

ECONOMY, ENERGY AND TOURISM COMMITTEE

Wednesday 24 October 2007

Session 3

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ECONOMY, ENERGY AND TOURISM COMMITTEE

6th Meeting 2007, Session 3

CONVENER

*Tavish Scott (Shetland) (LD)

DEPUTY CONVENER

*Brian Adam (Aberdeen North) (SNP)

COMMITTEE MEMBERS

*Gavin Brown (Lothians) (Con)
*Christopher Harvie (Mid Scotland and Fife) (SNP)
*Marilyn Livingstone (Kirkcaldy) (Lab)
*Lewis Macdonald (Aberdeen Central) (Lab)
*Dave Thompson (Highlands and Islands) (SNP)
*David Whitton (Strathkelvin and Bearsden) (Lab)

SUBSTITUTE MEMBERS

Nigel Don (North East Scotland) (SNP)
George Foulkes (Lothians) (Lab)
Alex Johnstone (North East Scotland) (Con)
Liam McArthur (Orkney) (LD)

*attended

THE FOLLOWING ALSO ATTENDED:

Graeme Cook (Scottish Parliament Directorate of Access and Information)

THE FOLLOWING GAVE EVIDENCE:

Sir George Mathewson (Council of Economic Advisers)

CLERK TO THE COMMITTEE

Stephen Imrie

SENIOR ASSISTANT CLERK

Katy Orr

ASSISTANT CLERK

Gail Grant

LOCATION

Committee Room 1

Scottish Parliament

Economy, Energy and Tourism Committee

Wednesday 24 October 2007

[THE CONVENER *opened the meeting at 09:32*]

Tourism Industry Inquiry

The Convener (Tavish Scott): Good morning, ladies and gentlemen, and welcome to the sixth meeting in session 3 of the Economy, Energy and Tourism Committee. I hope that everyone had a splendid recess and feels refreshed for the fray and all of that. My advice is that Gavin Brown will be here later.

After considering the first four items on the agenda, we will—not before 11 am—take evidence from Sir George Mathewson, chair of the Council of Economic Advisers.

Agenda item 1 is our inquiry into the tourism industry. A paper has been circulated that contains clear recommendations on the title, remit, structure and timetable of the inquiry, and which also deals with issues to do with visits and whether we need an adviser for the inquiry. I am happy to take views on how to proceed, but I think that the paper broadly reflects our previous discussions on the matter. Does anyone have any comments?

Lewis Macdonald (Aberdeen Central) (Lab): I felt that in our previous discussion we had come down rather more on the side of narrowing the focus of the inquiry to avoid it spreading into every possible nook and cranny of the tourism sector. I thought that we had inclined towards placing an emphasis on examining two particular barriers to growth—skills and standards—rather than all the barriers. Clearly, if untrammelled, the scope of an inquiry into the tourism industry is potentially enormous. The clerks have set out some options, so I suppose that I am making an early pitch for one of the narrower options. In addition, as presently defined, the remit seems to be extremely broad, so I wonder whether other members share my view that a slightly narrower focus might be helpful in allowing us to identify what we want to examine and what conclusions we can reach.

The Convener: I am happy to take other views on that but, before I come back to Lewis Macdonald, he might wish to reflect on which areas of consideration he would like to knock out, because that is the only way in which we will achieve a narrower focus.

Does anyone else have a view on the breadth of the inquiry?

Marilyn Livingstone (Kirkcaldy) (Lab): I favour an emphasis being placed on standards and skills and training, which have been a huge focus of the debate. My pitch is for the inquiry to deal with skills and training because that is such an important area, which I would like to be high on the agenda.

Brian Adam (Aberdeen North) (SNP): I am quite content with the proposal that is before us. Without again rehearsing all the arguments about the skills issue and whether it is part and parcel of our remit, I go along with the convener's point that if we were to narrow the scope of the inquiry, we would have to knock out some of the bullet points under the terms of reference. However, we cannot knock out the first bullet point because it is covered by the suggested remit. I am quite content with the direction that it has been proposed that we take. I do not care what we call the inquiry—we have been given a number of snappy titles, but I do not regard that as the most important aspect. The proposed remit is fine, as are the suggested structure and the indicative timetable. I am content with the proposal as it appears in the paper.

Christopher Harvie (Mid Scotland and Fife) (SNP): There are two broad areas that I would be sorry to see being put on the sidelines. The first is the notion of Scotland's balance of payments on tourism, which is frankly catastrophic for a country that is supposed to be a major tourist magnet. Far more people go abroad than holiday here. The second issue, which has been mentioned previously, is what we do with the long period when Scotland is a very dark land indeed. At the moment, our reaction to it is to wall ourselves up in our houses over Christmas and not do anything at all beyond watch old movies such as "The Great Escape". It would seem to me—the First Minister and I have discussed the issue in a mild way—that we ought to be thinking about expanding the Scottish tourist season to concentrate on the winter. We could have a Scottish advent season during the period when many of our resources are desperately underused.

The Convener: In fairness, Edinburgh does a fairly good job at hogmanay, around which there is a big festival.

Christopher Harvie: There have been two disasters in the past five years.

The Convener: The weather is the weather.

Christopher Harvie: We must weather-proof Scotland.

The Convener: We will not debate that subject right now, but we will have a lively debate on it later.

As David Whitton and Dave Thompson do not wish to pitch in at this point, I will think about how to proceed, unless members have clear ideas about which aspects of the inquiry they want to knock out. What Christopher Harvie has just said about the balance of payments is covered by the first bullet point, which was our starting point for the inquiry—that is what our discussions at the away day proceeded from. If members remember, the evidence and advice that we took that day were strongly focused on that top line.

I take Brian Adam's point about not being bothered about the title of the inquiry. The issue is how many of the five bullet points underneath the main one we want to deal with. I fully accept Marilyn Livingstone's argument that skills and training are part of what we should look at. That was demonstrated at our away day and in the evidence that we took as a committee in September. It is clear that skills and training should be a component of the inquiry. If the committee wants me and our clerking team to refine the remit and terms of reference and to pull them together in a slightly tighter form, we would be happy to do that. I am of the view that although, as Lewis Macdonald says, we should not aim to address all aspects of the tourism industry, the broad areas that are outlined in the paper are those that emerged at our away day and in the evidence that we took at our meeting in the middle of September.

Lewis Macdonald: Sure. I was not involved in the away day or the committee's evidence session and I do not want to cut across conclusions that were reached before I joined the committee. However, from the discussion at our most recent meeting, my understanding was that we wanted to have a clear focus on specific areas.

My concern is around the fourth bullet point, which asks what challenges we face and then lists a wide range of issues that we might consider. My concern is that if we have such an open question, we are liable to spend quite a long time coming to a conclusion on which of the challenges we require to focus on, instead of focusing on specific areas. We need a balance between the broad range of potential matters for investigation that are laid out in the fourth bullet point and the idea that, with a slightly clearer focus at the outset, we might be able to come to conclusions more quickly.

The Convener: That is fair. With the proposed timetable, we must publish terms of reference by the week commencing 5 November, so we need to get on with it. If members agree, I will work with the clerking team in the next week or so to refine the terms of reference, draw them together in a slightly tighter form and then circulate them by e-mail. If anyone is unhappy with the proposal, we

will bring it back to the committee for discussion. Are colleagues content to proceed in that way?

Members indicated agreement.

The Convener: Do colleagues have any views on the three paragraphs on the final page of the paper, which relate to research, fact finding and, particularly, an adviser? Our clerking team is looking for advice from colleagues on whether we wish to have an adviser for the inquiry. We can probably decide on the other two issues as we roll forward. Do members, particularly those who have served on committees and done such pieces of work in the past, have views on whether an adviser is worth the candle or whether we should not recruit that particular service?

Brian Adam: We should have an adviser, because we can sometimes get too focused on what we are up to internally. It would be helpful to have someone with a background in the area to give us a little steer, especially when it comes to drafting the report.

Marilyn Livingstone: I totally agree with Brian Adam—that is the correct approach. I have found having an adviser useful on previous committees.

The Convener: I certainly share that view and I do not see any member disagreeing, so we will proceed on that basis. We had one excellent candidate at the away day, but I rather suspect that we may run into the David Whitton problem, which is that the rates that are paid may not be attractive to that individual, but there we go. If colleagues are content, we will proceed on that basis.

Christopher Harvie: I have an idea that I want to lay before the committee. I found out about the matter only a fortnight ago. In the middle of July 1919, the first return flight between Scotland and America took place—in fact, it was the first trans-Atlantic flight by the R34 airship. It was a proper event—the airship landed in the middle of New York and a civic reception was held. It was a big deal and not the same as Alcock and Brown pitching up a bit later in an Irish bog. We could do something to mark 90 years of trans-Atlantic air communication, of which Scotland was bang at the front. The airship took off from East Fortune, where we have a stuffed version of Concorde. Such anniversaries are the sort of thing that Americans respond to. They gave the airship a real welcome when it went to New York, with ticker tape and everything. We could look on that as a possible counter to the coming Olympics—we could get our act in first. That is just an idea.

The Convener: Thank you for that idea—that is something to consider. Are there any other views?

Gavin Brown (Lothians) (Con): I apologise for being late this morning, convener.

I have one brief point. I have had a couple of meetings on tourism with stakeholders. One idea that arose was that, as part of any inquiry, it would be interesting to speak to key worldwide tourism operators and hoteliers that do not operate in Scotland. We should find out whether there are any big five-star players that do not do anything in Scotland and investigate why they have not considered operating in Scotland and whether they would consider doing so in the future.

The Convener: That is an eminently sensible idea. I recall that one of the globalscot officials at our Scottish Enterprise day made a similar point—we have kept the details. I absolutely agree with Gavin Brown that it is important to find out why such players are not here.

David Whitton (Strathkelvin and Bearsden) (Lab): Excuse my voice, convener, but I have the Dave Thompson throat now.

I will pick up the point that Gavin Brown has just made. If we are going to consider skills, which I am particularly keen for the committee to do, we should consider the Fairmont group, which brings people over to the St Andrews Bay hotel to train them. It would be interesting to have an insight from that group as to why it does that and what training it carries out. We could also find out whether the group hires anybody locally or whether all the workers are incoming and how that benefits the group.

The Convener: That is a good suggestion and I am sure that we can work it in, too.

Energy Future Inquiry

09:45

The Convener: Item 2 is consideration of a remit and terms of reference for the committee's inquiry into Scotland's energy future. Our clerking team has produced a paper that includes a number of recommendations and suggested titles for the inquiry. The paper considers the inquiry's remit and raises four principal issues in the middle—I hope that that approach helps Lewis Macdonald, who made a point about the remit of the tourism industry inquiry. Other points are made at the end of the paper.

I open the floor to members to discuss the suggested remit of the inquiry, the timescale that we should proceed with and other factors. Members had better say something, or we will have a long wait until 11 o'clock. Christopher Harvie must say something controversial to get us going. Come on.

David Whitton: I will respond to your appeal, convener.

This morning, I read in *The Herald* that a potential leader of the Liberal party is talking about renewable energy and Scotland becoming a powerhouse. We should certainly consider renewable energy, which is an issue that constantly arises. It is clear that Scotland can do well in that area if our focus is directed in the right way.

The effects of energy conservation, rather than what we are doing about energy mix and so on, arose at our round-table discussion. If I remember the figures correctly, energy demand can be reduced by 20 per cent simply as a result of implementing lots of different energy conservation measures. I would like to think that we will have a close look at such matters. I was cartooned, so to speak, in *Scotland on Sunday* for suggesting that we go for low-energy light bulbs, but people have done so elsewhere, and that has had a big effect. I see no reason why we cannot at least ask what reduction in energy demand there would be if Scotland moved towards having low-energy light bulbs. I hasten to add that I do not have shares in any company that makes low-energy light bulbs.

The Convener: I am grateful for David Whitton's plug for the Liberal Democrat leadership campaign, as I breakfasted this morning with people who are involved in it.

Lewis Macdonald: I back up what has been said. Another interesting issue that may be dealt with in the United Kingdom energy bill before we begin our inquiry is the metering of domestic consumers, which is clearly of great interest to

committee members, as it relates to energy conservation and fuel poverty. Such issues may be relevant if we are to consider reducing demand for energy, which is important. However, what we will consider in that regard will partly depend on what is in the Westminster energy bill.

The Convener: That is a good point.

One thing that struck me about the paper was that the proposed timing of the inquiry would help us to pick up on what is in the energy bill from London, which Lewis Macdonald mentioned, and the Scottish Government's energy paper—or whatever it may be formally called—which is to be produced at the tail-end of this year. Our team was right to suggest a timetable that picks up on what those documents include. I am sure that the documents will be complementary in many ways and different in others.

Considering decentralised energy is important. Other parts of Europe are taking a decentralised approach. We should think about some of the—dare I say—nimbyish arguments that have been strongly made in many communities that are worried about various technological developments. Some smaller-scale decentralised power systems are at least worth considering. I can think of good examples in that respect. That is my pitch.

Brian Adam: I understand that later this week we will be lobbied by people who are concerned that implementing decentralised energy systems is difficult. The difficulties arise because the matter is covered by planning legislation, which is a significant inhibitor to implementing systems that should be good for the environment, as they reduce energy use or result in people generating energy in a renewable way. That issue could also be considered as part and parcel of the inquiry.

Another potential barrier to ensuring that we get the proper affordable mix is the regulatory environment, not all of which the Scottish Parliament controls. While you were off looking after the interests of sheep farmers on Shetland, convener, we had an interesting discussion with the gentleman from the Office of Gas and Electricity Markets. It might be appropriate to include as part and parcel of the remit a reference to the role that Ofgem plays in respect of connection charges. I did not see such a reference in the paper, although I may have missed it.

We should discuss decentralisation and making use of all the potential for power generation up both the east and the west coasts. Issues arise in relation to connection into the grid. Admittedly, decentralisation is only part of the solution; we will still need a national grid and our renewable resources will need to connect to the grid. If the regulatory environment acts to inhibit those connections, we should address the issue.

The proposed remit is reasonably concise; we can make of it what we will. On this occasion, the fact that it is also relatively broad may be helpful to us. Things will happen between now and the start of the inquiry. We may decide to focus the remit. I am content with the paper and the suggestions that it contains. The title is not important. I am more than happy to endorse the proposed remit.

The Convener: I return to Lewis Macdonald's point on the United Kingdom dimension. I am not sure whether other members saw Malcolm Wicks, the UK Minister of State for Energy, on "Newsnight" last night, but he spoke about the European dimension and the 20 per cent renewables target. If I understood the debate correctly, the target is a European target and negotiations are under way between European countries. We may want to consider the Scottish dimension to that. Given that the inquiry will take place next year, we can consider the matter then.

Christopher Harvie: Various points come to mind that go beyond energy but which are relevant to it. The first is the disposal of what comes out of energy, which is carbon dioxide. The best way of characterising our relationship with carbon dioxide is that we are rather like the nun who was walled up in Sir Walter Scott's "Marmion": someone who is walled up will eventually choke on the carbon dioxide that they breathe out. That is the way that the world is going at the moment. The notion that we should be euphemistic and call carbon dioxide a greenhouse gas is wrong: the stuff is poison. We produce an enormous amount of it—far more than we burn.

Getting rid of carbon dioxide by some form of carbon capture should be a major Scottish initiative. As an historian of North Sea oil, I can see potential in the North Sea pipelines that will no longer be used for oil or gas, but which could be used—run in reverse—to pump Europe's excess carbon dioxide into the oil fields, thereby getting rid of the stuff and liberating more oil. That could be of enormous benefit to the Scottish economy. In one sense, we would be the dustman of Europe, but people would pay a heck of a lot to get rid of the stuff. We already have the example of the attempt to rejig the Peterhead power station. Carbon dioxide disposal has the potential to be an enormous negative energy—if you like—winner for Scotland.

I have two other points to make, the first of which is about fuel efficiency. In some respects, we might be better to think of things that are non-renewable but mobile. For example, we could combine a combined-cycle power station with a district heating scheme that runs on natural gas. If such a system were 90 per cent efficient, it would probably be more effective than some of the large wind farm developments that require a

tremendous amount of concrete, roads, transmission lines and so forth and are in place for only 25 years. That sort of balance should be looked at actuarially.

Secondly, a very strong case can be made for the development of electric forms of transport—rail or non-rail—because of their use of regenerative energy. In Stuttgart, we have a tramway that is 80 per cent efficient: the trams that come down the way generate electricity for the trams that go up the way. That is the sort of advantage that only electrification can bring.

A large amount of freight can be carried on electric railway lines. Austria moves 34 per cent of its freight by rail, compared with about 11 per cent in Britain. Ecologically, it is a far more acceptable form of transport. That goes slightly beyond the inquiry's remit, but that is an area of potential energy use.

The Convener: While you were talking, I was thinking about all the debates that we had—which David Whitton will also remember—about the clash between commuter railways and freight railways, the pitches that were made by the two sectors, the issues that were raised about who wanted access to the railways and so on. Do not get me started. I could lecture for hours on the subject—boringly. I invite further views.

Gavin Brown: There is something in our inquiry paper that hits the nail on the head:

"Electricity is only a fraction of the energy used in Scotland".

The point was made strongly at our round-table discussion. I forget the lady's name, but she talked seriously about transport. To what extent would it cut across the work of the Transport, Infrastructure and Climate Change Committee if we looked into that sector? If transport is the biggest factor of all when we talk about energy, should we be touching on it in our inquiry?

The Convener: That is a fair point. We need to bottom that out in the scoping papers that will inform the committee's deliberations on the evidence that we should be seeking. The Sustainable Development Commission recently published a paper that illustrates the breakdown dramatically. Gavin Brown is absolutely right to highlight transport as one of the significant contributors to the mix. The short answer is that we should stick with energy. We could, however, show the linkages and think about how to tackle the issues in the round. There is a balance to be struck there. I accept his point about considering transport as part of our inquiry.

Does Graeme Cook, who is from the Scottish Parliament information centre, wish to pitch in or add anything?

Graeme Cook (Scottish Parliament Directorate of Access and Information): The starting point for our paper was the away days and the round-table discussions. We approached the subject by considering what is reserved and what is devolved. That is an important part of the context. However, I have nothing further to add at this point.

The Convener: Is the committee happy for us to start our inquiry in March? By then, we will know the outcomes of the UK and Scottish Governments' proposals in this area.

Members indicated agreement.

Research

09:57

The Convener: Item 3 is about our commissioning of research. We have picked up points that colleagues have made on a number of matters since we began our deliberations before the summer recess, and a number of them will be progressed. It would be helpful if colleagues confirm that they are content with the proposals and indicate whether there are any other areas that we should consider and that we could ask SPICe staff, during their overworked days, to examine.

Are colleagues content with the research proposals?

Members indicated agreement.

The Convener: Do members wish to commission work on any topics at this stage, including in the context of the inquiries that we are going to initiate? Is there any scoping work that would be particularly helpful at this time?

Brian Adam: SPICe will be doing some of the work, but who will commission the external research? I know that the Conveners Group must agree to that, and I think that the Parliamentary Bureau must then agree the expenditure. At what point is the decision made? Is there a role for the committee in deciding, say, that we do not want to spend £25,000 to find out a few things? Could we get some guidance on that, either from you or from the clerks?

The Convener: Stephen Imrie will answer that.

10:00

Stephen Imrie (Clerk): The committee has endorsed five specific research suggestions. It is suggested that colleagues from SPICe proceed with all but one of them. They will do the bulk of the work and the briefing papers, and certainly all the initial scoping, and they will carry out the research in-house. I discussed the matter with SPICe colleagues and asked about their ability to do that work, and they gave assurances that it can be done.

SPICe felt that the last of the suggestions—research on export promotion and international trade—could be carried out externally. However, the committee could ask SPICe and me to do some legwork first, looking at existing research, to pull together some initial material. If that met the committee's needs, there would be no need to proceed any further. If the committee felt that there were still information gaps and it wanted to explore the issue further, we would scope that out and bring it back to the committee for formal

agreement on what it wanted, how large the research project would be and how much it would roughly cost—checking, of course, that the committee was comfortable with the expenditure. The proposal would then go to the Conveners Group for approval: it would not have to go to the Parliamentary Bureau. However, the committee would need to take a formal decision to refer any research project to the Conveners Group for approval.

We would do some initial legwork and see whether it met the committee's needs. If it did not, we could take it further. On all occasions, SPICe and I would come back to the committee to ask for formal approval before the committee committed any of the Parliament's research budget.

Brian Adam: That is helpful. As I understand it, the only circumstance in which a proposal would need to go to the bureau would be if the Conveners Group had spent its entire budget for the year. If we are in early, that will not be a problem.

I am intrigued that Scotland's Futures Forum has agreed to take on some of the work. Can you give us an idea of how it will go about that? That body is closely related to the Parliament.

The Convener: I will get Stephen Imrie to answer the question as well, but my recollection is that the Futures Forum, which gave a presentation at the conveners away day at the beginning of September, was doing some work on the black economy, which Christopher Harvie raised, and it was more than happy to take it forward. It would be unfair of me to say that it was looking for new ideas, as I am sure that it has plenty, but it seemed to be open to suggestions.

Stephen Imrie: That is the situation. Robert Rae, who is director of the Futures Forum, gave a presentation to the Conveners Group. Although the forum's work programme is already in place, it is fair to say that it is looking to integrate its work more closely with committees' work programmes, and is therefore looking for suggestions from all committees. It has access to experts in universities throughout the United Kingdom who research the area in question, and I am happy to work with all committee members—in particular Professor Harvie, who raised the issue initially—to ensure that, when we scope out the research paper, they are comfortable with the curriculum vitae of any experts, the research timetable and whether or not there is any expenditure.

Christopher Harvie: Now that John Rebus has retired, we could probably commission him.

David Whitton: I am new to this. What relationship do we have with organisations such as the Scottish Council for Development and Industry? Iain Duff, its chief economist, gave

evidence at our round-table discussion, but it also has a lot of background information about export promotion and international trade. Indeed, it organises a competition and awards prizes for export promotion, so it must have an abundance of background material that we can tap into.

Stephen Imrie: I am not in any sense suggesting that the committee reinvents the wheel, which is why I said that the first step for me will be to see what is already out there and what research has been commissioned in universities. We have good links with SCDI, the Confederation of British Industry, the Scottish Trades Union Congress and others. Those bodies are obvious ports of call to determine whether we can get some research off the shelf and repackage other research in a format that is of use to the committee.

As I said, if there were information gaps, it would then be up to the committee to decide whether it wanted to take the research any further. If we can, we will get information from existing sources, such as SCDI, the Scottish Council Foundation and others. I see colleagues in SCDI, other trade associations and research bodies fairly regularly, and I am sure that when they see this discussion they will knock on my door to say either that they have already got the information or that they could do the research for us.

David Whitton: Perhaps this is quite a mischievous approach, but what ability do we have to tap into the Council of Economic Advisers? One of them, Jim McColl, is the major shareholder of Clyde Blowers and has built a fortune on international trade and export promotion. His views on how we should proceed might be interesting.

The Convener: At 11 o'clock, we will have the opportunity to ask exactly that question, which is a good one. If you ask it, we will all carefully note the response.

I hope that colleagues consider that most of the work that we commission will, to a greater or lesser extent, have a bearing on what we will examine in our inquiries. The productivity gap; the planning regime, about which we heard ad nauseam at our away day; and the export promotion and international trade issues all have greater or lesser connections with the inquiries that we will conduct. I say to Stephen Imrie that I suspect that we will ask him to scope whether there are such links where appropriate. That will help us to develop further questions and areas of deliberation as part of the inquiries.

Stephen Imrie: Indeed. In developing the research proposals we are trying to get ahead of the game, to ensure that when the committee comes to the end of the tourism and energy

inquiries it has a body of information and briefings on which to draw before committee members decide what they want to do next, potentially in the field of economic and enterprise matters. The research will give the committee an information base on which to draw.

European Union (Legislation and Policy)

10:06

The Convener: The last item before 11 o'clock is the legislative and policy developments of the European Union, and there are plenty of them. Given the size of the European Union and its outputs, the clerks have provided a commendably brief paper on what the EU is currently doing. We might not wish to discuss treaties or constitutions, as they will be subject to consideration from a Scottish perspective—quite rightly—by our European and External Relations Committee. No doubt that committee will draw to our attention anything that falls within our remit. If I read my newspapers correctly, the subject will be discussed ad nauseam in the House of Commons over the coming period.

Perhaps colleagues have comments on the paper. I noticed at paragraph 10 a comment about “the development of a single European Community quality mark for tourist accommodation”.

That fills me with dread. However, I might have misinterpreted totally what it means. As a former sheep farmer, I think of European inspectors looking at every bed and breakfast throughout Scotland, but I am sure that that will not be the case and that my perspective is unfair.

As there are no further comments or questions, I take it that the paper has been noted and agreed.

I suggest a suspension and ask that we are all back here at 5 minutes to 11 in time for the evidence from Sir George Mathewson.

10:08

Meeting suspended.

11:00

On resuming—

Council of Economic Advisers

The Convener: Item 5 is the role and work programme of the Council of Economic Advisers. We are delighted to welcome Sir George Mathewson, the chair of the council. Thank you for coming to the meeting. The committee was pleased that when the First Minister announced the council's formation he said that he hoped the council would be happy to give evidence to the Parliament regularly. The committee strongly welcomed the First Minister's commitment in that regard. I invite Sir George to make an opening statement, before I open up the meeting for questions.

Sir George Mathewson (Council of Economic Advisers): Good morning. It is nice to be here. I am delighted to give evidence on the work of the Council of Economic Advisers. I will explain the council's role and what it has been set up to do, and I will run through the membership to give committee members an idea of the calibre of council members and the wide range of interests that they represent. I will cover what was on the agenda for our first meeting and identify key areas of future work.

The First Minister called together a council of economic advisers, with a remit to advise him directly about the best way to improve Scotland's sustainable economic growth. The CEA borrows from various American models, the first of which was launched by President Truman in the 1940s, to give him personal advice on the United States economy. More recently, in 2004, the Governor of California convened a council of leading economists and businesspeople to give him direct advice on the California economy. The federal and state US councils are based on the value of having top-quality advice at the highest level of executive office. I emphasise that the councils do not seek to put economists and businesspeople in the place of politicians; they merely advise when it is helpful.

I must be clear about the CEA's role. The council is not political—as committee members will understand if they consider the council's membership—nor is it a proxy for hard political decisions. The First Minister said when he launched the CEA in June, “Advisers advise; Governments govern.” The group can advise the Government on how to improve the country's growth rate and on the potential for greater prosperity, but decisions ultimately lie with the First Minister and his Government.

It is intended that the CEA will meet quarterly and publish an annual report.

The council has 11 members, who are generously giving—I emphasise “giving”—their time to advise the First Minister. Professor Alex Kemp is a leading energy economist at the University of Aberdeen and is well known throughout the world. Professor Sir James Mirrlees is a Nobel prize winner who encouraged economists around the world to consider the moral hazard problem. Jim McColl is chairman of Clyde Blowers and one of Scotland’s leading entrepreneurs. Professor John Kay is a former director of the Institute for Fiscal Studies and an extremely thoughtful contributor to international economics debate through his publications, which include regular articles in the *Financial Times*. He is the leading writer in the United Kingdom on corporate strategy.

Sir Robert Smith is one of Scotland’s leading businesspeople and the chairman of an influential group that is dedicated to addressing the challenges faced by young people who are not in education, employment or training. Professor Andrew Hughes Hallett is an international fiscal expert who has advised the World Bank, the European Central Bank and the International Monetary Fund. He is currently professor at George Mason University and visiting professor at the University of St Andrews.

Crawford Beveridge is executive vice-president of Sun Microsystems and former chief executive of Scottish Enterprise. Professor Frances Ruane is a statistical expert and director of Ireland’s Economic and Social Research Institute. I hope that she can give us some advice based on Ireland’s success. Frances Cairncross is a leading economist and a well-respected author on environmental economic issues. Professor Finn Kydland is another Nobel prize winner, this time for work on dynamic macroeconomics. Coming from another highly successful neighbour—Norway—he can give us first-hand insights into how that country’s success, dynamism and prosperity have been achieved.

I emphasise that all those people are doing this work out of genuine interest, a desire to contribute and a wish to see whether the council’s work can make a real contribution to Scotland’s economic growth.

The council’s first meeting was held here in Edinburgh on 21 September, and I am pleased to say that all members, with the exception of Frances Cairncross and Finn Kydland, were able to attend. The meeting’s minutes were published on the Scottish Government’s website on 5 October.

The first item on the council’s agenda was a presentation on the Scottish economy, which was important in setting the scene and allowing members to gain a good understanding of the

Scottish economy’s recent performance. The chief economist began by setting out the long-term trends before describing more recent trends and the Scottish economy’s key challenges to growth, including productivity, participation and migration.

There has been some debate about this, but on growth—the principal area on which the council has been asked to advise—the data clearly show that Scotland’s relative growth over the past generation has underperformed that of the UK as a whole and of several neighbouring countries. That holds true despite Scotland’s strength in several key industries.

On the basis of that presentation, the council identified a number of key areas that would provide the focus for its future work. I emphasise that individuals in the council are doing a lot of thinking about future areas of work.

The second item on the council’s agenda was the Government’s economic strategy, which provided the council with one of its key early opportunities to input into the strategy’s development and to help to shape the Government’s approach to increasing sustainable economic growth. The council provided a number of valuable insights and will continue to advise the First Minister directly on practical measures that can be taken to achieve faster sustainable growth.

At our first meeting, the only specific issue that we addressed in depth was planning. Our discussion focused initially on the fact that, by any measure, the planning system in Scotland has not operated satisfactorily and, indeed, has been a failure. That has had a negative effect on achievable growth in Scotland. As a result, we considered real practical measures that were available to the Scottish Government to remove or mitigate some obstacles to economic growth and we discussed how local authorities and central Government bodies could be equipped and encouraged to weigh economic considerations in making planning policy and taking planning decisions. We felt that local authorities need incentives actively to promote economic development but that such incentives do not exist at the moment. The council also considered what Scotland can learn from other countries’ approaches to planning and how the national planning framework could provide the right environment for sustainable economic growth.

Fundamentally, that all boils down to the fact that the planning system has performed very badly. Local authorities need to commit themselves to actively promoting economic growth and they need incentives to encourage them to do so. There also needs to be a better understanding of the bureaucratic blocking of the process. Thinking is still going on about those areas.

In identifying its future work areas, the council picked up on the key challenges that were identified in our discussion on the Scottish economy. It was agreed that the council's future work would focus on: promoting sustainable economic growth over the current parliamentary session, with strategy and policy to achieve the immediate target of matching the UK economic growth rate by 2011, which—on the basis that if nothing is measured nothing is done—was felt to be a reasonable goal; developing Scotland's comparative advantage by looking at the longer-term contributions of key elements, including high-level skills, planning, environment and key sectors; addressing the inhibitors of Scotland's economic growth, such as the problem of economic inactivity; and enhancing Scotland's economic statistics so that we strengthen the basis for the formulation of economic strategy and policy. When one starts to look into the matter, the numbers that are not available are quite surprising. It is important to get a better understanding of all those dimensions.

Those are our conclusions for the moment. I am happy to answer any questions about the council. I might add that I will be happy to return to the committee following the publication of our annual report, to share more information about what we have learned and its implications for the Scottish economy. I stress that I am not here today to give evidence on any particular area of Government policy; that is for Government ministers and officials to answer.

The Convener: Thank you very much. I will start by exploring the council's remit, which you talked about in your opening statement. I note that promoting economic growth over the current parliamentary session so that we match the UK economic growth rate by 2011 was the top line in your presentation of the council's objectives. How does that relate to the mix of reserved and devolved powers that are available to the Scottish Parliament and Scottish Government? It strikes me that if the UK economic growth rate is the target, by definition monetary and fiscal policy will be of interest to the council. Would that include, for example, the recent changes in the budget to end the tapering relief on capital gains tax, which business organisations have all condemned? Are those things of interest? Do you consider them to be matters of concern for the council?

Sir George Mathewson: They are of interest and possibly of concern, but we must immediately deal with those things that we have levers to affect. As the work goes on, it will become apparent that areas that are currently outwith the role of the Scottish Parliament might positively affect the Scottish economy. However, we need focus in this exercise. Currently, we need to focus on the levers that we have.

The Convener: Should the committee assume that your annual report will be a commentary on the influences that are being brought to bear on different aspects of the Scottish economy?

Sir George Mathewson: That is possible, but we have not yet decided what form the annual report will take. We have had one meeting. It was a good and successful meeting, but it was one meeting.

Brian Adam: Thank you very much for attending today. As you said, these are very early days as the council has had just one meeting. I certainly welcome your willingness to come back to the committee after the production of the council's annual report. Do you envisage that a visit after the production of each annual report will be how the council engages with the committee?

11:15

Sir George Mathewson: There would definitely be a meeting after the annual report. One has to keep a degree of flexibility; we are at the start of a road here. A lot of thinking is going on in the council and the people involved have to be given some space in which to do that thinking. That is an important part of this strategic exercise in which it is hoped that we can step out from some of the past thinking. We need to give council members a bit of space.

Brian Adam: You were at pains to tell us that the First Minister said that the Council of Economic Advisers advises and the Government governs, but there is going to be some interest in the policy issues on which the Government is going to make decisions. Should the council be held to account on policy issues by someone other than the First Minister, such as this committee on behalf of the Parliament, or should you not be accountable on policy issues?

Sir George Mathewson: We will advise the First Minister on the economic impacts of policy issues but, as I have emphasised, we are not accountable for policy. We are only there to advise the First Minister and the Government on what we think will contribute to economic growth.

Brian Adam: In the presentation that you were given on the current economic status of Scotland, the tourism industry, which is one of Scotland's most important industries, did not get much in the way of a mention. Does that concern you or do you intend to consider it? I ask that because the committee has already decided that it will conduct an inquiry into tourism in Scotland against the background of the ambitious goal that was set by the previous Administration and endorsed by the current one of 50 per cent growth during the next eight years.

Sir George Mathewson: Very few industries were addressed individually at the meeting, and then only in passing. We were dealing with the macro background as much as anything. Tourism is important to Scotland, but there are other major industries that are just as or more important. The health industry makes an extremely important contribution to the Scottish economy. We will definitely look at what is important.

Lewis Macdonald: Sir George, in your introductory remarks, you said that the council accepted as reasonable the target of measuring short-term growth until 2011 and seeking to achieve parity between Scotland and UK levels of growth over that period on the basis that if nothing was measured, nothing would be done. Is the council satisfied that that is the right thing to measure?

Sir George Mathewson: We are satisfied enough to be going on with, but thinking is continuing in that area.

Lewis Macdonald: You will have seen the latest gross domestic product figures that came out this morning, which show that, for the second quarter of this year, GDP growth in Scotland exceeded that of the United Kingdom. How does that impact on your judgment of your target?

Sir George Mathewson: A three-month figure would not influence me one way or another.

Lewis Macdonald: But you would accept that that is the latest in 12 continuous quarters of above-trend economic growth.

Sir George Mathewson: That is positive.

Lewis Macdonald: Yes, it is. Your reaction to my initial question was that you were satisfied with the target. Given your answer to the convener's question about the things over which the Scottish Government has leverage and those over which it does not, how useful do you feel it is to advise on that target when many of the levers for influencing the outcomes do not lie in the Scottish ministers' hands?

Sir George Mathewson: It is still a useful remit and I would like to think that the council can do some good. In future, we may come up against things that are immutable, but let us deal with what we have at this point in time.

Lewis Macdonald: One thing that has been drawn to committee members' attention is the controversy about what is measured in trying to assess GDP in Scotland. Brian Adam mentioned tourism. You will be aware that the UK figures for growth in the hotel and catering sector are far higher than the Scottish figures. Other evidence suggests that tourism in Scotland has grown over the past five years, but that is not reflected in the growth figures. Does that give you any concern for how you apply your remit?

Sir George Mathewson: Not really. I have asked for work to be done on refining the Scottish GDP figures, particularly for the energy sector, which also requires definite work.

Lewis Macdonald: You said that, in the meantime, individual members of the council are considering how the council's work programme might develop.

Sir George Mathewson: That is correct.

Lewis Macdonald: Is there collective work going on? In other words, is the Council of Economic Advisers undertaking some work preparatory to your next convening of the group?

Sir George Mathewson: Yes.

Lewis Macdonald: That is work to examine what should be measured.

Sir George Mathewson: One area that people are examining is the measurement of GDP.

Lewis Macdonald: I have seen some comments that suggest that nothing new came out of the meeting that you had in September. Does that give you cause for concern?

Sir George Mathewson: No, it does not because, as I said, it is difficult for strategic thinking—particularly original thinking that is hoping to push back some of the boundaries—to take place in the glare of public opinion. Not all the conversations around the table were in the minute of the meeting. That is what one would expect, because there were formal and informal discussions, and the minute gave the overall picture of what was discussed. Following the meeting, I was immensely encouraged by the positive attitudes of the participants, who, to a man, felt that the meeting had gone better than they had expected.

Gavin Brown: In your opening address, you touched on planning. The committee has also talked about that issue. The position was summed up well by one eminent businessman who said that, in Scotland, there seems to be a presumption against development and we need to move to almost having a presumption in favour of it. He backed that comment up with some statistics. There is a target for 80 per cent of planning decisions to be made within, I think, two months—it is either two months or three.

Sir George Mathewson: The numbers are appalling.

Gavin Brown: In Scotland, we are averaging about 44 per cent of decisions being made within that timescale; England is averaging about 74 per cent. Can you expand on any conclusions that the advisers reached or suggestions that they discussed about how to improve that figure?

Sir George Mathewson: At the meeting, we established that that was the problem and various things were said. There is scope for taking things forward from this point.

When I ran the Scottish Development Agency, the planning system came as a big surprise to me. It did not seem to matter to local authorities whether economic development was happening. The SDA's role was often to take a proactive view on the assets within an area and create economic value from them. Leith was one such example.

There is a need for what I would call proactive planning—a planning system in which the interests of planning are in creating economic development. That does not mean neglecting all the other considerations in any way. I agree that this is an important area. We must make a thorough analysis, look at the flow charts for how a development takes place and somehow reduce the amount of bureaucracy involved.

Gavin Brown: Is the issue on the agenda for the next meeting?

Sir George Mathewson: Yes.

The Convener: Can I take it from what you said, Sir George, that Jim Mackinnon, the Government's chief planner, talked about the new planning regime?

Sir George Mathewson: Yes, and it was a good presentation.

Dave Thompson (Highlands and Islands) (SNP): I realise that the work of the Council of Economic Advisers is at an early stage and that you will consider different aspects of the economy. However, I wonder whether you will look at different parts of the country. There are different problems around Scotland and certain areas have particular inhibitors. As a Highlands and Islands MSP, I am thinking particularly about my area's transport infrastructure.

I heard on the radio this morning that there are plans afoot for a train to go from Birmingham to Paris in four to five hours, whereas it takes me three and a half hours to get from Inverness to Edinburgh, which is about a quarter of the distance from Birmingham to Paris. I am interested in your comments on infrastructure and on whether you envisage looking at that aspect in detail.

Sir George Mathewson: We will look at the significance of infrastructure for economic growth. I am sure that we will do so—in time.

Dave Thompson: Another issue that I picked up on from the briefing papers and from what you said is to do with our unemployment rate. The figures show that the unemployment rate in Scotland is quite low. However, you mentioned

that there are many people on incapacity benefit and suchlike, who are not counted for the unemployment figures. That issue ties in with the issue of migration—both immigration and emigration because obviously people leave Scotland as well as come into it. I suspect that many folk who leave are highly skilled people with talents that they can take abroad and make good use of. How might you approach the general aspect of migration and employment?

Sir George Mathewson: We discussed the effect of emigration; there is more work to be done on that. There are numbers to be got that nobody seems to have looked at so far. There is emigration of highly skilled individuals, but there is also substantial emigration of retired individuals. Getting a handle on how significant that is will be the first step.

Dave Thompson: Yes, just drawing together the information.

Sir George Mathewson: The information is not necessarily there; that is the case even at the UK level.

Dave Thompson: That is interesting.

At the end of the day, a balance must be struck between economic and population growth and its effect on the environment. How much of that aspect will come into your thoughts?

Sir George Mathewson: We have to keep focused as much as possible on what affects the economy. It is up to the Government to adjust that with regard to political or environmental factors.

Marilyn Livingstone: It is still morning, so good morning, Sir George. I want to ask you a couple of questions. First, were you consulted on the membership of the council? Secondly, reference was made to the American council, but my understanding is that it comprises a chair, two other members and 20 support staff of economists and statisticians, with no businesspeople involved. What is your opinion of the make-up of the membership of your council?

The council has no representation from other key stakeholders. I draw your attention particularly to the college sector. This committee has recognised, as have previous committees, the important role that the college sector plays in the economy. Further, there is the role of trade unions, which is particularly significant in workforce development.

11:30

Sir George Mathewson: First, I am very satisfied with the membership—let us get that straight. Secondly, the council's role is not to represent the Scottish community but to develop

the best possible economic advice. I understand that another group, the national economic forum, which is still to be formed, will have a representative role and a much bigger membership. That will give people the opportunity through their stakeholders to make their presence felt. However, the council is to be focused as far as possible on giving the best economic and business advice to the Government. That is different from representing groups of people—that is not the council's role.

What was your other question?

Marilyn Livingstone: Were you consulted?

Sir George Mathewson: I was consulted—a lot, actually.

Marilyn Livingstone: I still disagree, because I genuinely think that one or two sectors are not represented but would be—

Sir George Mathewson: Many sectors are not represented on the council.

Marilyn Livingstone: I accept the point about the economic forum—one question is how you will work with it. The issue is about fair representation. You want to give economic advice, but sectors are missing. We will have to agree to disagree on that.

Sir George Mathewson: The best advice will not necessarily be reached by having different sectors put their points of view. That becomes a political issue. We are trying to give the best economic advice, which will include advice on the role of the college sector, as education is a major economic force in the country. Similarly, the health sector is a major economic force. Our role includes giving input on those subjects. Fundamentally, the council exists to give focus and to give the best economic advice that we can.

Marilyn Livingstone: To follow on from that, I am pleased that you mentioned high-level skills in your introduction and that you have talked about the role of education and skills. What role will your council have with regard to advice on the skills strategy and what input will you have on that? I agree that that is a fundamental issue—the skills of our people are crucial to economic growth. What role will the council have in relation to the skills strategy?

Sir George Mathewson: We will not design a strategy for skills development.

Marilyn Livingstone: That is not what I am asking; I am asking what input you will have on the strategy.

Sir George Mathewson: We will emphasise the importance of skills but also the importance of the education sector as an economic entity: it employs a lot of people in Scotland and creates a lot of added value. That is how we come at the issue.

Marilyn Livingstone: In relation to the science and technology strategy, we have bodies such as the Scottish Science Advisory Committee. What interface and liaison will there be with those other advisory committees?

Sir George Mathewson: We have not worked that out yet—I am candid about that. We will consider the whole scientific and research policy. We know how important the matter is to Scotland. I am sure that we will liaise with those committees in due course.

Christopher Harvie: I am sorry that I arrived late for the session.

Until last week, I was formally in charge of regional studies at the University of Tübingen, which is run jointly by the economics and humanities faculties. I am interested in the strategic difference between a Land such as Baden-Württemberg, which has 24 per cent manufacturing, and Scotland, which I guess has about 15 per cent. Is there a point at which that becomes a damaging externality to the development of a modern service economy—not necessarily a manufacturing economy?

I illustrate it in this way: the new railway line to the channel tunnel from London costs £50 million a mile; the German equivalent costs about £23 million a mile; in Spain, the cost is as low as £17 million a mile. How much of that expenditure is generated by the externalities that you complained of, such as the planning process—in brackets, lawyers—and how much is caused by the fact that we no longer have the native capacity to build a technology at that vital stage between innovatory development and mass marketing? That is where the German economy has succeeded brilliantly in the past 20 years. Where should we look in an exploratory way to balance our innovation with the need to get capital into manufacturing adaptive processes at the point where they make maximum returns?

Sir George Mathewson: That is a big question. The move towards services has been inexorable.

Christopher Harvie: There are services and services.

Sir George Mathewson: David Whitton will remember that I said that 20-odd years ago and the situation is exactly as I said it would be. I am not sure that the process can be reversed because it is on-going. However, that does not mean that manufacturing is unimportant—that must be emphasised too.

We are now in a global economy, which means that ideas and everything else tend to be globalised, so research and development is a difficult area. Although things are going on in Scotland that look good for the future, I cannot answer your question.

Christopher Harvie: As a slight elaboration, the Germans have a word, *tüfteln*—it is a Swabian word, in fact—which refers to the bit after an invention is made when you play around with it until it gets marketable. It is at that point that something can be sold at a premium price before the Chinese have learned how to do it at 10 per cent of the cost.

It is important that we adapt our service industries to use extremely sophisticated processes, so that we can provide high-value-added services and not—let us put it crudely—call-centre services. The knowledge economy should be in the first rather than the second category. After 27 years in Baden-Württemberg, I have grave doubts about whether Scotland has that ability to *tüfteln*, or adaptivity, to allow it to get into the high-value-added sector.

Sir George Mathewson: That is roughly true because Germany has a long tradition and a network of corporate companies that exist on that basis. However, we have a strong financial sector that is much stronger than Germany's. It is swings and roundabouts and we must play to our strengths.

David Whitton: It is nice to see you again after all this time, Sir George. The last time I was asking you questions was about 20-odd years ago in a different life, I guess.

You said in your evidence to us that local authorities, of which I seem to remember you did not have a high opinion—

Sir George Mathewson: It was you who said that.

David Whitton: Okay, maybe I was putting words in your mouth even then. Were you asked to give advice to the First Minister and his Cabinet Secretary for Finance and Sustainable Growth about the break-up of Scottish Enterprise?

Sir George Mathewson: No.

David Whitton: I find that a bit surprising given that you are the former chief executive of the SDA, as you pointed out.

Sir George Mathewson: First, that is not yet within the remit of the Council of Economic Advisers. Secondly, the council was formed only weeks ago and I presume that the policy was arrived at before then. Let us be clear: I am not an integral part of the Scottish Government; we are advising it on economic matters.

David Whitton: Would your advice have been to give economic development back to local authorities?

Sir George Mathewson: What was interesting to me when I had a chat with Scottish Enterprise is that it did not differ materially from what it was asked to do.

This is an area that I have been out of for a long time. I feel that it depends on the scale; there is a case for saying that economic development should be handled locally for small businesses and so on. I do not know what the current position is in local authorities. Again, that is Government policy, which I am not here to comment on.

David Whitton: I accept that the local authority map has changed somewhat, even over the past 20 years, and that the situation might be different now. Responsibility for careers has been taken away from Scottish Enterprise—a different agency will be set up to deal with careers. The committee is examining the skills strategy closely because we do not believe that enough is being done to focus on upskilling the workforce—it is only by upskilling the workforce that we will increase productivity. In your opinion, is it a good idea to take careers out of Scottish Enterprise?

Sir George Mathewson: Again, that is nothing to do with the work of the Council of Economic Advisers. Taking careers out of Scottish Enterprise is a big thing; it is probably a good idea. Back when responsibility for careers was transferred in the opposite direction, I thought that that was a bad idea, so if I extrapolate forward from that, it is probably a good idea for responsibility for careers to be removed from Scottish Enterprise.

David Whitton: The idea of giving responsibility for economic development to local authorities as they are currently set up almost takes me back to the days when every time there was a sniff of an inward investment, local authority representatives would jump on the first plane to America to see whether they could get the development in their back yard. You certainly did not fancy the idea of that. Are we going back that way?

Sir George Mathewson: I would not think so. International investment is different now.

The Convener: I want to pursue one of David Whitton's wider points. I assume that the size of the public sector in Scotland will be an issue of importance to the council. Over the next three years, £90 billion will be spent. I understand the difference between Government policy and the economic analysis that your council will undertake, but I guess that the council will engage in a thought process about the size of the public sector and the sheer spend of government—I do not mean just the Scottish Government; I mean government generally, including local government. How will that feature in your thinking? I assume that the size of the public sector is a significant aspect of considering how to achieve our growth-rate targets.

Sir George Mathewson: We have asked for more work to be done on the public sector in Scotland to gain a better understanding of it. Size

is one issue; added value and effectiveness are others. We have asked for analysis to be performed so that we have a better understanding of the public sector. It is all too easy to jump at the first number that comes out, but that is not necessarily the right thing to do. We must obtain a wider understanding. The size of the public sector varies enormously from country to country.

The Convener: Absolutely, but I presume that you agree that in the coming weeks, when the Scottish Government makes a spending review announcement, just as the UK Government has done in recent weeks, it will put in place £90 billion of expenditure for the rest of this session of Parliament and that will be that, because of the way in which we settle funding.

Sir George Mathewson: I will not comment on that—it is the Government's business—particularly as the council has not discussed the matter. We are analysing the role of the public sector—its size, its efficiency and whether it makes a positive or a negative contribution to the economy.

The Convener: I am not asking you to comment on Government policy; I am just asking you to consider the scale of that spend. I noticed that you said to Dave Thompson and Marilyn Livingstone that, in the widest context, health and education are key aspects of our economic profile.

Sir George Mathewson: Absolutely.

The Convener: If that is the case, surely the council will have to consider to some extent not Government policy, but the nature of the spend in those areas.

Sir George Mathewson: We will certainly seek further understanding and will give the minister our advice in due course.

The Convener: Thank you. I invite Brian Adam to come back on the evidence.

Brian Adam: I was intrigued by some of the things you said. You have indicated that the council will work on areas around statistics. Can you give us a flavour of where that will take us? I was also interested in the points that you made about immigration and the lack of information on the impact it has on GDP. I presume that you were talking about those who retire and go and live in Spain or Bulgaria.

11:45

Sir George Mathewson: That is one part of it.

Brian Adam: Is there any evidence that it has a major impact on the overall economy?

Sir George Mathewson: No. We have just started to look at that area so, as yet, no numbers have been collected. I think that it will be difficult to get them.

Brian Adam: Can you give us some idea of where there are weaknesses in the statistics across the economy?

Sir George Mathewson: I cannot do that at this point.

Brian Adam: Is that the kind of thing that we might get when you get around to the annual report?

Sir George Mathewson: If it can be done without huge expense, yes.

Lewis Macdonald: I am interested in what you are working on and how you set those priorities. You said that the planning system is the only specific area that you addressed in your first meeting and that it is also on the agenda for the second meeting. Why did you think that that was worth prioritising, given that the legislative changes have already been agreed by this Parliament and will come into effect in the next two years?

Sir George Mathewson: Because legislative changes are one thing and the practice is another. There can be no doubt that the performance of the planning system in Scotland has been terrible. It was a natural thing for us to consider.

Lewis Macdonald: I do not think that anyone disputes the fact that, in some respects, the planning system has been beset by difficulties. That is why there was broad consensus on the need for change, which has been agreed to. Is it your proposition that the change does not go far enough?

Sir George Mathewson: The legislative change is one thing; the change in attitudes about what the planning system is there to do is another. That is crucial.

Lewis Macdonald: I would not dispute that either, but I am interested in why you selected as your first priority an area in which there has already been a change in law. I recognise that there are things beyond a change in the law that are important, but I wonder whether there are other things that influence economic growth and economic potential that it might be more urgent for you and the Government to consider.

Sir George Mathewson: You have to choose something to address at the first meeting and it has to be something you can get your teeth into. The fact that a lot of work has recently been done on the issue is positive rather than negative, as it means that recent studies and numbers are available, which will allow us immediately to identify any failings and get some ideas about how to progress the issue.

Lewis Macdonald: Do you doubt the views of some of the stakeholders in the process, including

business organisations, that the legislative change that has been agreed will make a significant and positive difference?

Sir George Mathewson: I am hopeful that it will make a difference, but I believe that we have also to rethink what the purpose of planning is.

Lewis Macdonald: Part of the purpose of planning is to support economic development, but it has other purposes.

Sir George Mathewson: Of course. To me, it is about creating economic development, subject to sustainability, the environment and so on, but there is a value in creating economic development that I do not think is necessarily appreciated in the current planning system.

The Convener: That is interesting.

Christopher Harvie: As I wrote about North Sea oil, I am aware that, early on, there was, generally speaking, an opinion in favour of the acceleration of economic development even where it ran contrary to some planning criteria at that time. Some of the results of that approach were not exactly happy, such as the building of the various yards for the construction of platforms, two of which were never used. There might, therefore, be a certain built-in historical shudder there—

Sir George Mathewson: The ones that were not used did not contribute much to economic development, did they? That was the mistake.

Christopher Harvie: I was just thinking that the acceleration of planning permissions in that context did not help us much.

We have certain built-in disadvantages in the system, such as the poor health of the Scots. One area in which we compete successfully with America is weight—it seems that we are heavier than the Americans. The notion of being able to quantify that type of disadvantage—whether it is a planning disadvantage or a health disadvantage in relation to the labour force—seems to be an area of experimental economics that could lead to important conclusions for any political decision maker.

Sir George Mathewson: I hear you.

David Whitton: Recently, you gave an interview to *The Scotsman* in which you said that too much red tape is hampering our economic potential. Will you give the committee some examples?

Sir George Mathewson: The planning system is one.

David Whitton: How about managing the national minimum wage? Is that another one?

Sir George Mathewson: For anybody who employs anyone, the red tape is horrific. My view

is that the Chancellor of the Exchequer should be forced to employ someone personally, and have to fill in all the paperwork. If that were to happen, we would see radical change. I am not sure whether members of the Scottish Parliament employ anyone personally. It is a frightening exercise.

David Whitton: In one way or another, we are all employers, although I am not sure that I fill in the paperwork directly.

Brian Adam: We have the Parliament to do it.

David Whitton: I return to what you said about red tape hampering our economic potential. You have spoken about planning, but that is just one area. What other things are relevant?

Sir George Mathewson: Employing someone is another area.

David Whitton: So we should have no employment legislation?

Sir George Mathewson: I did not say that. That is an absurd thing to say.

David Whitton: I am just asking—

Sir George Mathewson: No. We should make employment more manageable and less bureaucratic. Of course, we have to think about how to do that. The amount of paperwork that is required is increasing all the time. That is a fact; it is not debatable.

David Whitton: I do not want to hazard to speak on behalf of the Scottish National Party, but I think I am right in saying that the SNP's policies and the Labour Party's policies are similar in this regard. Both parties have said that our policy when introducing pieces of legislation is one in, one out. I assume that you support that.

Sir George Mathewson: I am not in the business of comparing your policies with those of the SNP, or vice versa; I am in the business of looking for a general reduction in the bureaucratic paperwork that is required on a day-to-day basis. One needs only to look at the paperwork to see that it is substantial.

The Convener: Can I take it from that that the council will commission work on the generality of red tape? If so, I assume that that will include Europe.

Sir George Mathewson: We will have to be careful, as we could end up commissioning huge amounts of work. The council has to focus.

The Convener: Absolutely.

Marilyn Livingstone: What work will the council do on concentrations of economic activity in Scotland? A lot of emphasis has been placed on city regeneration, which is important, but what work will be done on our towns, which are

important economic drivers for Scotland? What are your thoughts on the subject?

Meeting closed at 11:53.

Sir George Mathewson: My general thoughts are that we must play to our strengths. That is not the view of the council, given that we have not yet discussed the matter. I tend to focus on investment and opportunity, not investment and need. I believe that the role of the politician is to make the balance between those two things.

The Convener: We have reached the end of our questioning. I thank you for giving evidence to the committee this morning, Sir George. We look forward to the council's further deliberations, its annual report, and to hearing from you again.

Sir George Mathewson: Thank you.

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