

# **FINANCE COMMITTEE**

Thursday 8 September 2005

Session 2

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## FINANCE COMMITTEE

### 18<sup>th</sup> Meeting 2005, Session 2

#### CONVENER

Des McNulty (Clydebank and Milngavie) (Lab)

#### DEPUTY CONVENER

\*Alasdair Morgan (South of Scotland) (SNP)

#### COMMITTEE MEMBERS

\*Ms Wendy Alexander (Paisley North) (Lab)

\*Mr Andrew Arbuckle (Mid Scotland and Fife) (LD)

\*Mark Ballard (Lothians) (Green)

\*Derek Brownlee (South of Scotland) (Con)

\*Jim Mather (Highlands and Islands) (SNP)

\*Mr Frank McAveety (Glasgow Shettleston) (Lab)

\*Dr Elaine Murray (Dumfries) (Lab)

#### COMMITTEE SUBSTITUTES

Janis Hughes (Glasgow Rutherglen) (Lab)

Alex Neil (Central Scotland) (SNP)

Iain Smith (North East Fife) (LD)

\*attended

#### THE FOLLOWING GAVE EVIDENCE:

Dennis Canavan (Falkirk West) (Ind)

#### CLERK TO THE COMMITTEE

Susan Duffy

#### SENIOR ASSISTANT CLERK

Judith Evans

#### ASSISTANT CLERK

Kristin Mitchell

#### LOCATION

Committee Room 4



## Scottish Parliament Finance Committee

Thursday 8 September 2005

[THE DEPUTY CONVENER *opened the meeting at 10:04*]

### Interests

**The Deputy Convener (Alasdair Morgan):** I welcome members of the press and public to the 18<sup>th</sup> meeting in 2005 of the Finance Committee. I apologise for the late start, which was due to a broadcasting problem. All mobile phones and pagers should be switched off. We have received apologies from the convener, who is in Fiji—it's a tough job, but somebody's got to do it. Ted Brocklebank is no longer a member of the committee, but I welcome our new member, Derek Brownlee, to his first meeting.

That moves us seamlessly to agenda item 1, which is a declaration of interests. I ask Derek Brownlee whether he has any relevant interests to declare.

**Derek Brownlee (South of Scotland) (Con):** I have none.

## Human Tissue (Scotland) Bill: Financial Memorandum

10:05

**The Deputy Convener:** Agenda item 2 is consideration of our approach to the financial memorandum to the Human Tissue (Scotland) Bill, which was introduced on 3 June 2005. The Health Committee is the lead committee on the bill. The clerks have produced a paper that sets out the bill's anticipated costs. The recommendation is that we adopt level 1 scrutiny for the bill, which is our minimum level of scrutiny for a financial memorandum. Are members content with that approach?

**Members indicated agreement.**

## St Andrew's Day Bank Holiday (Scotland) Bill: Financial Memorandum

10:06

**The Deputy Convener:** Agenda item 3 is consideration of the financial memorandum to the St Andrew's Day Bank Holiday (Scotland) Bill, which is a member's bill that has been introduced by Dennis Canavan. I welcome Dennis to the committee. He is accompanied by Maureen Conner, his parliamentary researcher, and by Rodger Evans from the non-Executive bills unit.

We have received evidence on the bill from the Federation of Small Businesses in Scotland, the Scottish Retail Consortium and the Convention of Scottish Local Authorities. A late paper from the Scottish Trades Union Congress has also been circulated. I invite Dennis Canavan to make a short opening statement to the committee.

**Dennis Canavan (Falkirk West) (Ind):** My main intention is to create a national holiday so that the people of Scotland can celebrate our national and international identity. I understand that the Finance Committee is interested mainly in the bill's financial implications. As the financial memorandum states, no direct costs will arise from the bill, because the bill will not compel any employer to grant an additional day's holiday. However, many employers traditionally recognise bank holidays and in Scotland a bank holiday is the nearest thing that we have to a nationwide holiday.

At present, some local authorities and employers already recognise the St Andrew's day holiday, including the Scottish Parliament. In a written parliamentary answer, the Scottish Parliamentary Corporate Body has stated that the St Andrew's day holiday has had no additional cost because it was included within the pre-existing total annual holiday entitlement. Therefore, additional costs will accrue from the bill only if an additional day's holiday is agreed through negotiation between employers and employees.

We cannot measure the economic impact of a St Andrew's day holiday simply by estimating staff costs, because there would also be economic benefits. Several consultees, including some local authorities, expressed the view that the overall benefits to the economy would outweigh any additional costs. For example, there would be significant benefits to the retail, tourism, hospitality, licensed trade and entertainment sectors and benefits would arise from the promotion of Scotland nationally and internationally.

St Patrick's day is a bank holiday in the Republic of Ireland and Northern Ireland, but it would be preposterous to argue that that somehow causes disadvantage to the Irish economy; on the contrary, the day helps to boost the economy nationally and internationally. I am sure that if Scottish entrepreneurs were to seize the opportunities that would be created by a St Andrew's day holiday, it would be of great benefit to Scottish business at home and abroad.

**The Deputy Convener:** You began by saying that the bill would not make the bank holiday compulsory. I suppose that it came as a surprise to many of us that none of the bank holidays is compulsory, so you have done a good service in bringing that to our attention. However, you clearly hope that the bill will take effect and that employers will give the bank holiday. Therefore, if the bill has any success, there will be costs associated with it. Will you respond to the comments of the Federation of Small Businesses, which I assume you have seen? The federation's perspective on the bank holiday seems to be that the glass would be half empty rather than half full.

**Dennis Canavan:** I am a bit surprised by the Federation of Small Businesses because it did not mention the opportunities that the bill would create if it were to be successful in setting the atmosphere for the national celebration of St Andrew's day. As I said in my opening statement, it would surely mean many opportunities for businesses, particularly for small and medium-sized enterprises in retail, for example—the Scottish Retail Consortium made that point in its submission—but also in areas such as the licensed trade, tourism-related businesses, leisure, recreation, entertainment, sport and so on. I am a little disappointed by the submission from the Federation of Small Businesses in that respect, although it said in its submission to the Enterprise and Culture Committee that it was not opposed in principle to the bill and that it would go as far as to welcome a St Andrew's day holiday provided that it was a replacement for an existing holiday.

I would like it to be an additional holiday because the number of holidays that Scottish workers have is relatively few compared with our European counterparts. However, it would be up to each business, particularly SMEs, to consider its situation and to decide in consultation or negotiation with its employees whether the St Andrew's day holiday should be an additional holiday or a replacement for an existing holiday.

**Dr Elaine Murray (Dumfries) (Lab):** I can see the attraction of having a St Andrew's day holiday actually on St Andrew's day, as the Irish do with St Patrick's day. However, have you done any comparisons of the financial benefits of having the

holiday either on the Friday or the Monday, thereby creating a long weekend, so that people might be able to go further afield to cities to shop or whatever? Has any financial analysis been done of the relative benefits of having the holiday on St Andrew's day itself and of tagging it on to one side of the nearest weekend?

**Dennis Canavan:** There is no accurate financial analysis, but some of the respondents to my consultation suggested that if the holiday were always held on a Monday or always on a Friday, it would create a wider window of opportunity, particularly to attract tourists from south of the border or from overseas to come and celebrate St Andrew's day over a long weekend.

The bill suggests that the holiday should always be on 30 November unless 30 November falls on a Saturday or Sunday, in which case the holiday would be on the following Monday, because that was the view of the majority of respondents who stated their opinions on that point. Of course, it would be open to the Enterprise and Culture Committee, which is the lead committee on the bill, or to the Parliament in plenary session, to consider a possible amendment so that the holiday would always fall on the nearest Friday or Monday. I am open to persuasion on that point.

**Mr Andrew Arbuckle (Mid Scotland and Fife) (LD):** I have a couple of questions about economic benefits. If one accepts that everyone has a finite amount of money to spend, if they spend more money on St Andrew's day they will have less money to spend on other days. Therefore the net economic benefit of the proposed holiday would be no greater. If you hope that the holiday will increase the tourist trade, I am struck by the question of what would be the attraction of coming to Scotland on a wet Wednesday in November?

**Dennis Canavan:** November has certain attractions in that it is what the tourism trade calls a shoulder period, when there is not a huge amount of business. However, a St Andrew's day holiday that attracted visitors from within and outwith Scotland would be good for the tourism trade.

10:15

I do not quite accept the argument that people have a finite amount of money to spend. We are talking not just about indigenous Scots celebrating the St Andrew's day holiday, but about attracting people from outwith Scotland. Consider the success of the Edinburgh festival, which involves not just Scots spending more of their money on culture and entertainment; it also attracts people from other countries to spend their money. In all, there is additional spend that is good for the Edinburgh economy and for the Scottish economy.

**Derek Brownlee:** I want to pick up on a point that was made in the FSB's evidence. We have explored the issue of whether bank holidays are automatically given to employees. The FSB makes a suggestion about what might happen at Westminster. Have you had any thoughts about the financial implications of that?

**Dennis Canavan:** Yes. The FSB refers to a Labour Party manifesto commitment from the general election that was held earlier this year. The Labour Party—which is now the Labour Government—proposed to extend the four weeks' paid holiday entitlement

“by making it additional to bank holiday entitlement.”

The FSB states that

“This can be interpreted as meaning that bank holiday entitlement will be given a statutory basis”.

At this stage, that is speculation. The Scottish Parliament cannot dictate what the Westminster Parliament does. Because employment is a reserved matter, I doubt very much whether the Scottish Parliament has any power to enforce a minimum number of holidays or even the observance of bank holidays. We will have to wait to see exactly how the Government at Westminster enacts its manifesto commitment. It may say that workers will be entitled to four weeks' paid holiday, plus a certain number of bank holidays, rather than all bank holidays.

**Jim Mather (Highlands and Islands) (SNP):** I welcome the bill and am keen to explore with you whether we are hugely understating the positive financial impact that it could have. For a start, I see it as filling a gap in the calendar. We have a great Scottish calendar. We own new year, there is the Burns season in January and February, there is now tartan week—rather than tartan day—in April and there is the Edinburgh festival. It would be rather neat to have a good, high-profile event in November.

I am particularly interested in the fact that the objective that you have set of celebrating Scotland's national and international identity chimes exactly with what we have been doing elsewhere in Parliament. We have created a new cross-party charity called the Scotland Funds Ltd, with the support of the First Minister and the Presiding Officer. It now has the financial support of companies such as Standard Life and Diageo.

The really exciting thing about the Scotland Funds is not only that it chimes with what you are doing, but that it copies what the Irish have done. I return to my point about the financial impact of the bill. Bertie Ahern says that the Ireland Funds, on which the Scotland Funds is modelled, and the panoply of St Patrick's day convert good will and affection for Ireland into economic tangibles, by which he means investment, trade, money under

management and people coming to Ireland to be educated and trained, to buy homes and to have holidays. That really puts the country on the map. I strongly encourage you to go back to the financial memorandum, to get out your bicycle pump and to get the memorandum up to a proper size.

**The Deputy Convener:** I think that was a question.

**Dennis Canavan:** I am delighted to hear about the establishment of the Scotland Funds. It could tie in very well with the objectives of the bill in helping to promote Scotland at home and internationally.

**Mr Frank McAveety (Glasgow Shettleston) (Lab):** I want to expand on that point. Broadly, members take an instinctively positive approach to the bill, but we need to address its practicalities and to determine whether it will provide the benefits to which many people aspire. Calls have already been made in the Parliament this week for Scottish ambition and success, and the bill perhaps touches on that theme.

It struck me that there are divergent views on the bill. In the commercial sector, the FSB offered a narrow perspective compared with some parts of the Scottish Retail Consortium and people who are involved in events development. One of the key questions that Jim Mather has mentioned, on which we would like to hear Dennis Canavan's comments, is how we can visualise the holiday as a major event in the Scottish calendar, not just in Scotland but with respect to our international ambition.

In turning to what the Irish do, it is interesting to look at the Northern Ireland calendar: both communities celebrate St Patrick's day and the battle of the Boyne. Another incongruous fact is that the Scottish Parliament information centre briefing is dated 12 July. Is there a wee signal in that? Whatever perspectives people have on those cultural events, they are celebrating things that make that country what it is.

It strikes me that we can develop a bigger vision. I would like to hear your views of how we could expand that, perhaps by taking on board the business opportunities as well as concerns about additional bureaucracy and cost, which seem to be the fuel for some responses to the consultation.

**Dennis Canavan:** I am not sure that everybody in Ireland celebrates the battle of the Boyne on 12 July. However, St Patrick is a unifying figure in Ireland. As I said, his life is celebrated in Northern Ireland as well as in the Republic of Ireland, and St Patrick's day is a bank holiday north and south. The celebration of St Patrick's day, in the island of Ireland, on the other side of the Atlantic and in many other countries throughout the world, helps to promote Ireland on the international stage.

I would not wish to copy every aspect of St Patrick's day, but there is a case for saying that St Andrew is a unifying figure within Scotland. The Scottish Inter Faith Council, which consists of representatives of most faith groups in Scotland, is very supportive of my bill. Despite the reticence of some elements of the business community—it would be unfair to say that everybody in the business community is sceptical about or opposed to my bill—some people are very enthusiastic about it. For example, Lord Macfarlane of Bearsden has a great vision of St Andrew's day being promoted nationally and internationally, so that Scots could celebrate their national identity, their international identity and their diversity. He also emphasises the great opportunities for Scottish businesses at home and overseas. If more businesspeople had the vision of Lord Macfarlane, the Scottish business community would see my bill not as a threat but as a tremendous opportunity.

**Mark Ballard (Lothians) (Green):** I, too, welcome the bill, as well as the comments that have been made about fostering a sense of inclusivity in Scotland. I was quite interested in the international comparisons, and particularly in the information that the United Kingdom and Scotland increased their number of public holidays in the 1970s in particular. Do you know whether other European Union countries have increased their numbers of public holidays? Do you have any information on whether there is any correlation between the number of public holidays and long-term growth rates?

You mentioned stress and the cost to business of stress and stress-related illness. Do you have any information on the cost of stress to the public purse, and can you explain further how your bill might potentially reduce that cost?

**Dennis Canavan:** Starting with the international comparison with holidays in other European Union countries, I am afraid to say that we are right at the bottom of the league, with eight bank holidays per year. At the top are countries such as Cyprus, with 15, Malta, with 14, Slovenia, also with 14, and Germany, which has a range between nine and 14, depending on which Land people happen to live in.

I know of no correlation between the number of holidays and economic growth, but the Irish experience is of one of the highest economic growth rates in Europe, yet Ireland has more bank holidays than us. Northern Ireland has two more bank holidays than us.

The Confederation of British Industry Scotland's submission—I do not know whether it was sent to this committee, but it was sent to the Enterprise and Culture Committee—suggests that high unemployment rates might be connected with the

number of holidays, but the Scottish Parliament information centre briefing discredits that and says that there is no correlation between high unemployment rates and the number of holidays.

Mark Ballard's other question was about stress, which is related. If workers experience much stress, they may be less productive. If workers have insufficient time off to recharge their batteries—to refresh themselves and so on—they will be less happy and less productive in the workplace. The cost of stress to UK businesses is £3.7 billion per year and 80 million working days per year are lost because of stress. That is a huge disadvantage to UK business and Scottish businesses in particular.

If Scotland had a better work-life balance pattern, that could help productivity, as the Scottish Trades Union Congress claims in its submission. The STUC points out that, in recent years, the number of hours worked per worker has decreased. Between 1997 and 1999, the number of contracted hours worked fell by 0.7 per cent, whereas UK productivity grew by 4.6 per cent. For those who are old enough to remember the three-day week back in the 1970s, it is interesting that when the three-day week was imposed, productivity increased. The number of hours worked and productivity do not have an absolute correlation.

**Mr Arbuckle:** The fact that I continue to question the benefit of the idea does not mean that I am against it. The holiday would help to foster a national identity. However, if the holiday was on a Friday or a Monday, that might increase the possibility of long-weekend syndrome, whereby people take the opportunity to go away. Would the Scottish economy lose if the holiday was stuck on a Friday or Monday?

It is proposed that the holiday be optional. Increasingly, major retail operations are controlled UK-wide. Even Christmas and new year are ignored nowadays, so I wonder what chance you have of persuading such operations to accept a St Andrew's day holiday, although many small retailers that are based in Scotland would go along with it. That raises the possibility of splitting the retail sector further.

**Dennis Canavan:** We will never have every workplace closing entirely on any bank holiday. For example, it would be undesirable for all national health service hospital staff to have a day off on a bank holiday. The contracts of employment of essential and emergency workers usually have something worked into them to ensure that at least a skeleton staff is available. There is flexibility in that respect. Employers might ask for volunteers who want to work on the bank holiday, sometimes at a premium rate. Other staff—perhaps those who have family commitments—might prefer to take the time off.

What the bill proposes—and what I hope it will achieve—is the creation of a climate in which as many employers as possible will enter into negotiations with their employees to ensure that St Andrew's day is observed as a holiday. The Scottish Parliament would take a lead and say, "How about it?" to employers in both the public and private sectors. I hope that, in the fullness of time, the holiday will be generally observed with all the benefits that will flow from that, including the economic benefits.

**The Deputy Convener:** As there are no further questions, I thank the witnesses for their evidence.

I remind members that we will discuss a draft report on the bill on 20 September. Are there any particular points that members would like the report to highlight?

**Mr Arbuckle:** The proposed holiday will be economically significant, whether it is a floating holiday that falls on a Monday or Friday or it always falls on 30 November. It will have economic consequences.

**Mr McAveety:** It would be useful to have an assessment of the experience in Ireland in terms of events and projects and the economic potential. That is the real test of the submission: never mind the principle, the question is whether we will get any real economic benefits and whether the proposal is worth while. I would like an assessment of that, if possible.

**The Deputy Convener:** All that we can put in the report is what we have received in oral and written submissions, but we will see what we can do.

**Jim Mather:** I want to remake the link with the Scotland Funds. I will pass a briefing on that to the clerks. The Ireland Funds claims that it has its fingerprints on 600 inward investments to Ireland in the past 20 years.

**The Deputy Convener:** As there are no further comments, I close the meeting.

*Meeting closed at 10:32.*



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