

# **ECONOMY, ENERGY AND TOURISM COMMITTEE**

Wednesday 16 January 2008

Session 3

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### **ECONOMY, ENERGY AND TOURISM COMMITTEE** **1<sup>st</sup> Meeting 2008, 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)

#### **COMMITTEE SUBSTITUTES**

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

\*attended

#### **CLERK TO THE COMMITTEE**

Stephen Imrie

#### **SENIOR ASSISTANT CLERK**

Katy Orr

#### **ASSISTANT CLERK**

Gail Grant

#### **LOCATION**

Committee Room 6



## Scottish Parliament

### Economy, Energy and Tourism Committee

*Wednesday 16 January 2008*

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

### Decision on Taking Business in Private

**The Convener (Tavish Scott):** Good morning, ladies and gentlemen, and welcome to the first meeting of the Economy, Energy and Tourism Committee in 2008. We will take items 3 and 4 in private, if members are so minded.

**Members** *indicated agreement.*

## Scottish Trades Union Congress (Seminar)

**The Convener:** Item 2 is to discuss the seminar that we held jointly with the Scottish Trades Union Congress yesterday on the Scottish workplace and the productivity challenge. I put on record my thanks to our clerking team, who did an excellent job of organising the event along with the clerking team from the Education, Lifelong Learning and Culture Committee—we jointly hosted the event with Karen Whitefield's committee. The event was useful and I learned a lot from it. There were three excellent presentations. Some members may have been familiar with the Rolls-Royce experience in East Kilbride, but I had not heard the presentation on that previously. I thought that its focus was very powerful.

My only other observation before I open up the discussion to general thoughts from colleagues is that we did not hear about infrastructure, regulation or business rates—we just heard about people. It was a different perspective, which we heard about both from a large business, which Rolls-Royce demonstrably is, and from small businesses in the examples given by Steve Graham, as well as in relation to the Irish experience. It was a refreshingly different take on the issues, which I hope the committee found useful. We might want to consider what to do in the future. The seminar was held in partnership with the STUC, so there may be some merit in considering how it went and perhaps repeating such an event in the future.

**Brian Adam (Aberdeen North) (SNP):** I echo the convener's remarks. The STUC has made an attempt to engage with the Parliament; this is the second year that it has held such events. It would be useful for us to continue the arrangement in the future if the STUC is willing. It also depends on the nature of the subject.

It was appropriate that we held the seminar jointly with the Education, Lifelong Learning and Culture Committee. It was interesting to have a people-centred focus rather than the kind of focus that we have had until now. Perhaps we ought to encourage the STUC and/or the relevant trade unions or other staff representative bodies to give evidence when we deal with the economy. It is people who make things and it is people who make money. Although barriers to growing the economy undoubtedly exist, they are not always legislative ones. It is important to hear about best practice. We heard about examples of that yesterday in Scottish organisations as well as in Irish organisations. It was a worthwhile exercise, which would be worth repeating.

**The Convener:** I agree. I should have said that Graeme Waddell offered the committee the opportunity to visit Rolls-Royce in East Kilbride; it might be worth taking the offer up at some stage, perhaps when we conduct an inquiry later in the year.

**David Whitton (Strathkelvin and Bearsden) (Lab):** Convener, I echo your views and those expressed by Brian Adam. It was a good seminar. As you say, the focus was on what people can do when they are put to the task in the right way. I knew about Rolls-Royce in East Kilbride. It has had a chequered industrial history, if I can put it that way.

The lead clearly came from the top in the shape of Mr Waddell, who is obviously a brilliant chief executive for that plant. He has worked his way up from the shop floor to being the boss. As they say, he walks the walk and talks the talk. Although the shop stewards did not contribute to the general discussion, I took the opportunity to speak to them. They said that what you see is what you get. The young shop steward said, "Where else would you have somebody saying to the boss at one of these lunches, 'You talk too much'?" That was a very good line and he took it on board—not as a criticism but as a view about what should be happening.

As has been said, the theme was that it is people and how you work with people that will make the difference. Grahame Smith said in his opening remarks that that was the sort of theme that the STUC sought. He called for a specific inquiry into the productivity challenge in the Scottish workplace and suggested that the committee could hold such an inquiry. We are investigating skills challenges in tourism and so on; it would be worth having a look at the issue.

The Rolls-Royce example is a good one, but the Scottish manufacturing advisory service also gave some powerful examples. It seemed to me that the service is a bit underresourced. If it can get those kinds of results with the resources that it has, it would be worth looking at how it could be improved and strengthened and how it could better publicise its work. The service is getting out there by word of mouth and through the efforts of its handful of advisers. Although it does not get huge results everywhere, it has had some spectacularly good results. Steve Graham did not mention anywhere where it has really failed—it's failure has come from the people who ran the business not engaging with it, which is an issue that it could look at.

I also found the Irish example interesting. Again, the message was, "Don't ignore the people." The message that I took from the experience in Ireland is that employee empowerment has a significant impact on the performance of all companies. In

Ireland, they have also put in place a national workplace strategy and a national innovation fund.

Lessons are to be learned from all that. To sum it up, Government documents have stated that Scotland's biggest asset is our people. My personal view is that our current skills strategy does not address that in the way that I would like to see it addressed, but that is just a difference of view on how we can go forward. I think that we all agree that our biggest asset is our people. The event that we held yesterday showed that, to get the productivity and economic gains that we seek, we need to focus much more on what people do in the workplace.

**Brian Adam:** The oil industry used to be a cut-throat industry. It was dog eat dog. However, under the PILOT task force, which Lewis Macdonald chaired for a while, we ended up with co-operation. Everybody won from that and we were able to grow businesses. Additional resources for the Scottish manufacturing advisory service might well come from the private sector. Competition is appropriate, but if we are going forward as Scotland plc, co-operation is also appropriate. If we grow our own businesses, that will mean that there is more opportunity for businesses to do business. We should encourage that.

The example of the oil industry in recent times is a good one. We got a figure from the Scottish manufacturing advisory service for the success rate—I think that it was something like 97 per cent. That positive outcome is largely due to the fact that people in the businesses wanted it to happen. They co-operated and made it happen. Where they did not have success, it was because, for whatever reason, companies did not engage fully in the process.

**The Convener:** I will come to Lewis Macdonald in a moment, but we will keep going round the table.

**Dave Thompson (Highlands and Islands) (SNP):** What struck me yesterday was the fact that there is good communication and respect between management and the workforce. If businesses treat their workforce with respect and involve staff in all the processes, that can only be a good thing.

The seminar was excellent. It was about manufacturing, of course, and our inquiry into tourism is about service industries rather than about manufacturing, but many of the points that were made can be translated into service industries as well. It is clear from our visit to the Town House Company that it has a similar approach to looking after staff, to training, to appraisal and to involving its staff. The staff members who were at our meeting with the company clearly showed a positive and vibrant

attitude to the company. That is another example. The theme that comes through to me is that if the workforce is treated properly, trained and respected, everybody wins.

**The Convener:** I agree. Your point about the Town House Company is right, but I also thought that the point about the definition of “manufacturing” was interesting. Steve Graham from the Scottish manufacturing advisory service defined “manufacturing” much more widely than I had thought of before. That was useful, and we might want to dig out his definition at an appropriate stage.

Gavin Brown could not be with us yesterday, but one of his colleagues, Liz Smith, joined us. I thank him for making sure that there was someone there. She asked a question and I think she enjoyed herself as well.

**Gavin Brown (Lothians) (Con):** I am sorry that I could not make it yesterday. It sounds as if I missed a pretty good day.

I echo Brian Adam’s and Dave Thompson’s comments on productivity. The committee should look into that at some point, given that there is clearly a productivity gap. The paper from the Scottish Parliament information centre includes the 2006 figures for all the other Organisation for Economic Co-operation and Development countries—the latest figures—but only the 2005 figure for Scotland. Why are we a year behind? How can we ensure that we compare like with like? The Government has a productivity target to move from the bottom of the second quartile into the top quartile by 2017. How can the committee monitor progress to ensure that we are on track to do that?

**The Convener:** Good point.

**Lewis Macdonald (Aberdeen Central) (Lab):** The seminar was productive and useful. As Brian Adam mentioned, in 2003 and 2004 I was vice-chair of PILOT, which is a United Kingdom partnership between the Government and the oil and gas industry. In the same period, I was the first chair of the forum for renewable energy development in Scotland, which is a Scotland-only body. A key part of the success of those two bodies, both in resolving the partnership issues and in taking forward the development of the industries, was the engagement of the trade union side as well as the large and small enterprises within the sectors. If I took one thing from yesterday’s discussion, it is how valuable that contribution is.

When we heard from Graeme Waddell of Rolls-Royce, it was clear that it was the existence of a strong trade union culture that enabled the partnership approach to develop so successfully and that that could not have been done by a

progressive management and a disorganised workforce. The fact that the workforce was organised and represented made it easier for the workforce to be an active and positive partner.

We are drawing lessons from yesterday, and the point has been made that it is important for the committee to consider the productivity challenge. I am pleased that that view has such broad support, because it is right. We should also reflect on the evidence that we heard from George Mathewson and John Swinney in relation to the Council of Economic Advisers. It seems to me that there is a gap in the advice that the Government is receiving on the matter, and it is clear that the trade unions have an important role to play in filling that gap. I hope that ministers will reflect on the strength of the Rolls-Royce example and the model of effective, people-centred but productivity-increasing action that can be taken throughout the economy.

**The Convener:** You mentioned the broad support for the point about productivity. Another point in Graeme Waddell’s presentation that was fascinating—to put it mildly—was that he had a majority of 17 at the first cut at his proposals. We gather that it became rather stronger than that as the years went on.

I ask the clerk whether there is anything that we need to do in terms of forward actions. My view is that we should seek not to replicate what we achieved yesterday but to build on it by considering a different area. The committee feels strongly that working with the STUC on an area such as productivity and taking three strong case studies was an excellent way of considering the matter. I hope that more MSPs will be there next time, because everyone who was there got a lot out of it.

**Stephen Imrie (Clerk):** I think that that is sufficient, convener. I am happy to take that as a mandate from the committee to explore some ideas with the STUC, at an appropriate moment, and come back to the committee for sign-off.

**The Convener:** Thank you.

Items 3 and 4 will be taken in private.

09:47

*Meeting continued in private until 11:37.*



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