

FINANCE COMMITTEE

Tuesday 9 May 2000
(Morning)

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FINANCE COMMITTEE

11th Meeting 2000, Session 1

CONVENER

*Mike Watson (Glasgow Cathcart) (Lab)

DEPUTY CONVENER

*Elaine Thomson (Aberdeen North) (Lab)

COMMITTEE MEMBERS

*Mr David Davidson (North-East Scotland) (Con)

*Rhoda Grant (Highlands and Islands) (Lab)

*Mr Adam Ingram (South of Scotland) (SNP)

*George Lyon (Argyll and Bute) (LD)

Mr Kenneth Macintosh (Eastwood) (Lab)

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

*Dr Richard Simpson (Ochil) (Lab)

*Mr John Swinney (North Tayside) (SNP)

*Andrew Wilson (Central Scotland) (SNP)

*attended

COMMITTEE CLERK

Sarah Davidson

SENIOR ASSISTANT CLERK

Callum Thomson

ASSISTANT CLERK

Sean Wixted

LOCATION

Festival Theatre

Scottish Parliament

Finance Committee

Tuesday 9 May 2000

(Morning)

[THE CONVENER opened the meeting at 10:00]

The Convener (Mike Watson): I call the committee to order in a venue—the Festival Theatre—that is a strong recommendation for pressing ahead with the new Holyrood building as soon as possible. I welcome everybody to the meeting. As usual, please switch phones off and pagers to vibrate. There are two items on the agenda in the main part of the meeting and a briefing will follow. Apologies have been received from Ken Macintosh.

European Funding Inquiry

The Convener: Item 1 on the agenda is the European funding inquiry. Members will have received paper F1/00/11/1. I am sorry to have to advise members that, since it was circulated, both Professor David Heald and Tony Mackay have had to withdraw because of other commitments; they are unable to assist the committee, at least in person. David Heald has said that he will submit a view in writing.

The programme will remain as it stands, however. We might discuss our approach on stage 1 of the budget on 23 May; although that is yet to be confirmed, it means that it is unlikely that there will be a gap in the agenda on 23 May. Do members have comments on the proposals relating to the inquiry contained in paper F1/00/11/1?

Mr Keith Raffan (Mid Scotland and Fife) (LD): Is there no intention to replace Professor Heald and Mr Mackay?

The Convener: I will ask Sarah Davidson to respond to that. The problem is that no one else immediately springs to mind, although, if members want to suggest any names, that would be welcome.

Sarah Davidson (Clerk Team Leader): We felt that we had covered the obvious candidates. As the convener said, if members have any suggestions, we will follow those up as a matter of urgency.

Andrew Wilson (Central Scotland) (SNP): The paper seems perfectly reasonable. Losing David Heald means that we have lost the only living

expert on the Barnett formula—and I am include Joel Barnett in that.

Gillian Bristow, at Cardiff Business School, has partners in her research group. One of them is at the University of Strathclyde—the name escapes me, but he or she may be a reasonable person to contact. That is on the European angle.

I cannot think of anyone, other than David Heald, who has done substantial research into the Barnett formula, with the exception of Margaret and Jim Cuthbert, whose work has been published in the Fraser of Allander “Quarterly Economic Commentary”. They are known to be partial to my way of thinking, so it is a question of whether the committee would want to hear their evidence, in the full knowledge that they have a specific line of argument, as most academics do. They are an option for members to consider; they coined the phrase “Barnett squeeze”, so it might be worth while hearing their views.

Mr Raffan: Who is this?

Andrew Wilson: Margaret and Jim Cuthbert; Margaret is an academic.

Mr Raffan: Yes. I know.

Andrew Wilson: Jim is the former chief statistician at the Scottish Office.

The Convener: We could perhaps discuss this after the briefing, but it may be worth looking into, especially given the University of Strathclyde connection.

Members are asked to endorse the paper on the European structural funds inquiry. Are there any comments on it?

Mr David Davidson (North-East Scotland) (Con): I think that at this time, quite fairly, we cannot know exactly where we will be led by the inquiry—certain sub-strands may emerge. In principle, the bullet points seem an admirable base from which to start. We ought to retain some flexibility—if it is possible within the time scale—to allocate extra time here and there as the committee sees fit.

Mr Raffan: Our inquiry has to dovetail with the European Committee’s inquiry, so do we have a copy of its remit?

The Convener: We do not have it at the moment.

Mr Raffan: It might be useful for members of the committee if, as the European Committee’s part of the inquiry progresses, we were to receive the relevant papers—written evidence and evidence given at committee meetings.

The Convener: We agreed that there would be no crossover, so it would be advisable to keep in

touch. I would like to know whether, as a result of its report, the European Committee is planning to seek one of the committee half-days for a debate in the Parliament. I do not know when its report is likely to be published. We are aiming for ours to be out by the middle of June. I am not sure where that sits with the European Committee's proposed timetable. If there were to be a half-day committee debate, we would want to tie in our report with it. Is it possible, Sarah, that we could be finished before the summer recess, with the European Committee going beyond that? Do you know if it intends to finish before the summer?

Sarah Davidson: At the moment, the European Committee plans to finish its inquiry before the end of June.

The Convener: It might be helpful if, rather than passing sheaves of paper around, the clerks could let us know who has given evidence to the European Committee and what papers it has received. If members want specific papers, they can ask for them. If that is acceptable, I believe that it would be the best way of proceeding.

Mr Davidson: I notice that the provisional publication date is Monday 12 June. Is there any reason for publishing on Monday, rather than on the day of the meeting on the Tuesday?

Sarah Davidson: No. The provisional date probably represents the week beginning 12 June, to be honest, rather than the specific day of publication.

The Convener: As there are no other comments on the paper on European structural funds, is it agreed that we move ahead on the basis suggested?

Members indicated agreement.

Contingent Liability (Scottish Executive)

The Convener: Item 2 breaks new ground. For the first time, we are obliged to consider a contingent liability falling on the Scottish Executive. Members will have received the background paper F1/00/11/2 and the paper on which we are being asked to make a decision, F1/00/11/3. We are not being asked to comment on the policy—whether the relationship between the Scottish National Blood Transfusion Service and the Turkish company should go ahead. We are being asked to ensure that we are content that the proposal satisfies the indemnity provisions and that they are judicious. I suspect that this is not a subject on which members have a great deal of knowledge, but I invite comment.

Elaine Thomson (Aberdeen North) (Lab): I have a couple of general questions. What is the limit on the liability, or is it unlimited? The papers mention the different kinds of liability and draw a distinction between having a guarantee or an indemnity, which are legally enforceable, or a letter of comfort, which is not. In which category does this liability fall?

The Convener: I should have said at the outset that paper F1/00/11/4—"Contingent and Actual Financial Liabilities, Guarantees, Indemnities, Letters and Statements of Comfort"—refers to the Westminster Parliament and is intended only as background; not too much should be taken from it.

Elaine's questions are important. We do not know the limit. The health department minute states that there is an existing indemnity limit of £15 million, which will be extended to £20 million to take account of the Turkish contract and other possible contracts. We do not know whether there is a limit beyond that; because that is not stated, I suspect that there is not.

Mr Davidson: Anyone chairing the board of a company would want to know the risk and would want to quantify the potential worst option to be covered. We cannot agree to unlimited backing for the project. I appreciate that this is a health issue, which are always difficult because of the ramifications of the legal systems of the different countries that the products may be used in—that is especially the case if the products are exported on from Turkey. We should have been given something more quantifiable to consider.

Dr Richard Simpson (Ochil) (Lab): Given the current discussions about the liability that may exist for SNBTS products following problems with hepatitis C in the 1980s and 1990s, £5 million seems a worryingly small additional liability. Like David, I am concerned that we are being asked to

agree to the Executive effectively undertaking that liability without any documentation indicating how the sum has been arrived at. More detail should be given either to this committee or to the Health and Community Care Committee about the SNBTS proposal. I know that we are not discussing the proposal itself, which is excellent, but we need to know the risks involved and how the SNBTS board arrived at the very modest liability of £5 million.

The Convener: That sum is not just for the new Turkish contract but for other contracts as well.

Dr Simpson: That is right. It is not clear how that has been quantified.

Andrew Wilson: Is it not £20 million?

Dr Simpson: It is £20 million overall—£15 million for the existing contract with Taiwan and an additional £5 million for the Turkish contract and in anticipation of other contracts. Given recent history in this country and in France—members of the French Government have had criminal action taken against them for failing to respond to the advice that they were given on AIDS—I am concerned that the level of liability is very modest.

The Convener: I should point out that paragraph 4 of the health department minute says that the limit is “per incident”. We do not know whether, if an infection in the blood involved a number of people, that limit would apply for each person or for the whole incident.

Dr Simpson: That is exactly the sort of question that must be asked.

10:15

Rhoda Grant (Highlands and Islands) (Lab): That is what I wanted clarification of—whether “per incident” means per outbreak or per person. If it is per person, that would be £20 million each; if it means per outbreak of infection, it might not be enough.

Andrew Wilson: Both Richard and Rhoda make reasonable points. I do not see any logic in the suggestion that increasing the volume of the insurance means increasing the insured amount per incident. It is the seriousness of the incident that matters; the chances of an incident occurring is irrelevant. What is suggested implies that, in the event of a case, Turkey is more likely to be litigious or to present a greater cost, rather than that an increased volume of activity would lead to a greater chance of a problem occurring.

On the basis of what is in the minute, it is not possible to make a judgment on the risk and on the sum suggested. It would also be interesting to know how much of the £5 million income goes to SNBTS or to the national health service in

Scotland and how much is retained or would go elsewhere.

Mr Raffan: I do not feel that I am in a position to make a judgment either. As the convener said, this breaks new ground and we can learn from it. It would have been useful to have had someone here today to answer factual questions. In future we could do that, even for 15 or 20 minutes, with the answers on the record, or we can write to the Executive, although that will mean a delay.

Mr Davidson: In a former life, I was heavily involved in the pharmaceutical industry and I looked at parallel products imported from different countries. A lot of borders were crossed and there were a lot of arguments about product liability. Looking at claims that have been made internationally in the past, I suggest that even the Barnett block is probably inadequate to deal with any contingent liability.

I assume that the Executive intends to put this matter into the commercial insurance market—an area that John Swinney knows. This is not just about covering damage that a delivery lorry might do, for example; it is a huge commercial risk. With biologically based products, there are a lot of unknowns.

Mr John Swinney (North Tayside) (SNP): To give an insurance perspective, the incomplete information means that we are not in a position to know whether there is a huge commercial risk. We need the information to evaluate the risk. If we are to sign off such projects properly, we must be given a sense of the judgment underpinning what is otherwise a sensible policy suggestion; we need more detail on why the conclusions have been arrived at and on the advice given by brokers.

The Convener: A number of points have been noted. We will write to ask for clarification on them and hope to have this matter on the agenda next week so that, armed with that information, we can take a decision. Do members agree that we cannot take a decision today?

Members indicated agreement.

The Convener: Thank you.

Meeting closed at 10:17.

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