDA is seen, both by the Commission and the UK Government, as a pilot project for a major scheme perhaps involving the Highlands and Islands as a whole.
25. The committee concludes that, as a pilot project, the Western Isles IDP demonstrates insufficient attention to the environmental element.
26. The committee believes that, in view of the Western Isles IDP's failure to provide adequately for environmental protection, an adequate environmental protection budget should be appropriated as a matter of urgency to remedy the deficiency.
27. The committee further believes that planning for larger schemes to cover other areas of the Highlands and Islands as requested in Doc. 1-1021/81 should accommodate environment protection policies consistent with the spirit and letter of the Third Environment Programme, the Council Directive on the Conservation of Wild Birds (79/409) and The Berne Convention, and that sufficient funds should be provided.
28. Conclusions: The Committee on the Environment, Public Health and Consumer Protection welcomes the concept of Community intervention in disadvantaged areas such as the Highlands and Islands of Scotland; it nevertheless requests the Committee on Agriculture to include the following points in its motion for a resolution:

- (a) believes that nevertheless, support for one policy area alone (i.e. agriculture), as recommended in the motion for a resolution is inadvisable and liable to cause conflict; in order to benefit all sectors, intervention should be addressed to and seek to benefit all aspects of the Highlands and Islands according to need;
- (b) believes that such needs, if fully examined for the Highlands and Islands, would include the requirement for help to be given to craft and heavy industry, forestry, tourism, fisheries and agriculture;
- (c) believes that, since these activities in certain cases could have damaging environmental effects and in order to preserve the unique and unspoilt ecosystems of this area, which are themselves the mainstay of the tourist and fisheries industries, aid must equally be given to environmental protection or conservation;
- (d) welcomes the fact that the Integrated Development Programme for the Western Isles contains provisions to ensure adequate protection of the environment and that sums have been earmarked under the programme for the purpose of environmental studies;
- (e) The committee recommends that the motion for a resolution be amended so as to turn the emphasis away from a purely Agricultural Development Programme, and towards a fully Integrated Development Programme by amending para. 4 of the resolution to read 'Requests the Commission to come forward with appropriate proposals for an Integrated Development Programme for the Highlands and Islands of Scotland.';

- (f) a new paragraph should be inserted between paragraphs 5 and 6 of the motion for a resolution to read 'Requests the British Government to include adequate finance in the Western Isles Integrated Development Programme to ensure that sites of environmental importance can be protected as an integrated part of the IDP';
- (g) welcomes the fact that the UK Government has already agreed to provide a sum of £60,000 for advice on the environmental implications of the programme;
- (h) considers that development programmes for areas of particular importance because of their flora and fauna should include appropriate nature conservancy and environmental protection measures, to be funded in the same way as the development programme itself, that is to say partly by the beneficiary country and partly by the Community;
- (i) requests that the Commission obtains an EJS on all major projects put forward for Community financing;
- (j) requests that projects be compatible with the requirements and objectives of Directive 79/409 and the Community's obligations as a Party to the Berne Convention and that adequate safeguards and budgets are included to ensure that this is so;
- (k) requests that since, from an environmental viewpoint, the Highlands and Islands represent such an outstandingly valuable ecosystem, the proposed Integrated Development Programme should initiate measures which bring economic benefit to the region whilst preserving its unique environmental importance.

