

EUROPEAN AND EXTERNAL RELATIONS COMMITTEE

Tuesday 2 March 2004
(*Afternoon*)

Session 2

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EUROPEAN AND EXTERNAL RELATIONS COMMITTEE

5th Meeting 2004, Session 2

CONVENER

*Richard Lochhead (North East Scotland) (SNP)

DEPUTY CONVENER

Irene Oldfather (Cunninghame South) (Lab)

COMMITTEE MEMBERS

*Dennis Canavan (Falkirk West) (Ind)
*Mrs Margaret Ewing (Moray) (SNP)
*Phil Gallie (South of Scotland) (Con)
*Mr John Home Robertson (East Lothian) (Lab)
*Gordon Jackson (Glasgow Govan) (Lab)
*Mr Alasdair Morrison (Western Isles) (Lab)
*Mr Keith Raffan (Mid Scotland and Fife) (LD)

COMMITTEE SUBSTITUTES

Ms Wendy Alexander (Paisley North) (Lab)
Murdo Fraser (Mid Scotland and Fife) (Con)
Nora Radcliffe (Gordon) (LD)
Nicola Sturgeon (Glasgow) (SNP)

*attended

THE FOLLOWING GAVE EVIDENCE:

Keith Anderson (Scottish Power plc)
David Breckenridge (Scottish Textiles Forum)
Allan Hogarth (Confederation of British Industry Scotland)
Theresa Houston (Scotland the Brand)
Douglas MacDiarmid (Highlands and Islands Enterprise)
Alan Murray (Standard Life)
Brian Shaw (Scottish Development International)
Martin Togneri (Scottish Enterprise)

CLERK TO THE COMMITTEE

Stephen Imrie

ASSISTANT CLERKS

Nick Hawthorne
David Simpson

LOCATION

Committee Room 2

Scottish Parliament

European and External Relations Committee

Tuesday 2 March 2004

(Afternoon)

[THE CONVENER *opened the meeting at 14:01*]

Item in Private

The Convener (Richard Lochhead): Good afternoon. I welcome everyone to the fifth meeting this year of the European and External Relations Committee. Apologies have been received from Irene Oldfather. As yet, no substitute members have said that they will attend.

Agenda item 1 is to ask the committee to agree to take item 7 in private at the end of the meeting.

Phil Gallie (South of Scotland) (Con): I do not see why we should.

The Convener: If you hold on a second, I will clarify what item 7 is about.

Item 7 relates to the committee's trip to Barcelona to participate in the network of regional parliamentary European committees. As members are aware, two committees are currently members of NORPEC: the Scottish Parliament's European and External Relations Committee and our equivalent committee in Catalonia. The purpose of the visit is to consider the future of NORPEC. As the only matter for discussion today is the travel arrangements and so on, it might be worth while considering the item in private. That is why item 1 has been put on the agenda. Does anyone have any objections?

Phil Gallie: Considering agenda item 7 in private would put the committee in a bad light if the travel arrangements were seen to be questionable. Taking items in private is against the Parliament's policy; the idea is to have as much as possible in the open. Our travel arrangements will make the news only if we try to hide them from the public.

Dennis Canavan (Falkirk West) (Ind): I have considerable sympathy with Phil Gallie's point. In general, the Parliament's committees should meet in public. I have been a persistent complainer about two committees—the Parliamentary Bureau and the Scottish Parliamentary Corporate Body—that never meet in public. We have seen how the SPCB got itself into one hell of a mess over the Holyrood project, which was partly as a result of

holding private secret meetings behind closed doors. Like Phil Gallie, I do not see anything private about our travel arrangements to Barcelona. To be consistent, I would have to support Phil Gallie if the matter came to a vote.

The Convener: I have no intention of putting the question to a vote. Anyone else who has a strong view either way should speak now.

Some committees follow a convention in this regard and, given that the matter concerns only travel arrangements, we would not have had to include it on the agenda at all if we had wanted to hide anything. The purpose of the visit is on the record; all that remains to be discussed are the travel arrangements. I am happy to do so on the record, if members want to do so.

Phil Gallie: Thank you, convener.

Promoting Scotland Worldwide Inquiry

14:05

The Convener: Agenda item 2 is the first oral evidence session in our major inquiry this year, which is into promoting Scotland worldwide. I remind members that the focus of our inquiry is not the promotion of Scotland per se, but how the Executive goes about defining its strategy, its activities and how it works with others. We will have a number of meetings on this subject, at which we will hear from panels of witnesses.

We hope to be positive in this inquiry and to get to the bottom of how we can do things better for Scotland. There is nothing more crucial for Scotland than how we see ourselves and promote ourselves, but we have to be honest about our past failings and successes. I hope that our witnesses will be candid today.

We will hear from two panels of witnesses. We thank those of our witnesses who have given us written evidence. We will take each panel for a maximum of one hour. There will be no opening statements from the panel, but I offer witnesses an opportunity to introduce themselves at this point.

Allan Hogarth (Confederation of British Industry Scotland): I am the head of public affairs at the Confederation of British Industry Scotland, which is an organisation that represents small, medium-sized and large businesses, many of which have operations overseas or seek to expand their operations overseas. Fortunately, two of our successful members from the financial services sector and the energy sector will speak in the panel following this one. I look forward to hearing from them.

Douglas MacDiarmid (Highlands and Islands Enterprise): I am the director of growing businesses with Highlands and Islands Enterprise, which is the economic development agency for the north and west of Scotland.

Brian Shaw (Scottish Development International): As the director of field operations with Scottish Development International, I am responsible for all our overseas locations. I will leave the broader organisational introduction to Martin Togneri.

Martin Togneri (Scottish Enterprise): I am the senior director of Scottish Development International, which is the joint venture between Scottish Enterprise and the Scottish Executive. SDI leads the international economic development exercises of Scottish Enterprise and the Scottish Executive.

Mr Keith Raffan (Mid Scotland and Fife) (LD):

I have a couple of questions for Scottish Enterprise. Paragraph 18 of your written evidence talks forcefully about targeting international opportunities in priority industries, rather than about prioritising individual countries. I would like you to reassure me that you are flexible in that regard. The accession countries are a bee in my bonnet at the moment. When I was in Lithuania in September, the ambassador informed me that €3 billion of infrastructure projects will be undertaken there in the next four years. Lithuania is only a small country and that investment will be multiplied across all the eastern European countries, some of which we have strong and long-standing connections with. What are we doing to ensure that Scottish companies tender for those projects to ensure that we get back some of the structural funds that we are losing?

Martin Togneri: I am happy to reassure you that we are flexible on that issue. The smart, successful Scotland strategy that guides the activities of the enterprise networks—one branch of which is the global connections strategy, the implementation of which we lead—requires us to prioritise certain industries. That is the backbone to the enterprise networks' strategy. When we say that we are prioritising industries, we mean that we are being consistent with the overall practice of the enterprise networks.

We will provide support to companies wherever there are concentrations of opportunity, either to attract knowledge into Scotland for those priority industries or to help get Scottish knowledge out to the world in the form of exports or outward investments by Scottish companies. Just after the global connections strategy was published in 2002, we reviewed whether we had our offices in the right places overseas to represent those concentrations of opportunity. The outcome of that review was sanctioned by the then Minister for Enterprise and Lifelong Learning and the board of Scottish Enterprise. That is why we have our offices where they are now.

Mr Raffan: With respect, that does not answer my question; all that you say is included in your written submission. To save time, please answer my specific question. I am worried about the co-ordination of the Scottish exhibitions and missions programme with the Foreign and Commonwealth Office campaign and the Department of Trade and Industry, business gateway international trade, the Scottish Council for Development and Industry and so on. I gave you a specific example and I would be grateful if you would respond to it.

Martin Togneri: About the accession countries?

Mr Raffan: Yes.

Martin Togneri: We have a range of activities in the accession countries. We ran a programme of awareness-raising sessions throughout Scotland in the last quarter of 2003, which 160 companies attended. In the current financial year, we have run eight trade missions to accession countries. Sixteen missions are planned by us and our partners in SEMP in the next financial year. We are aware that there are opportunities in the accession countries and the programmes that we run take account of that.

Mr Raffan: I was talking about the infrastructure projects, which are slightly different from trade. What worries me about the written submission is that you have a huge job of co-ordination. There are many different organisations—SEMP, the SCDI and BGIT—that have their fingers in the pie and you have to co-ordinate them. Running trade missions is slightly different from ensuring that Scottish companies tender for infrastructure projects that will come on stream after 1 May.

Martin Togneri: The opportunity to bid for infrastructure projects featured highly in the awareness-raising programme that we conducted in the second half of last year. SEMP is not a separate organisation that needs to be co-ordinated; it is a programme of trade missions that we publish on behalf of others, such as local authorities and the SCDI, who are interested in conducting such trade missions.

The Convener: I am sure that other members of the panel have strong views on how we can promote Scotland in the accession countries. I have some questions for Brian Shaw of Scottish Development International. How do you synchronise your activities with those in other Scottish organisations? Secondly, will you open offices in the accession countries? I am sure that I read in your evidence a list of where your offices are located and that none was in the accession countries. Given that we are talking about 10 countries with which we have not had many relations in the past, is it part of your plan to open offices there?

Brian Shaw: As regards synchronising our activities, an agreement was reached some time ago with all the participating organisations and trade bodies in Scotland on how we would approach co-ordination. We managed to obtain sign-up to that agreement and we co-ordinate all the trade missions. In undertaking that co-ordination, we consider a variety of factors including market potential and the likely demand from Scottish companies. We have an overall objective to avoid gaps and duplication.

As my colleague said, we are working actively with companies that are interested in the accession countries opportunity. We work with the companies in Scotland and deliver direct services

through our offices in Germany and Russia and through our colleagues in the Foreign and Commonwealth Office. We have also entered into a global agreement with Regus, which is an office locations provider. We are doing much to support Scottish companies that are interested in that market.

The Convener: Are there no immediate plans to open an office in the accession countries?

Brian Shaw: We have no immediate plans. It is important that we take the opportunity in context. After considering the finite resources that we have to deliver and the relative scale of the current market opportunity, we have decided to deploy our resources elsewhere.

The Convener: Do any other members of the panel have any pressing points to make on the accession countries?

Allan Hogarth: I have a couple of points of information for the committee. A private company that is based in the Borders—Thinkengine Ltd—is headed by an entrepreneur called Charles Cormack, who has been successful in liaising between Scotland and the accession countries. Tomorrow morning, I will attend a seminar that will showcase activities in Latvia and Estonia and links with Scottish business. As you know, Ian Lawson has been active in the work that has taken place in Estonia.

The University of Paisley is organising a conference for 22 and 23 April, at which leading figures from the business community will speak on the opportunities that exist in the accession countries. To be fair to SDI, a lot of activities are taking place and it is not SDI's role to stop that; it should be helping to co-ordinate and encourage those activities.

14:15

Mr Alasdair Morrison (Western Isles) (Lab): I have a specific point on the accession countries. I agree with Brian Shaw's point about real estate. We do not want valuable pounds to be frittered away on buying unnecessary real estate. Perhaps Brian Shaw and Martin Togneri could give us a better flavour of what is happening in relation to the FCO and the consulates in the region that is about to join the European Union. What support networks are available to you at the moment? How do you think that that will develop after 1 May?

Martin Togneri: All the commercial offices in embassies and consulates throughout the accession countries work with us. For example, if a Scottish company needed to undertake market research into a specific segment or market in one of the accession countries, we would look at our internal resources or the consulate's resources to

see who would be best placed to meet that request. In many countries, a large number of the requests for information that are made on behalf of companies end up being fulfilled by staff in the commercial sections of overseas consulates and embassies.

Mr Morrison: So, in effect, you have premises and property in those countries.

Martin Togneri: We have people on the ground whom we can access. We also have access to the network of Regus incubators overseas. The deal that my colleague mentioned gives our client Scottish companies 25 per cent off the price of incubator offices in 400 locations worldwide where we do not have a physical presence.

Dennis Canavan: I have a general question about Scotland's image abroad, which I think has a bearing on the Scottish economy.

During the weekend there were some media reports of an international survey of Scotland's image abroad. If we are to believe the results of the survey, it would appear that when Scotland is mentioned to people in other countries, they immediately think of shortbread, tartan and castles. Some might argue that there is nothing wrong with that. VisitScotland would say that people come to Scotland to visit castles, so they help to boost the Scottish economy.

However, I think that we have a problem in trying to project Scotland as a modern, successful knowledge economy. What are the particular strengths, successes and potential successes of the Scottish economy that should be projected on the world stage? How should we go about doing that?

Douglas MacDiarmid: Perhaps I should give a flavour of the Highlands and Islands perspective by taking bioscience as an example of one important sector that is growing very fast in our area. Through the good offices of SDI, we were fortunate to be able to locate Inverness Medical Ltd, which is now part of Johnson and Johnson, one of the largest pharmaceutical companies in the world, in Inverness. The company now employs more than 1,200 staff, 10 to 15 per cent of whom are highly qualified research and development personnel. Along with other developments in renewable energy or marine bioscience, for example, that is the kind of development that the Highlands and Islands will seek to project and promote through the work of SDI in the years to come. We will identify target companies and areas that we can partner in the long term for the development of that type of industry.

However, in creating the platform of a knowledge economy and the identification of Scotland with a knowledge economy—I think that

we can build on that, given our strong university platform—there are issues around blending that message with tourism opportunities. We could do that skilfully as we go forward in the future. For example, there are clear opportunities in the food and drink sector. There is evidence of cases in which we have combined the projection of Scotland as an area to which to come and do business, such as buying food and drinks products, with the tourism message that we want to project for Scotland as a whole.

We must be clear about the messages that we send out, but the two images are not necessarily mutually exclusive.

Allan Hogarth: I do not think that it must be either shortbread or silicon chips; it can be both, because Scotland has strengths in both. For example, there is Walkers Shortbread Ltd in Aberlour and there is a business called Memex Technology Ltd, which is growing in East Kilbride. Memex supplies software for the intelligence agencies and has won a contract with the New Jersey police; it is growing its operations across the States. There are examples of Scottish business that are doing well in new technology.

I was out in the States at the end of last year speaking to representatives of a successful Scottish business that was operating in that market. They told me that Burns suppers, kilts and whisky give them openings, but they have to offer the expertise and financial services that they have. We should not worry about people's perceptions of our natural characteristics; we just have to be clever and use them to our advantage.

Brian Shaw: I support what Allan Hogarth has said. In my experience, having been involved in this activity for about the past four years, I think that the two images are not mutually exclusive.

We have been using terminology around a tradition of innovation. We can certainly build on the traditional values of Scotland's image and augment them with an image of a modern Scotland and a knowledge-intensive economy.

Martin Togneri: I would go a little further and say that not only are the images not in conflict, but they are necessarily intertwined. Every place has a complex image. For example, California, which is one of the most successful economies in the world, has silicon valley and wine country, Disneyland and Hollywood, and there are gang wars in Los Angeles. There is no simple perception of any place.

The Convener: Is Dennis Canavan happy with those responses?

Dennis Canavan: I am reasonably happy with them.

The Convener: Do not say that I am not good to you.

Phil Gallie: Paragraph 17 of the Scottish Enterprise submission comments that Scotland is a small country. That builds on an earlier comment about the proliferation of contacts. Do SDI and all the other partner organisations feel comfortable with the situation as it is? SDI, the British Council, the Scottish Executive, the DTI, VisitScotland, Scotland the Brand and, to some extent, CBI Scotland all seem to have a similar responsibility. Is there a need for streamlining?

Martin Togneri: I do not think so. The organisations work very well together. It is necessary to separate out organisations such as CBI Scotland and Scotland the Brand, because those are private organisations that represent member interests.

On the overall promotion of Scotland overseas, we have very good and established relationships with British consulates and embassies overseas. We work, as do other parts of the United Kingdom, in accordance with a set of guidelines—they were established by the Committee on Overseas Promotion—that govern the way in which we share information with one another. That approach seems to work very effectively. The outward part of the Scottish agenda—supporting Scottish companies out to the world—is in any case not inherently competitive, unlike the old single focus on inward investment. That helps to get rid of any competitive pressures. The DTI tends to work overseas through the British consulates and embassies. It does not have independent representation overseas.

Although the arrangements might seem complex when the different organisations are listed, the situation on the ground does not appear complex either to the staff who work on the issues or—most important—for the overseas companies to which we present Scotland.

Allan Hogarth: One improvement that the Executive has introduced is the creation of a Scottish international forum that offers to the disparate groups that Phil Gallie mentioned an opportunity to meet and hear what individuals are doing. The idea is to try to produce a forward strategy for the promotion of Scotland. We have to give the Executive some credit for that.

It is good that we throw as much bread in the international pool as possible, in the hope that some of the ducks might bite—if I may stretch the analogy. We should not try to streamline activities if doing so loses the strength of the individual organisations. The CBI has increased its international representation; we now have offices in Brussels and Washington. Our director general is keen that we work internationally through the United Kingdom's embassies and consuls and, where appropriate, through SDI. I would not necessarily worry about the number of

organisations. The real question that must be asked is how successful and effective those organisations are.

Phil Gallie: We asked about the accession countries. How will Scottish Enterprise, SDI and Highlands and Islands Enterprise work with Scotland Europa on that issue? What is Scotland Europa's role in that?

Martin Togneri: Scotland Europa is a division of Scottish Enterprise, as well as being a membership organisation. We core fund Scotland Europa, but its funding is supplemented by membership fees that are paid by member organisations such as the Scotch Whisky Association.

Scotland Europa's role is, first, to facilitate the representation of member companies' and organisations' interests to the European Union. Secondly, it is to bring back intelligence on policy, regulatory and legislative matters that affect Scottish business. Thirdly, it is to help the Scottish Enterprise network make maximum use of European structural funds in financing Scottish Enterprise projects.

Phil Gallie: What barriers do you face in the task that is before you? What barriers could the committee help to lift that would allow you to do your job better?

Martin Togneri: The first barrier is the state of the economy. When the economy is down, it is very hard both to help Scottish companies to internationalise and to attract knowledge into Scotland. If the committee does anything to help on that, we would be very grateful. However, that is a big issue. Thankfully, we are now at what seems to be the beginning of an economic upturn, so I look forward to increases in our prospective business.

The other barrier that we face is competition. It is a competitive world out there for geographically mobile projects. There is competition among countries and that competition is increasing. One issue about the accession countries is the extent to which they will be able to compete for inward investment projects for which they might previously have been less effective competitors.

Those are the two main issues that I face in trying to bring economic development results to Scotland from overseas.

Mrs Margaret Ewing (Moray) (SNP): I apologise for being late. I was held up.

In reading all the written submissions, I was surprised by paragraph 45 of the Scottish Enterprise submission, which states that, of SDI's staff complement of 175, only two are from Highlands and Islands Enterprise. Will Scottish Enterprise and HIE comment on that? How does

that fit in with the policy of decentralising major job opportunities away from Edinburgh and the central belt?

Although tourism has been mentioned by Douglas MacDiarmid—who was on the same train from Inverness as I was this morning—I was surprised that the HIE paper made no mention of transport. What are the implications of transport issues for the development of the economy in the Highlands and Islands and throughout Scotland? Transport issues have major implications for inward development. If people have to put up with the travel chaos that many of us already have to put up with, that will hardly make the area attractive.

Finally, I ask all the panel members whether, if Scotland were in the euro zone, that would help or hinder their ability to sell Scotland.

The Convener: I ask Martin Togneri and Douglas MacDiarmid to begin by answering Margaret Ewing's question—I think that it was from her promoting the Highlands in Scotland inquiry.

14:30

Douglas MacDiarmid: I am happy to answer that question. Behind the stark figure that two posts are funded by Highlands and Islands Enterprise of the around 170 posts in Scottish Development International is the important fact that we have a strong and seamless working relationship with Scottish Development International. The protocol that we have is not, in my view, simply a piece of paper but is reflected in our day-to-day working. For example, we would not consider a foreign direct investment promotion without thinking how to do that through or with Scottish Development International. Equally, the international trade promotion of food products would be done in dialogue with Scottish Development International.

The posts that have been referred to are relatively recent—they were introduced in the past couple of years. They are intended to strengthen our daily dialogue with Scottish Development International and to strengthen the rural affairs team in Scottish Development International. For example, if client companies that are on the customer database of the local enterprise companies of HIE have overseas global headquarters and are linked into Scottish Development International's database, we do nothing with those companies without sharing that intelligence as we progress.

As committee members will be aware, we have been strong advocates of decentralisation or job dispersal. We have done our best to encourage the use of peripheral locations for the location of staff and we will continue to do that. However, one

of the posts to which our submission refers is located in London, in the heart of where we think we can help to secure business for the Highlands and Islands and for Scotland. We must place people where they will have the most effect in the long term.

Our submission makes a general reference to one of the key thrusts of our global connections strategy, which is to encourage more people to choose to live and work in the Highlands and Islands. Within that, we say clearly that the importance of having good community facilities is critical. We have not mentioned transport explicitly, but it goes without saying that we regard transport as a *sine qua non*. At every meeting that we have with Inverness Medical, to which I referred earlier, the company asks us to do more to improve the interlining of aircraft flights for its client base around the world. We understand the importance of that and we will continue to work with the Scottish Executive to provide as much investment as possible in road, air and ferry transportation.

Martin Togneri: The fact that two members of Highlands and Islands Enterprise staff have joined Scottish Development International has helped in a number of ways. It has helped to have a specialist resource on the ground. As Douglas MacDiarmid said, the individual in London is looking for opportunities for the Highlands and Islands. His focus is public sector dispersal, from which there is a good chance that the Highlands and Islands and other rural areas in Scotland could benefit. There may well be room for further growth. We started slowly—we had a secondment, then one post and now two posts.

That is not the only interlink between Highlands and Islands Enterprise and Scottish Development International. The chief executive of Highlands and Islands Enterprise sits on the supervisory board of Scottish Development International. The two bodies have worked closely for many years, for example sharing property databases so that we can be sure that the Highlands and Islands Enterprise area is on the shopping list for inward investors. That helps to keep the profile of opportunities in the Highlands and Islands Enterprise area high within Scottish Development International.

The Convener: Do the other panel members have responses to Margaret Ewing's questions?

Mrs Ewing: They have not responded to my question on the euro zone.

The Convener: Do other panel members want to respond to the general questions?

Allan Hogarth: On the general questions—particularly the comment about transport—one of the key factors that would help to drive the

Scottish economy and achieve the aims of all the parties in the Parliament to grow the economy would be to improve our transport infrastructure. We have seen welcome news of increased direct flights into Scotland. As a small nation, we have to be realistic about the number of direct flights that we will have, but direct flights across the north Atlantic and to other parts of Europe are welcome and represent good work between BAA, Scottish Enterprise and the Scottish Executive.

Unfortunately, it seems to take an inordinately long time to get road improvements in Scotland. Announcements have been made about improvements to the motorway infrastructure, but the planning system does not help to deliver road improvements as quickly as we and others would like.

I make a small plea, which perhaps is offline. I say to those members who are considering a third-party right of appeal in planning that one thing that would not help to improve Scottish economic performance and attract inward investment would be making our already cumbersome planning system even more difficult. I appreciate that consultation will be published on that issue shortly, and I hope that members will listen to the concerns of business when it is announced.

On the euro, the CBI is, quite rightly, waiting for the Government to make up its mind on when to hold a referendum. We will consult our members and put forward our position then, but it is not our job to second-guess the Government. We will wait for its decision.

Mrs Ewing: Do any other panel members want to comment on the euro zone?

Martin Togneri: It is one issue of many that affect inward investment decisions. People take it into account. I would not say that it is a particularly prominent issue—at least, companies have not expressed that view to me. There has been a significant reduction in the number of currencies in which Scottish companies conduct foreign trade. The UK is a big market within the EU in its own right so, realistically, companies do not have the option of not dealing with the UK market if they are planning to expand in the European market.

Companies do not say that the euro zone is unimportant; it is one of many factors that are weighed up in taking inward investment decisions. It probably helps to stimulate the more general question of how the reduction in the number of currencies that people have to deal with helps to stimulate trade growth.

Mr Raffan: On Margaret Ewing's point about the euro, many statistics have been bandied about that show how the UK has lost out considerably in terms of inward investment since the euro came into being. I would like your comments on that.

My second question is whether in the work of SDI and Scottish Enterprise there is much less emphasis on attracting inward investment than there was, say, 20 years ago. I remember being involved in a House of Commons select committee inquiry into inward investment in Wales. We took evidence from your predecessor body—Locate in Scotland—and, from the Welsh perspective, we looked with some envy at Scotland's harder image and success in attracting inward investment. However, there has been considerable debate about inward investment over the past 20 years. Does your work now place less emphasis on inward investment? Perhaps you could respond to the point that I made about the euro, too.

Martin Togneri: The inward investment market collapsed dramatically in 2000. In 2003, it was running at about half the size it was in 2000. The UK's loss of inward investment is much more to do with the overall collapse of inward investment over that period than with the euro. I am quoting from memory—I do not have the figures in front of me—but, apart from China, everybody lost inward investment over that period, because the market went from about \$1.2 trillion to just over \$600 billion.

On our emphasis on inward investment, I do not want to give any signal that inward investment is unimportant to the Scottish economy. We are certainly targeting much more actively what we call high-value-added employment opportunities in inward investment, which we define as jobs that pay in excess of average salaries or jobs in research, design or development, but inward investment is by no means less important than it was. One of the best sources of such high-value-added jobs is large inward investment projects, so we continue to pursue them. There are fewer of them to go round right now, because of the collapse of the market, but we expect that the market will come back, and we intend to compete as forcefully as we can when it does.

I would rather say that we have increased our emphasis on how we attract various forms of knowledge into the economy, including through inward investment. For example, we want to play our part in the fresh talent initiative and to attract companies in order to increase their willingness to make licences for products, processes and technologies available to Scottish companies. We also want to increase foreign venture capital companies' interest in participating in the funding of Scottish companies. Moreover, we are increasing the emphasis on knowledge out of the economy with regard to not only how we help our companies to export more but how we help those companies to license their technologies, products and processes and make their own investments overseas and how we help our universities to win more overseas research contracts.

Mr Raffan: Paragraph 33 of the Scottish Enterprise submission says that the organisation is developing

“specific bilateral relationships with overseas economic development organisations”

and mentions

“a Plan of Co-operation with the Economic Development Board of Singapore”.

I would be interested to hear about other examples of such relationships.

I am concerned about the extent to which you are co-ordinating your approach with the Scottish Executive. The Executive has bilateral agreements with North Rhine-Westphalia, Bavaria, Tuscany and Catalonia and a few other relationships with the Nordic states, the Czech Republic and Estonia. The approach appears to be slightly scatter-gun. Surely it would be more sensible for you and the Scottish Executive to target the same areas. After all, you have limited resources and, with 175 people to cover the whole world, only limited numbers of staff. Should you not be focusing together? To what extent is that happening?

Martin Togneri: I think that we are focusing together. We certainly discuss—

Mr Raffan: The Scottish Executive does not seem to be doing as much as you are in Singapore. To what extent are you co-ordinating?

Martin Togneri: As we are the international economic development arm, our relationship with Singapore is part of the Scottish Executive's efforts. The primary objective of that particular relationship, which is now up and running, is to use the Singapore Economic Development Board's resources to help Scottish companies to enter that market and other regional markets in which the board is particularly strong. For example, Incline Global Technology Services in Lanarkshire is currently hosted in China on a science backbone provided by the Singapore Economic Development Board.

Relationships within the EU have tended to have a variety of promotional, educational and cultural functions. Where we are able to generate an economic development benefit from them, we will work very hard to do so. For example, we have our own office in North Rhine-Westphalia.

Mr Raffan: It would be useful to have a list of your bilateral relationships. Could you provide one?

Martin Togneri: Yes. As the Massachusetts folk said in their written evidence, we are currently working on a relationship with them. Although we have not yet concluded negotiations, we are pretty close to doing so. Our initial objective in trying to

establish such relationships specifically with economic development organisations was to have a relationship in Asia and one in the Americas. When the American relationship is in place, we will stop and take stock to find out whether those relationships are delivering what we expect before we consider whether we need any further relationships.

The Convener: I have a question for Martin Togneri about the fresh talent initiative. If the other witnesses have strong views on the matter, I ask them to indicate that they want to speak.

According to your submission, we have globalscot, the Friends of Scotland initiative—which has been transferred from the Scotland Office to the Scottish Executive following Alistair Darling's appointment—the talent Scotland project and the new fresh talent initiative. Are all these initiatives not a wee bit confusing? Do they have distinctive roles? You say that you are going to bring the Friends of Scotland initiative in-house and co-ordinate it with other initiatives. Does it still have any purpose? Indeed, how successful has it been? Can you comment on the confusing situation in which we have all these different initiatives that appear to have similar aims?

Martin Togneri: My understanding of the First Minister's fresh talent initiative is that he intends to undertake a range of activities that go beyond economic development but that have economic development impacts. Indeed, an economic development agency simply could not undertake activities such as the proposed visa extension for students who study in Scotland.

So far our main contribution to the fresh talent initiative has been talent Scotland, which was designed about three years ago specifically to attract more semiconductor design talent to Scotland to bolster the project Alba initiative in Livingston. Over the past few months, we have extended the project to address skills gaps in the biotechnology sector. We will find out whether we can undertake other fresh talent projects that would support the overall fresh talent initiative.

Globalscot might well be one such project. The First Minister has asked us to consider how we might help globalscot to focus on fresh talent-related activities. Globalscot is a membership organisation; it is not primarily a promotional initiative. Its point is to help Scots around the world who are in business to make the contribution back to Scotland that they often tell us they want to make. We put in place resources to help globalscot members do that, primarily through the resource of our field operation staff in the countries where such Scottish businesspeople happen to reside.

14:45

The most popular contribution that globalscot members have wanted to make so far is that of mentoring companies, which has been done in a variety of ways, ranging from the provision of informal advice to people becoming non-executive directors. Globalscot also wants to mentor schools, and 36 globalscots have done so in a variety of ways, by mentoring schools that they attended or schools that have stuck up their hands and said that they would welcome globalscot support.

The third most popular way that globalscots have wanted to help has been to advise Scottish Enterprise on its projects. Some globalscots have said that the best thing that they can do is to help to promote Scotland overseas by saying good things about Scotland when they are in public. We would help them to do so by supplying them with presentation materials or suggested speaking notes, or in whatever way in which they wanted help. We intend to extend the globalscot project into communication with recent alumni of Scottish universities, particularly those with technology degrees. The experience in other countries, notably in Ireland, is that people who return to their home countries with recent technology degrees or international business experience tend to make a disproportionately positive impact on the economy.

That is the range of ways in which we hope we are contributing to the fresh talent initiative and will be able to increase our contribution in future.

The Convener: Could you clarify what the future of Friends of Scotland will be?

Martin Togneri: The First Minister has said that he is looking to reorganise both globalscot and Friends of Scotland. Friends of Scotland does not currently report to me, so I cannot clarify its future role. However, I look forward to working with that initiative. Since it was established, we have had a good, constructive working relationship with it, in that any overlap of message or of the people who are targeted has been minimised. It is not primarily a business network, whereas ours is very much focused on attracting businesspeople to make a contribution back to Scotland.

Allan Hogarth: In its partnership with the Executive, CBI Scotland has been active in getting its members to participate in various seminars with small, medium-sized and large companies so as to try to feed into what can be done to improve Scotland. That relates to welcoming people at the point of entry, the social issues that need to be addressed if we are to encourage people to come to live in Scotland and active participation. Like everyone else, we think that the demographic trends will cause problems unless they are addressed promptly and action is taken.

I get phone calls asking me where the skills shortages are now. There are skills shortages in some sectors, but the real problem that needs to be addressed lies in the medium to long term. It is not a matter of getting a quick fix, but if the longer-term issues are not dealt with now, the problems in the Scottish economy and in public services will be quite severe. We are keen on and actively supportive of the initiative.

Douglas MacDiarmid: I will add to that from the HIE perspective. We have been quite significant contributors to the debate on population, or rather depopulation. The population of our area has declined over a long period of centuries, but then recovered very positively over the past 30 years, and the economy has recovered in parallel with that. However, there are still areas of sectoral constraint in available labour. That tightness in the labour market gives us concern about economic growth in the future.

There are areas of the Highlands and Islands—the Western Isles being a very good example—where there has been a 10 per cent population decline in the past decade. Unless that decline is arrested, there is likely to be, effectively, a critical mass failure in relation to the continuation of some of the communities concerned. We view the issue of fresh talent as touching quite a number of important chords for the future.

Mr John Home Robertson (East Lothian) (Lab): I thank the witnesses for their positive, constructive and helpful papers. I would like to address the theme of a smart, successful Scotland. Am I right to be concerned about the possibility that, in much of Scotland, there might be a latent suspicion or even hostility towards anything that could be described as smart or successful. There is the “Ah kent his faither” attitude and all the rest of it. We can think of all sorts of examples in Scotland where innovation has run into difficulty, which might include the public attitude to the science of genetically modified products and aspects of bioscience.

Members would expect me to say something about the Parliament building down the road, which is in fact an example of tremendous Scottish technical, architectural and design excellence.

Dennis Canavan: Scottish?

Mr Home Robertson: Oh, yes. A large Scottish architectural practice has done most of the work. It is bidding for a lot of work overseas, in China and elsewhere, and the publicity that it has had about the Parliament is not exactly helping.

Without going into specific examples, do you agree that the chip on the shoulder that we have in Scotland is a bit of a problem? Is there anything that you can do about it? More particularly, is there anything that you think the Executive or the

Parliament could do to raise people's sights in Scotland?

The Convener: Is the question to the whole panel?

Mr Home Robertson: Yes.

Allan Hogarth: Perhaps the phrase "a smarter, more successful Scotland" is more apt than "a smart, successful Scotland". The slogan is now four years old; it is probably time for it to be updated. We need to talk Scotland up. I was at our council meeting this morning where I heard some good news from Diageo plc, which is a global company that is based in Scotland. Its global human resources headquarters is to be based in Edinburgh. Countries in eastern Europe could have attracted those HR headquarters, but Diageo chose to come to Edinburgh. Unfortunately, there are instances of Scottish businesses having to restructure, but I think that we should not dwell on them; we should talk up the positives instead.

There is evidence that our young people are less likely to fall into the Scottish cringe. I have had the privilege of going round schools to look at enterprise projects and the evident enthusiasm in primary and secondary schools is welcome. We have to build on that success. If only some of our sporting role models were more successful in their fields, we might have more to talk up there, but I guess that that is a discussion for another committee.

As I said, we have to look at the positive aspects of Scottish life and talk them up. People who indulge in trying to hold Scotland back should be swept out of the way as quickly as possible.

The Convener: We are, of course, hearing from a sports organisation later on in the inquiry.

Douglas MacDiarmid: Perhaps I should mention that the essence of the smart, successful Scotland strategy is that it is a long-term strategy. We are perhaps less concerned about the cause and more concerned about the effect of any negativity. If we are going to stay with the smart, successful Scotland strategy, which we believe fundamentally is the direction in which we should go, we will have to stay with it for the long haul over many years.

The development of the intermediary technology institutes is not a one-year or a three-year agenda. The ITIs will have to be supported and sustained for many years to come before we will see real long-term benefits in the Scottish economy. As Allan Hogarth said, we have to have confidence in what we are trying to achieve. This is not a matter of spin; we have to be clear about that. We must be confident in the abilities of Scots to deliver for the future. We need to know where we are going and to stay for the long term with the agendas that we have set.

Brian Shaw: I agree. There is an increasing need to talk up success. We need to point out individuals and companies as exemplars to which we should aspire in terms of success. I agree completely that there is no quick fix. We need to have confidence that we have a good strategy in place and that we are behind it and focused on it. If we stick with it, over time we will see some improvement in the situation.

Martin Togneri: There is a danger in assuming that people overseas have the same impression of us as we have of ourselves. I have spent 15 of the past 25 years in economic development, most of which was spent trying to attract inward investment. During that period, I spent some time out of economic development working for an American company. I have not detected the perception overseas that Scots are non-entrepreneurial or that we suffer from tall poppy syndrome—certainly, no more than the Germans or the Australians. If anyone has the reputation of suffering from tall poppy syndrome, it is the Australians.

The perception is to be found the closer to home that we get. Occasionally, I have had trouble in London convincing English folks who might have mobile investment projects that the Scots are entrepreneurial, but I have not run into the problem in Japan or America. That is not a common perception of us among foreigners—certainly not in the business community.

Gordon Jackson (Glasgow Govan) (Lab): If I come to a big organisation such as Scottish Development International with no knowledge, I am immediately impressed by all the documents and think that it all looks wonderful, but then I cynically think that everybody sounds good when they are putting their own case. My only practical experience comes from my visit to Scottish Development International in California, during a parliamentary trip. I was impressed by the place—it had lots of desks and so on—but nothing was happening. I am not being fair—almost nothing was happening; the place was virtually empty.

How is your performance audited? What is the external, independent control that shows how well Scottish Development International performs on the ground, regardless of all the documentation and packaging?

The Convener: Are you directing your question to anyone in particular?

Gordon Jackson: No. Anyone who has an answer will do nicely, thank you.

The Convener: Someone will have to answer.

Martin Togneri: My colleague will speak about the occupancy of overseas offices, because those offices report to him.

We are part of Scottish Enterprise for the purposes of audit, so we are subject to the same audit requirements as any non-departmental public body. Indeed, I think that we were included in the recent work of Audit Scotland on Scottish Enterprise.

Brian Shaw: I recall Gordon Jackson's visit well, because I was in California at the time. The occupancy rates in our various incubator locations are clearly affected by the market factors to which my colleague referred earlier. The technology downturn had a particular impact on silicon valley, which is where the office that Gordon Jackson visited is based. If you drive down route 101, you see a preponderance of real estate that is available for let. Very few companies were involved in that location at the time of Gordon Jackson's visit, but the situation is gradually improving as the overall economic trends improve. Our other incubator locations in the United States, which are in Boston and Houston, are enjoying excellent occupancy rates of some 60 to 70 per cent. Things have been tough, in particular in silicon valley, but there are gradual improvements in the area.

Douglas MacDiarmid: Scottish Enterprise, Highlands and Islands Enterprise and the Scottish Executive work together to develop joint performance targets across all our activities, which include specific targets that relate to the development of international trade and the number of participating companies. We are building a framework that allows us to track the effectiveness of our activities. Other external factors obviously have an impact on those activities, but increasingly we are looking less to the activities that we undertake than to the economic impact of our interventions.

The Convener: We have time for two brief questions and supplementaries from members.

Dennis Canavan: The submission from Scottish Enterprise and Scottish Development International states that

"the degree to which it is appropriate to concentrate economic development resources into Tartan Day and Tartan Week events is limited",

because such events do not necessarily dovetail with the timing of the business decisions that you want to influence, or with the location of the business activities that you prioritise. Gordon Jackson asked about how SDI is audited, but I want to ask about how particular projects can be audited. Can you quantify the amount of public money that the Scottish Executive spends on tartan day? Is it possible to quantify the resultant inward investments or other benefits to the Scottish economy, to enable us to judge whether we get good value for money?

15:00

Martin Togneri: It would certainly be possible for me to quantify what Scottish Enterprise has spent on tartan day, but I do not have the figures to hand. The Scottish Executive's overall contribution to tartan week is led by my colleagues in the Scottish Executive external relations division, who would probably be in a better position to quantify total expenditure.

The effect of tartan day on any individual inward investment decision can probably not be tracked. That is not because it is not effective as a contribution towards such investments, but because such decisions have long gestation periods. Undoubtedly, if there was an event during tartan week in New York in which the First Minister or the Deputy First Minister was participating and we were talking to Citigroup Ltd, for example, of course we would invite Citigroup to that event or try to see its key decision makers with the Deputy First Minister or the First Minister during the visit, which might eventually play a role in helping to persuade the company to make a decision in favour of Scotland.

However, other things—such as whatever attracted Scotland on to its radar in the first place—would have played a role, too. A role might have been played by a public relations exercise, a sales call by a field executive, a response to an advertisement, a direct mailing piece or any influence that the company has picked up about Scotland when it was making a decision. A host of factors might exert influence. It would not be possible to say with any credibility that a particular inward investment was won because a company participated in some event that happened during a visit by the First Minister or the Deputy First Minister, or as a result of some promotional activity during tartan week, but it could certainly be said that if we engaged that client during that time, that would have played a positive role. To say that an inward investment could be tracked to a particular tartan day event any more than to a particular advertisement or sales call would be to stretch things too far.

Dennis Canavan: Yes, but many businesses do surveys that ask people how they found out about them. They ask people whether they found out about them by adverts in papers, word of mouth or whatever. Is it possible for Scottish Enterprise or somebody else to survey people and businesses that have participated in tartan day to find out what they think of its success or otherwise in respect of potential and actual economic benefits to Scotland?

Martin Togneri: That would certainly be possible if, for example, we took companies out on a trade mission to coincide with tartan week. If we took textile companies or creative industry

companies to New York during tartan week—which, incidentally, we are not going to do this year, although I believe that we have done so in the past—we could survey them on its effectiveness. There is no reason why we could not do so. We do many surveys of customers who have been on trade missions. I do not know whether we have surveyed companies specifically on previous outward missions that coincided with tartan week, but I could certainly come back to the committee with the answer to that.

The Convener: That would be appreciated. Phil Gallie has a final question.

Phil Gallie: Given that we have the gurus of economic development in Scotland before us, and that the committee deals with European matters as well as external relations, it would be wrong not to refer to the Lisbon strategy, which does not seem to be working well with respect to economic growth in Europe. How does the strategy affect economic development in Scotland? Does the rolling together of social and economic development issues create particular problems?

The Convener: Is that a question for everyone on the panel?

Phil Gallie: Perhaps Martin Togneri would like to answer it. Anybody else might like to chip in.

Martin Togneri: I apologise in advance for the fact that I will not give a very useful answer. That has not been particularly prominent in any of the issues that companies that I have tried to deal with have raised with me. I wish that I could offer more input, but I am afraid that I cannot.

Phil Gallie: Allan Hogarth may want to come in.

Allan Hogarth: I will try to answer the question. The problem is that a great deal of hope came from the European Commission and the European Parliament about the increased importance of business and the economy; perhaps business is somewhat concerned that the social agenda has moved further up the priority list through social partnerships.

We have seen the problems that that has created in the French and German economies. The UK has strong economic growth because it does not have those problems. The last thing that inward investors from the US want is for us to follow the social model in continental Europe. We must hope that the UK Government will continue where possible to resist the legislative changes that are slowing our partners in other parts of the EU and that it will ensure that the commitments in the Lisbon strategy are worked on. Going down the road of that social agenda would not help us to attract inward investors.

Phil Gallie: I am slightly surprised that Martin Togneri did not dig into that question, but if he has

not felt that effect, that is fair enough. Has SDI felt any such effect?

Brian Shaw: That issue comes up among overseas sales teams, but it is not discussed as part of the Lisbon strategy. Entry and exit barriers certainly figure in potential inward investors' thinking. In the context of a broader discussion, I endorse some of the points that Allan Hogarth made.

The Convener: That brings us to the end of the evidence session. I thank the panel for coming to the meeting. Your evidence has been most useful and we will reflect on it in due course. I wish you good luck with your respective challenges in promoting Scotland overseas.

Brian Shaw: Thank you.

The Convener: We will move to the next panel shortly. The committee will have a comfort break while the panels change.

15:06

Meeting suspended.

15:11

On resuming—

The Convener: I am delighted to say that we can kick off, as our next panel is ready to give evidence. I welcome the witnesses to the meeting and thank them for appearing. I ask the witnesses to say a wee bit about their organisations, after which we will head into questions.

Alan Murray (Standard Life): Good afternoon. I thank the committee for the opportunity to give evidence. I am responsible for UK and EU Government relations at Standard Life. Apart from its operations in the UK, which are primarily in Scotland, Standard Life has businesses in Ireland, Germany, Spain, Canada, India, Hong Kong and China.

David Breckenridge (Scottish Textiles Forum): Good afternoon. I am the managing director of a textiles company that supplies cashmere accessories to many of the world's leading fashion houses. I am here to represent the Scottish textiles forum, which the Scottish Executive and Scottish Enterprise established three years ago to bring together various parties in the industry.

Theresa Houston (Scotland the Brand): Good afternoon. I am the chief executive of Scotland the Brand, which was established in 1995 as a special marketing unit in Scottish Trade International, under the auspices of Scottish Enterprise. Our aim was to deliver an ambitious programme to market Scotland that would capitalise on Scotland's

distinctive brand values and promote Scotland's products and services in key export markets.

Keith Anderson (Scottish Power plc): Good afternoon. I am the UK strategy and external affairs director of Scottish Power, which is a large international energy company. It is headquartered in Scotland, but about 60 per cent of our operations are based in the north-west of the United States of America. We employ about 16,000 people in the UK and America.

The Convener: I thank those who provided written evidence, which we found stimulating.

Gordon Jackson: Scotland the Brand's submission states:

"The board believes that a private sector led organisation can also work well with players from the public sector and with branches of government provided that there is clarity and a sound organisational platform."

Are those elements present?

Theresa Houston: At the moment, they are not.

Gordon Jackson: Why not? Will you elaborate?

Theresa Houston: Our paper sets out our main difficulty. We welcome the Scottish Executive's focus on promoting Scotland and the establishment of its promotion of Scotland division, but we have talked to the Executive for several months about what the exact plans are and how they will have an impact on Scotland the Brand, because they have implications for the progress of Scotland the Brand's strategy.

At the moment, we do not have clarity on the thinking—we have been told that the Executive is still considering exactly what its plans will be. Obviously, we know about the fresh talent initiative and we have heard that a general review is being undertaken to try to pull together the promotional materials that the various organisations are working with. Beyond that, however, we do not have a definite steer from the Executive.

15:15

Gordon Jackson: I would like to broaden that point out. Public agencies always say that they need to work well with the private sector and they tell us that everyone is working together wonderfully. Now that the private sector is before the committee, I would like to know whether it says the same thing.

David Breckenridge: I will try to answer that from the textile industry's point of view. Earlier, I mentioned that the Scottish textiles forum was initiated three years ago as a joint venture involving Scottish Enterprise, the Scottish Executive and the textiles industry. From our experience in the past three years, I can say that that seems to be a good way in which Government

can interact with the industry and obtain the views of the industry in a way that ensures that there is a strong industry input early in the policy-making process. That links in with what Martin Togneri and Brian Shaw from Scottish Development International said earlier.

The Scottish textiles forum has worked with SDI on developing a strategy for the industry around which we can all operate. The Scottish textiles forum has recently endorsed a three-year strategy, which also took into account input from Scottish Enterprise and a commitment from Scottish Enterprise to support it. One of the reasons for the successful adoption of that strategy is the fact that SDI has a dedicated textiles executive, who works closely with the Scottish textiles forum.

That arrangement is an excellent example of good practice with regard to Government's working with industry, although I should say that the process is not without fault. There are always problems, but the arrangement that has been set up means that we are working together, which is absolutely essential.

The Convener: Do the other panellists want to say anything on this subject? Do not worry—you have 50 minutes to discuss the other faults, if you wish.

Mrs Ewing: The Scotland the Brand submission is one of the most outspoken papers that I have ever received as a committee member. For the sake of those who have not seen it, I note that it says that conversations with the promoting Scotland unit have proceeded at a

"slower rate than we would like",

that Scotland the Brand has been left in

"a state of suspended animation"

and that the major investment that has been made in the Scotland mark since 1995

"has been undermined or wasted".

It seems that a feeling of frustration underpins the document. Could you quantify that frustration for us? I read through the substantial activities that you have undertaken and think that what you have done has been excellent. However, has there been a loss to the Scottish economy as a result of the complexity of the procedures that surround Scotland the Brand and the Executive's involvement in promoting Scotland?

Theresa Houston: You are correct to say that a feeling of frustration is evident in the paper. We were formed 10 years ago. In 1997, we launched the "Scotland the Brand" mark as a direct result of input from the private sector. We got together with 150 key business leaders and floated the concept of Scotland's benefiting economically from a concentrated integrated effort on promotion and

marketing of its products and services. The clear answer that we got was that Scotland could benefit from such an effort, but that we had to have a single defining mark that would both identify a product from Scotland and be underpinned by quality. There was no point in our saying, "These are products from Scotland," if they were not of the best quality. At that stage, Scotland the Brand became a membership organisation, which could be joined only after an assessment process had been undergone; that remains the case. We have more than 200 members.

The committee's inquiry is about the lessons that have been learned and about examining best practice and considering where the successes have been and where we can learn more lessons. We are most frustrated by the fact that we consider ourselves to be a resource that could be used. We have expertise—we have conducted more than 50 integrated marketing events, which have been similar to the "Scotland in ..." events that the Executive has embarked on.

There is no doubt that some things were right and some things were wrong. A lot of public and private money has been spent. For almost every pound that has come from the public sector, we have raised sponsorship and contributions from the private sector. A great deal of money and effort has been put in. It seems to be incredible that, if an overall strategy is now being considered, we are not being engaged by the Executive.

Mrs Ewing: Can you quantify the loss that you have suffered during the period of "suspended animation" that you mention in your submission?

Theresa Houston: There is a quantifiable loss. Last June, we found out through the Scottish international forum, which some of my colleagues who are here today attended, that a new logo to do with the fresh talent initiative was to be launched. It seemed to be incredible that, after a lot of money had been spent on developing and promoting our mark, a new one was being introduced. As a result, we started discussions. Since then, our membership has decreased from 350 companies to 200 companies, so we have lost almost 50 per cent of our membership because of confusion and uncertainty. If the Scottish Executive is promoting a new mark, there is a limit to the extent to which we can sell the benefits of private membership.

Mrs Ewing: Are the members that you have lost still managing to be competitive in the market or are they losing out? Does that have implications for work?

Theresa Houston: Many of the companies that have withdrawn are the smaller companies, whose marketing budgets are stretched. They must

decide to put their marketing bucks behind whatever they think will have the greatest effect. In that sense, our activities have been curtailed. There is an opportunity cost. For example, for the first time in five years, we will not be in the States for tartan week this year.

Dennis Canavan: What can Scotland the Brand do that Scottish Development International or any other arm of the Scottish Executive cannot do?

Theresa Houston: The principle behind Scotland the Brand, which was part of SDI when it was first set up, was that we were to have a strong focus on the consumer side of things, whereas SDI is all about the trade side of things and helping companies to get into markets. Our focus was on encouraging consumers in international markets to buy Scottish, which we did by building on Scotland's reputation. I think that you mentioned to the first panel of witnesses Scotland's reputation for shortbread and haggis and there is no doubt that we have very strong brand values throughout the world, but we do not exploit them enough.

Although we are not trying to pursue an image that is all about tartan and shortbread, it would be totally wrong not to use those as marketing hooks. Our main focus is on engaging consumers and, through integrated marketing, on working with VisitScotland and Scottish Trade International, when appropriate, linking in with the trade mission programme. A good example of that was the "Scotland with Catalonia" week in September. We were over there, working with the Executive and VisitScotland. Our input was about the direct products and services of Scotland—food, drink and textiles. We helped to co-ordinate a fashion show using designs from Scottish design students.

Dennis Canavan: Do you suspect that—to put it mildly—you are not getting the support that you should be getting from the Scottish Executive?

Theresa Houston: No—I do not think that we are.

Dennis Canavan: Would you put it as strongly as to say that you think that the Scottish Executive or people in SDI are being obstructive to the work that you are doing?

Theresa Houston: I do not think that the people at SDI are being obstructive at all. In fact, SDI and Scottish Enterprise are using the Scotland mark and we work closely with them.

Dennis Canavan: So, if there is obstruction, who do you think is being obstructive?

Theresa Houston: Well, you asked me about two organisations and I told you about one of them. I have to say, I think that the Scottish Executive is being obstructive.

The Convener: Given the international dimensions to their businesses, what are the other panel members' views on the debate surrounding Scotland's having a brand, or more than one brand? How would that assist your companies?

Alan Murray: A Scottish brand would not necessarily help our sort of business. The issue is more about image and the way Scotland projects itself overseas.

One of the interesting earlier points is the question of the tartan-and-shortbread image and what we can do with it. For a business such as ours, which is growing significantly overseas and is attempting to project itself as a modern developing business, having those cultural differentiators that mark Scotland out as being different is important. However, the way in which they are used is also important. We believe that they should be used not as a way of harking back to the past, but as pegs on which to hang messages about Scotland now and in the future. That is the important distinction. A bit too often, there has in the past been over-emphasis on the tartan and shortbread without thought's being given to how such things could be used in a much more progressive and proactive way.

The Convener: Do you have any suggestions about how that could be done?

Alan Murray: A strategy could be developed that focused on what makes Scotland different. There are certain historical and cultural features of what has been going on in Scotland over the past 200 or 300 years that differentiate Scotland and which could be used positively to project a modern and forward-looking image of Scotland. The key issue is the need to use the past in a forward-looking way.

Keith Anderson: My view is similar to Alan Murray's. Scottish Power does not have a product that is easily marketable abroad, so, from a marketing or branding point of view, the issue is not of huge concern to us. We are looking more at how we develop investment communities and business communities than at marketing or branding. When we can get help in doing that, we are more than happy to link that to branding opportunities for Scotland or the Scottish Executive, and we have done that in the past through our involvement in projects such as tartan day and the New York Burns supper that we have hosted. However, most of our focus is on the investment community, pushing back regulatory and competition barriers in Europe and considering how we can get help in pushing through environmental legislation.

15:30

David Breckenridge: The whole area of branding and conveying brand values is the key

thing here. The issue is how we get across to our market the brand values that are associated with textiles, and that is extremely difficult because the textile industry covers a wide breadth. There are companies in the technical textile field that are absolutely at the top of their game and are competing on a global scale very effectively. There are also companies in the cashmere sector that are competing against the Italians and now, to a certain extent, against the Chinese. However, it is difficult to establish a brand identity across such a disparate sector. I think that the way to do it is to focus on key areas of our industry. For example, we have a cashmere club, which operates successfully with the assistance of Scottish Enterprise and SDI and which also gets some European funding. We can best help the industry in this country through such focused brand marketing.

If we compare our industry with that of the Italians, we see that my company's main competitor is a company with a turnover of more than \$350 million. Our turnover is a fraction of that. Our competitor's advertising and marketing budget reflects the size of the business. Until about 15 years ago, it was not particularly active in the north American market, but it decided to target that market and ploughed money into it, so it now sees the benefit of that investment. My company and companies like mine simply cannot do that individually, but we can work together as an industry, in partnership with Government, Scottish Enterprise and SDI, to try to counterbalance that. Even then, we will probably only be scratching the surface, but we have to try.

Phil Gallie: I have a somewhat jocular intervention for Alan Murray. We are talking about branding. Scotland has a good reputation for looking after the bawbees and turning them into pounds. Have you thought about that aspect? I do not really expect an answer; it is an observation.

The Convener: The witnesses can chew that over and come back with an answer later.

Mrs Ewing: I am sure that the witnesses will know that I represent Moray, which is well known for its textile products, although we have had some closures. That seems to be fairly typical—I think that the same has happened in the Borders. In the discussion of Scotland the Brand, you touched on fashion design. We have some excellent fashion designers in Scotland, but they do not often make their market in Scotland. I am thinking of Betty Davies—this information is in the public domain—who is a wonderful designer and who did the banks' uniforms but whose bid for the Scottish Parliament's uniforms was rejected. She has had to make redundant a substantial number of people in her fashion design workshop. She helped to turn around the Harris tweed industry,

because she started doing fashionable designs that moved Harris tweed's image away from its association with ghillies.

Is not there something that we can do internally in Scotland? We are talking about selling Scotland abroad, but if we cannot sell it at home, surely there is something wrong with the Scottish attitude to what is good. We seem to reject it, not because of the bawbees and the pounds, but because we think, "I'd rather buy from an Italian designer or go down to Harvey Nicks and spend a fortune," rather than supporting our textile industry at home.

David Breckenridge: To a certain extent, that comes back to what I was saying a few moments ago about brand values. Unfortunately, we do not value our brand here in Scotland as much as we should do. We have a marvellous industry left in Scotland. It is much smaller than it was several years ago, but we have some excellent and professionally managed companies that are doing their best to compete in an extremely difficult environment. I agree that it would be nice to think that the industry's efforts would be recognised in our home market more than they have been in the recent past.

What you said about the talent in Scotland is apt. Every year, several Scottish colleges produce high-level graduates who unfortunately go to places such as Central Saint Martins College of Art and Design in London to further their studies and then go on to take up important positions in the world of fashion and textiles. We should be proud of that because it is a marvellous achievement and a great credit to our colleges, but it is a great shame that we no longer have an indigenous industry that is large enough to support those people—that is a fact of life.

Mr Raffan: Margaret Ewing raised an important point. A friend of mine, Joanne Brogden, who was formerly a professor of fashion at the Royal College of Art, used to say that we are great at producing designers but it is a pity that they are all poached by overseas companies and end up working for Missoni. We see John Galiano and Alexander McQueen making loads of money for companies in France and Italy. Our graduates do not just go from here to Central Saint Martins; they go on to Europe. You say that that is because of the size of our industry, but is it just that? Is it not just because the overseas fashion and knitwear industry—I mentioned Missoni in Italy—is good at spotting foreign talent, plugging into it and making the most of it, and we are not?

David Breckenridge: The fact that they go on to the world of fashion outside this country is a marvellous thing, and eventually it will come back to benefit Scotland.

We employ many talented designers in Scotland. The knitwear companies in the Borders

have some very talented people working with them. However, in the Borders knitwear sector, there are probably only 20 to 25 companies at the sort of level that means that they can employ meaningful design staff. That is a relatively small number of companies. The colleges are turning out between 200 and 400 graduates every year. Unfortunately, the figures just do not add up.

Mr Morrison: I have a brief point about talent playing on the best stages in the world. I expect that you would agree that the last thing that we want to do is to limit our young people and tell them that they must stay at home within our borders. The key must be to allow the talented to play on the best stages in the world and to marry that to the textile industry in Scotland, for example to the Harris tweed industry, which Margaret Ewing mentioned. We must bring together the talent, wherever it is—whether it is in Milan or New York. If people were able to do us a wee turn at home, we would have the secret of marrying the talent with the produce.

David Breckenridge: That is absolutely right. The fact that we are turning out so many very highly qualified people will benefit us in Scotland.

Mr Morrison: How can it do that?

David Breckenridge: Several of those people will come back and form design companies or they will come back to work with existing companies. Many of them will be the buyers of the future in the organisations in which they work, so that when Scottish companies are trying to compete with other nations, we will at least have favourable people in the markets that we are trying to target.

Mr Morrison: Presumably those people do not have to be at home to do us the turn that I am talking about.

David Breckenridge: No. I do not disagree at all.

Theresa Houston: Is it not part of the fresh talent initiative to bring people back to Scotland as well as to bring people in? Young people who might have gone out into the world and created a successful career will then be attracted back.

Mr Home Robertson: I will take a different angle. We are hearing from a sector that is going through difficult times but that should have potential in the future. Sitting next to the panel members from that sector is someone from the financial sector who has loads of bawbees. What can be done to make it worth while for the financial sector, which handles a whole lot of money, to invest confidently in Scottish enterprise to get that money to work for the benefit of Scotland? I realise that there would have to be confidence on both sides, but there must be opportunities there. A lot of money goes through the financial sector in

Edinburgh and throughout Scotland. The knitwear industry could do with some of that money being invested in it, as could other industries, such as engineering. What can the UK Government, the Scottish Executive or anybody else do to give organisations such as Standard Life the confidence to invest in smaller and middle-sized companies in other sectors?

Alan Murray: I could run away from that question by saying that the nature of our business is such that investing in SMEs is not a key feature of what we do.

Mr Home Robertson: Why not?

Alan Murray: Although I could do so, I will not lie and I will not run away from your question. Major Scottish enterprises, including Standard Life, that choose to invest overseas could do a lot to bring in other companies on their coat tails. If a company is a major overseas investor, it has certain responsibilities in terms of how it projects itself overseas and how it uses its responsibilities in its overseas and home markets.

I believe that companies with major experience of investing overseas can do an awful lot for SMEs, not just by pumping money in but by providing advice and guidance about the nature of overseas working and investment. That would mean working with Government agencies that are involved in that area. However, my experience is that not much of that happens and that matters are not co-ordinated in that way.

In the areas of overseas investing and exporting, Government agencies tend to work primarily on behalf of SMEs. It is right that they are the focus of Government agencies' activities. Frankly, large companies are often more than capable of looking after themselves. There will be occasions when they will need the Government's active and positive support in what they are doing overseas—we went through that in China—but the larger the company, the less likely it is that it will need to rely on Government support. Such support is focused on SMEs, but it is probably done so in too many different ways, which means that it is not co-ordinated effectively enough.

The Government and large enterprises such as Standard Life do not think clearly enough about how we can use our expertise and our presence in markets to help the smaller guys who might be trying to break into a market. For example, we spend much of our time bringing back people from overseas, such as our staff in China and senior Chinese officials, to give them a proper experience of how we operate as a company in Scotland. We find that there are huge add-on benefits from doing that. Plenty of other companies are doing exactly the same thing. Arguably, when we do that, we could have a wider relationship-building

programme of activity, involving smaller companies in a more proactive way.

The Convener: I thought that that happened already. For example, through my dealings with the oil industry, I know that some of its companies help each other out and learn from each other's experiences of working overseas.

15:45

Alan Murray: When we bring visitors from China here, we will give them a programme that does not just involve them sitting in Standard Life House on Lothian Road. It will give them a wider flavour of what being in Scotland is about.

The Convener: Is that at your instigation or at the instigation of a Government agency or the Scottish Executive?

Alan Murray: That is at our instigation.

The Convener: We are trying to ascertain the extent to which the Executive and Government agencies are involved in proactively trying to create these things.

Alan Murray: The real answer to that is not hugely. Perhaps the point that I am trying to make is that we try to do some of that and to get people to see a bit more of what is going on in Scotland. Perhaps we and others who are doing the same thing could think rather more strategically about what we are doing and what our domestic targets might more usefully be.

Keith Anderson: I agree with some of what Alan Murray has said. We have quite an active programme of people moving from the UK to the United States and back again. We look to work with other organisations where possible. We have worked with the Scottish Executive. One or two people from the DTI and the Scottish Executive have been seconded to the company in recent years so that they can get experience of working with us in the UK and the US. When we pursue large investment programmes, such as the development of wind farms in the UK, we seek to work with foreign companies to ensure that as much as possible of the activity and as many as possible of the jobs associated with the construction are based in Scotland. That is done to try to supplement jobs.

Mr Home Robertson: I am being goaded. I imagine that Scottish Power's visitors from the US must be astonished by how much it can charge Scottish consumers for electricity. Mr Anderson does not need to respond to that comment. His contribution was quite helpful and might be included in our report, but he slightly sidestepped my original question.

I suspect that all members of the committee are familiar from their constituency experiences with cases of people who have bright ideas that they want to develop and market, who, when they go round the houses to banks and venture capital companies, usually end up selling out their idea, which is picked up by a foreign company. As a consequence, jobs derived from a Scottish idea are developed somewhere else. Can anything further be done to encourage Standard Life, the banks or anyone else to back bright and innovative ideas in Scotland?

Alan Murray: I would prefer to take note of John Home Robertson's questions and return to the committee with further information about what Standard Life is doing in that area.

Mr Home Robertson: That is helpful. Thank you.

Keith Anderson: I would dearly love to respond to John Home Robertson's initial comment, but that is for another day.

One of the marine technology matters that we are examining is how the Scottish Executive is working with companies, not only in research and development, but in progressing from research and development to full commercial trial. The difficulty is that many projects that are supported during research and development are left on their own when they need to be developed to commercial reality.

Mr Raffan: This is an immensely important area. Mr Murray's remarks were important and I would like to develop them slightly further in terms of promotion. Mr Lumsden said in the second page of his written evidence that Scottish companies, particularly those with international operations such as Scottish Power and Standard Life, have global reach and can do much to project the right image of Scotland.

Alan Murray referred to Scottish enterprises bringing other companies in on their coat tails. If I had got in earlier, I would have spoken of such enterprises bringing in other companies in their wake. To what extent can we learn from what other countries do? I went to Japan and South Korea as part of a House of Commons select committee inquiry. There has been a great deal of Japanese inward investment in Wales. When Japanese companies establish facilities in Wales, they tend to attract other companies to the locality and clusters are formed.

To what extent can we learn from the innovative ways in which other countries work? For example, to what extent can your overseas operations help bring in other companies in your wake in the way that the Japanese do?

Alan Murray: I will revert to using China as an example because I think that, of the countries in

which we operate, it provides a comparable example.

Our new operation in China is in the development zone in Tianjin, which is about one and a half hours by road from Beijing. Historically—because of its geographical proximity more than anything else—that area of China initially attracted Korean companies and then Japanese companies. However, we did not have a huge amount of choice about where to establish our operations in China because of the way in which the Chinese insurance market is developed. Companies tend to go more or less where they are encouraged to go. When we started our operations there, we were probably one of the first major UK companies to be in that development zone.

Having said that—I am coming to your point—we are spending a lot of time working with people from the local authorities in Tianjin. We have brought them back to Edinburgh to get a better flavour of what we are about. It may take some time, but there will almost certainly be a knock-on impact from that. If the authorities in Tianjin find us a congenial partner to work with—obviously, it is our responsibility to ensure that they do—that will inevitably make them feel more positive about looking for other investors from the UK. That is simply the way that it works.

Mr Raffan: However, what happened in Wrexham in north Wales, for example, was not due just to the positive approach that Wrexham County Borough Council adopted. Other Japanese companies invested there perhaps from a certain sense of solidarity but also because a major Japanese company was already there. They felt more comfortable because somebody else had blazed the trail, so to speak.

Alan Murray: That is right. We have been in China for barely a year and we opened for business only last December, so it all takes time. In a market such as China's, a company such as Standard Life can work with UK governmental and quasi-governmental organisations such as the China-Britain Business Council to try to act as a catalyst for bringing more companies into what is now a fast-developing part of China, which British companies might not have thought about investing in before.

Finally, if I may return to what I said earlier, members might have felt that I was a bit rude about tartan and shortbread. However, we have instigated an annual Burns supper in Tianjin that has been very successful. We use that both to take people from Scotland to Tianjin and to involve the wider Scottish community in Beijing. It is all about building up a local identity.

Keith Anderson: One thing that we find in the energy market is that doing business in the UK energy world is relatively easy and an awful lot easier than doing business in Europe, for instance, where markets are more closed. The fact that the UK market tends to be quite open makes it relatively easy for companies to come here. We find that certain markets are difficult to break into. Therefore, anything that the Scottish Executive can do to help to break down those regulations and barriers to competition would be helpful.

We operate in America as well so, where the opportunities exist, we are more than happy to help to attract others to go there. We are more than happy to invite others along to events that we hold. For example, we ran a renewables round table in New York, at which we helped investors to understand the renewables business and what we can do.

Mr Raffan: The Executive could work more with your companies—there does not seem to be much co-ordination. Your companies are doing something that is fairly innovative and imaginative. Do you agree that, to make your work even more effective, the Executive should pile in to work together with and support you?

Alan Murray: I want to make a distinction. Because of the essential role that the UK Government has in our activities in certain markets, we have worked primarily through the trade and investment arm of the DTI in London. That is not because the Executive may not have a useful role, but simply because those are the facts of life and that is the support that we have needed to make progress in developing our business. We are fairly agnostic about whether we use the Executive or the DTI. The most important points are that the right people do the right things, that there is not too much of a scatter-gun approach and that the existing resources are not spread too thinly.

Phil Gallie: Mr Murray has just referred to the issue that I was going to raise. We have heard today of the plethora of organisations in Scotland that exist to help companies to develop business abroad. It is clear that Standard Life has not required that service, but it seems to me that some kind of feedback into those organisations may be of use to others. What use has Scottish Power made of those groups in Scotland in expanding its business? It is my understanding that Scottish Power's generation developments are, in the main, on the west coast of America. Have the effects of tartan day managed to find their way over to the west coast?

Keith Anderson: The question about the effects of tartan day is a difficult one. We were asked to be involved in tartan day and we were happy to participate. Most of our investments, whether they

are in the UK or the United States, are driven by a requirement to make a decent return on the capital that we invest. A lot of that is driven by demand growth in the electricity market, which is what is driving our present investment in generation facilities in America. We are always looking for further investment opportunities in the generation market in the UK.

To us, tartan day was an interesting event in which we were asked to participate. We were happy to do so and to invite others along for the tunes of glory parade. Somebody asked earlier about the benefits that came from that. One of the benefits was the money that was raised for charity, which I think was in the region of £465,000.

Phil Gallie: Your comment on the closed markets of Europe horrified me. The European Union is supposed to be based on a single market, but you say that there are restrictions that do not allow you to develop in Europe.

Keith Anderson: The UK energy market is incredibly open, but it is incredibly difficult to break into the European market. Customer switching rates, which are one of the key indicators of competition, are high in the UK—churn rates probably average around 20 per cent. However, in many of the big European countries, customer switching is almost non-existent.

David Breckenridge: A lot of the discussion has centred round tartan day, but we must recognise tartan day for what it is: it is an interesting event that can be looked on as a cultural event or as a promotional event for Scotland as a nation. However, I do not think that it alone will necessarily benefit our various industries. I hope that tartan day continues—why not? It is a good opportunity to march up and down the streets of Manhattan. However, I do not think that it will necessarily benefit our industries hugely. Rather than having a scatter-gun approach, we need to take an approach that is focused mainly on business sectors. The key to business development is to focus on specific help for sectors and not to take a scatter-gun approach to promoting Scotland overall.

16:00

Dennis Canavan: My question is on opportunities in the European Union for financial institutions, which historically form one of the strongest parts of the Scottish economy. My question is directed principally to Mr Murray of Standard Life. You referred to operations in China, but Standard Life is Europe's largest mutual, with assets of £94 billion. For a long time, Standard Life has had operations in former parts of the British empire, such as Canada, India, Hong Kong and Ireland. However, in the briefing that we

received about Standard Life's operations, the only EU countries that are mentioned apart from Ireland are Germany and Spain. Should Standard Life and other Scottish financial institutions be more proactive in building up operations in other EU countries, especially with enlargement fast approaching?

Alan Murray: Developing an overseas market inevitably takes a long time and a considerable amount of research is required before the decision to invest is taken. We have taken the decision to move incrementally into overseas markets. We are not in a lot of overseas markets, but we are gradually moving further into them.

When we look at markets in Europe, we have to consider a number of factors, such as the state to which the market has developed as a sound market for financial services and the extent to which it is what we might call a saturated market. In other words, we examine the amount of return that we might get from investing in that market. We examine the number of companies that are already there and whether the situation justifies the level of investment that we would have to make to enter the market. We also have to consider a range of other factors. That is why we do not go rapidly into other markets. The process is slow and incremental.

We are always looking at other markets and at where we might be in two, three, four or five years' time. That includes making assessments about markets in Europe as well as elsewhere. That is the best way of ensuring that, when we go into a market, we are likely to be reasonably successful. Interestingly, our markets in Europe are doing pretty well at the moment. Although we have not been in the market that long, in the past year we were voted life company of the year in Germany. As I said, the business is doing pretty well there, but that does not mean that we will rush headlong into other markets without making careful business assessments.

You mentioned the accession countries. Over the past 10 years, some of those countries—Poland is a case in point—have made considerable advances in the way in which they have liberalised and developed their financial services, whereas others have a considerable way to go. Those are the sorts of factors that we would need to consider carefully if we were thinking about moving into some of the new accession markets.

The Convener: Margaret, did you have a brief question?

Mrs Ewing: No, it has been covered.

The Convener: I will ask a final question before we close. Will each of you briefly tell the committee the main difference that the advent of

devolution—the Scottish Parliament, the Scottish Government and Scottish agencies with their own strategies—has made, whether positive or negative, in promoting Scotland overseas? Perhaps we will start with Keith Anderson.

Keith Anderson: Thank you for that. Purely from a Scottish Power perspective, there has not been a huge difference. A lot of the activity that has been discussed this afternoon relates to marketing and branding. As I said earlier, that activity does not hugely benefit or influence us. We are more than willing to involve and work with the Scottish Executive in promoting Scotland and we are perfectly willing to do that at a UK level as well—we have done it in the past.

Theresa Houston: Devolution has been positive from our point of view, because most of what we do is about building platforms for the future and taking a long-term view. The establishment of the Scottish Parliament created an opportunity to put the spotlight on Scotland, so from our point of view devolution was positive.

David Breckenridge: I am not entirely certain about devolution. The advent of Scottish Enterprise, SDI and other such bodies is important and, whether or not we have a devolved Government, it is important that we continue to offer such services to industry in Scotland.

Alan Murray: Devolution is positive in differentiating Scotland overseas, but the real issue is the excess of initiatives, schemes and everything else. The organisations that need help are the SMEs. I suspect that there are a lot of confused SMEs out there.

The Convener: I bring this session to a close. I thank the witnesses for coming along today and for their written submissions. The *Official Report* will be out in a few days, so you will be able to see your words of wisdom in print. We will deliberate over your submissions in due course.

We will take a three-minute comfort break before we go on to the final part of the meeting, which should last another half hour or 40 minutes.

16:06

Meeting suspended.

16:11

On resuming—

The Convener: Just before we move on to the next agenda item, I have two things on our inquiry to mention briefly. First, I thought that it would be worth while asking the Parliament's researchers to conduct a wee mapping exercise identifying all the organisations involved in promoting Scotland overseas and how they relate to their UK counterparts.

Mr Home Robertson: That will take a lot of paper.

The Convener: You are right, but it might highlight part of the problem. We have not had the information so far.

My second suggestion is that at some point in the next few weeks we review the inquiry so far and see what we can learn from our first few evidence sessions.

I see that Margaret Ewing wants to speak. I will let her come in briefly, but I do not want to open up a general discussion.

Mrs Ewing: My point is about the inquiry's terms of reference. We were all struck by the arguments propounded by Theresa Houston from Scotland the Brand. I thought that she was outspoken in her paper and she was good at answering the questions. She indicated that there was a logjam somewhere in the system. I wonder whether, as a first move, we should ask a civil servant from the relevant department to give us a briefing, because what Theresa Houston said should be followed up and it is our responsibility to ensure that that happens. She said that there had been substantial losses to the Scottish economy as a result of the logjam. We should have a briefing as the first step and then see where we go from there.

The Convener: I am happy to ask for a briefing from the Executive.

Mr Raffan: I do not want to comment specifically on that, but it is only fair to give the Executive the opportunity to respond. There are two sides to every story and we need to hear the other side to that one. On reviewing the evidence that we have taken, I have been on committees previously where there has been a five-minute discussion and members have raised points that they thought were important from the evidence that they had just heard when it was fresh in their mind. That might be a good procedure for us to follow. I am not saying necessarily that we should do that today, because I know that we have a lot of business, but we should institute that practice. It is a good idea to review evidence in that way, rather than look back at a group of evidence-taking sessions three weeks later when the evidence is not so fresh in our minds.

The Convener: I am perfectly happy for us to take a few minutes after every evidence-taking session to raise salient points. At some point, it would be worth our having a full review of where we are, because we agreed at the beginning of our inquiry to be flexible. It is natural that more emphasis will be placed on some issues than on others as time goes on. As a first step, we will arrange for a briefing from the civil service on Scotland the Brand and related issues.

Convener's Report

16:14

The Convener: We come to the next item on the agenda. I have two matters to draw to the committee's attention. The first is an update on our invitation to ministers to give evidence in our regional development inquiry. As members will have seen from their papers, we have had no joy so far with the invitations and the Treasury has indicated yet again that it does not want to give evidence. We have sent a follow-up letter to the DTI, on the understanding that, if we do not receive an acceptance in response to that, we are prepared to send a delegation to London, as we agreed at a previous meeting. I envisage that that would be a small delegation of perhaps four committee members, although we would have to agree on the size of the delegation. Are members happy to work on the premise that the delegation would be a cross-party one?

Members indicated agreement.

The Convener: The clerks will speak to individual committee members about the arrangements for that.

Phil Gallie: The sift paper shows that another document with an explanatory memorandum is coming out with respect to structural funds and changes in budgetary matters. We should ensure that we have that paper and have had a chance to digest it before we head southwards.

The Convener: Okay. Thanks. We can discuss the matter briefly at a future meeting before we go to London. I am sure that the trip will take a couple of weeks to arrange.

The second item in the convener's report concerns developments at Westminster. Jack Straw, the Foreign Secretary, has proposed in a statement setting up a new committee at Westminster and other MPs in London have suggested that the devolved Parliaments and Assemblies should be represented on it.

Mr Raffan: The statement from the Foreign Secretary is positive. He suggests a successor committee to the standing committee that was set up to look at the convention on the future of Europe and the intergovernmental conference. He mentions—as Michael Ancram said in his response, although I did not agree with much of what he said—that the proposal is more for a grand committee, in which there can be debates as well as questions. The Foreign Secretary suggested that members of both houses would be represented, including ministers who are involved in EU work, and that MEPs and European commissioners might have the opportunity to attend.

Wayne David, the former leader of the Labour group in the European Parliament, whom I know from my days as an MP in Wales, made the point that you have raised, convener, about the possibility of involving this Parliament and the devolved Assemblies. That is a good idea. I think that, rather than just agreeing with it, we should write to the Foreign Secretary, congratulating him on his statement—although other members may not wish to go so far—and asking him whether he will consider the idea. The statement that he made is in line with the report on European scrutiny in the Commons from May and June 2002. We should specifically take up the point that Wayne David has made and run with it.

Phil Gallie: I would not go too far in congratulating the Foreign Secretary, but noting and progressing the idea would not be against anything that I feel.

The Convener: Okay. If the committee is happy with the suggestion, we can draft an appropriate letter to the Foreign Secretary and hope that he can shed more light on what prospect there is of the devolved legislatures' involvement. We can do that in a welcoming fashion.

Phil Gallie: In a limited welcoming fashion.

The Convener: We are a polite committee.

Mr Raffan: The statement was significant.

Mrs Ewing: Alasdair Morrison and I are both on the British-Irish Interparliamentary Body and we serve on the sub-committee that deals with European affairs. The National Assembly for Wales, representatives of the Republic of Ireland and the Northern Ireland Assembly—which has a small number of representatives, for obvious reasons—are all involved in that, along with the Westminster Parliament. There is a lot of work to be done. The Nordic Council was one of our main areas of work and the issue will come up again when we next meet, in April. There seems to be a danger of our always involving ourselves in yet another committee, with yet more travelling and yet more expenses, to go through arguments and opinions that can be e-mailed or voiced by letter. I am not saying no to the concept, but I am hesitant about setting up another organisation.

The Convener: Once we get a reply, we might be more in the picture as to how we would be involved. We can make a decision at that time.

Mr Raffan: I take issue with Margaret Ewing. She may have reservations on the matter, but to suggest that the House of Commons is just another organisation is a little bit rich, in view of her past history. It is more than just another organisation; it is central to our political life, for goodness' sake.

Mrs Ewing: It is obsolete.

The Convener: We will not go down that road just now.

Are members happy for the letter to be drafted and sent off?

Members indicated agreement.

Scottish Executive (Scrutiny)

16:19

The Convener: The next item on the agenda is pre and post-council scrutiny. As members will note, some additional papers have been circulated, including correspondence that has come in since we issued the main papers for the meeting.

I wish to bring to the committee's attention the fact that the general affairs and external relations council in late March will discuss the shipment of waste. The Executive states that the matter is

"Mainly reserved but with a Scottish interest."

Many MSPs will agree that the issue is of Scottish interest, so we may wish to find out a little more about it and to check that the Environment and Rural Development Committee is aware of the fact that it is being discussed.

Phil Gallie: I agree with what you have said, convener, but there is a further point about which I am concerned. There has been a lack of progress on European waste requirements, particularly in relation to a fall in stock in the agriculture industry. It is all very well bringing out new rules and more directives, but if the necessary back-up and regulations have not been applied in relation to directives that have already been issued, it seems a bit much to proceed with new regulations.

The Convener: I appreciate that that point is indirectly related to the directive concerned. You are at liberty to bring back the wider issue to a future agenda. However, on the particular issue of the shipment of waste, are members happy that we check with the Environment and Rural Development Committee that it is aware of the measures and find out a little bit more about the Scottish viewpoint?

Members indicated agreement.

The Convener: There are no further issues to raise on pre and post-council scrutiny, although members will note that there have been continuing delays with some correspondence. Indeed, there is some outstanding correspondence from a few months ago, so I shall ask the clerks to chase that up with a strongly worded letter, given the comments that have previously been made and the lack of urgency attached to some of our letters to ministers.

EC Legislation (Implementation)

16:22

The Convener: The next item on the agenda is implementation of European Community legislation. We have received another letter from the Executive on having recourse to section 57(1) of the Scotland Act 1998, which enables Westminster to legislate on devolved areas. I invite views on the latest correspondence from the Executive, which refers to

"Revision or Abolition of the Fertilisers Regulations 1991".

Mr Raffan: I am generally quite happy with the correspondence. However, I draw the committee's attention to paragraph 14 of the letter from the Deputy Minister for Environment and Rural Development, which refers to

"The main options which Defra is planning to offer consultees".

The four options that are listed are very wide ranging. I have grave reservations about the first one and the fourth one, although the second and third ones are fine. The first option is to

"have no controls on non-EC designated fertilisers".

The fourth option is not to

"incorporate a registration/approvals procedure".

I think that those are both wrong. I do not know what we do at this stage or whether we are to express a preference. Either of the second or third options is preferable.

The Convener: Given that we are already writing to the Environment and Rural Development Committee in relation to the previous item, we could mention this matter, too, and say that we are keen to ensure that that committee considers it. Is that agreed?

Members indicated agreement.

Sift

16:24

The Convener: The second-last item on the agenda is the sift. Are there any comments on the sift paper?

Mr Raffan: The summary of documents of special importance at the beginning of the paper is useful. The communication from the Commission, "Building our common Future: Policy challenges and Budgetary means of the Enlarged Union 2007-2013", which is mentioned on the second page of the summary, is quite rightly a matter for this committee as well as for the Finance Committee. How are we to take that matter forward and do more than just read the document?

The Convener: The clerk has helpfully pointed out that we should consider the issues as part of our regional funding inquiry. We should make sure that we incorporate the matter into the inquiry.

Mr Raffan: That is what I thought. It would obviously be useful to see the document.

The Convener: I thought that the proposal on page 9 for a Council regulation on the European Monitoring Centre for Drugs and Drug Addiction would be particularly relevant to the Scottish Parliament. Perhaps we should find out more about that proposal. I welcome members' views on the matter.

Mr Raffan: I support that suggestion. I, too, highlighted that proposal, along with a couple of others, in view of my role as convener of the cross-party group on drug misuse. I know of the monitoring centre, but it would be useful to find out more and I am keen to see a copy of the proposal.

The Convener: I thought that I might get a sympathetic comment from Keith Raffan and I welcome his remarks. I will write to find out more about the proposal and circulate what I find out to members, as we do not have enough detail about the matter.

Phil Gallie: On the documents of special importance, are the explanatory memoranda automatically passed to committee members, or must we request them?

The Convener: I recall that that question has arisen before and I ask Stephen Imrie to comment.

Stephen Imrie (Clerk): We receive the text of European documents about 10 days before we receive the UK Government's explanatory memoranda. Copies of the memoranda are available to all members of the committee and the Parliament. If a document is selected as a document of special importance, it is automatically referred to another subject committee and the

explanatory memorandum, when it arrives, is sent to that committee. However, if members of the European and External Relations Committee want a copy of any UK Government explanatory memorandum, I would be happy to provide them with one.

Phil Gallie: I would like a copy of the memorandum on the Lisbon agreement. I could say that I was interested in everything, but the amount of reading would get out of hand.

The Convener: I am sure that the clerk will be happy to arrange that. If members want further information on matters that arise in their papers, they should ask the clerks to provide it. I am sure that the clerks will be able to do so before each meeting.

Visit to the Catalan Parliament

16:27

The Convener: We have one more item on the agenda. We agreed to discuss the NORPEC visits in public session and we must briefly talk about the travel arrangements.

I reiterate what I said at the start of the meeting. Currently, NORPEC has two members: the Scottish Parliament and the Catalan Parliament. When NORPEC was established, we agreed that we would seek to involve Parliaments that had similar powers to ours, by which I mean primary legislative powers. The clerks are passing members papers about the trip and in a second or two I will ask Stephen Imrie to discuss the travel arrangements.

We plan to meet our counterparts from the Catalan Parliament's committee of the European Union in Barcelona to discuss future NORPEC membership, future subjects for debate and a conference that we will host in Edinburgh, to which new members of NORPEC will be invited. The clerks have produced an outline programme for that conference, but at some stage we must finalise the arrangements. I have views on the programme, but we do not have to discuss it today. Members should feel free to feed back comments to the clerks during the next few weeks.

Stephen Imrie: I have just a few points to bring to the attention of the five members of the committee who make up the delegation. My colleague Nick Hawthorne has distributed the briefing pack and air tickets. If, after members have had a chance to look through the briefing pack, they have questions to raise, Nick Hawthorne or I would be happy to answer them.

The documents that I want to bring to members' attention in particular include the itinerary. It is fairly self-explanatory: most members arrive in Barcelona at the same time, which is the early afternoon of Monday 8 March. There is a formal dinner with the Catalan committee on that evening, which is billed as a get-to-know-you session. The Catalan committee is new, following the recent elections, and the dinner provides a useful opportunity to meet its members on a slightly more informal basis before the business of the next day.

The Scottish Parliament delegation is being formally welcomed to the Catalan Parliament by the newly installed president of the Parliament, Ernest Benach. That is significant: I believe that we are the first international delegation to visit the Catalan Parliament following the elections. Clearly, the Catalan Parliament sees its relationship with Scotland as important.

Various briefing papers in the pack cover the meeting between members of the two committees. I bring some key areas to members' attention, the first of which is the discussion on the working procedures and arrangements of the network. As the convener identified, it is important to note that the network is of similarly powered and minded committees. In the discussions that took place on NORPEC in November of last year, it was decided that the network should not involve absolutely every regional or local administration across the EU, but should be targeted at similarly powered and minded members.

There is also a paper on potential new members. I draw attention in particular to the fact that those new members were selected on a cross-party basis from countries whose Governments are made up of socialist, conservative, nationalist or other parties—the strategy was for the potential new members of the network to come from different countries of the EU and to cover different shades of political opinion.

I will not touch on the paper on the Edinburgh conference or on the ideas for our long-term work programme. All the paperwork in the briefing pack is prospective and tentative. It is up for discussion in Barcelona with members' Catalan counterparts. Indeed, that is the purpose of the meeting. As I said, Nick Hawthorne or I would be happy to answer any questions that members might have. I hope that the trip is productive and useful.

The Convener: There are also copies of correspondence between the Presiding Officer and representatives of various other regional and sub-national Parliaments in Europe, including those of the Basques, the Flemish and some of the German Länder. Clearly, they are prime candidates, but that is up for discussion.

Mr Raffan: I have not read the papers yet and am new to the committee, so I am probably largely unaware of the detail of what has gone before. However, I believe that, if the discussions are to be just general and there is not to be what could be called a committee line, that is fine. On our return, I hope that we will have the opportunity to hold an open discussion—and not a short and constrained report-back session at committee—for the benefit of committee members who are not going to Barcelona. It is important that we do that, particularly in view of the conference that we are to host this November.

The Convener: That is a fair comment. We should have a discussion at a future meeting, especially on the conference that we are to host in Scotland. That will be a key event for the European and External Relations Committee.

As members have no other comments, I thank them for their attendance. This has been a

productive afternoon. I will see you all again in two weeks' time.

Meeting closed at 16:33.

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