

ECONOMY, ENERGY AND TOURISM COMMITTEE

Wednesday 30 January 2008

Session 3

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ECONOMY, ENERGY AND TOURISM COMMITTEE

2nd 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 30 January 2008

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

Decision on Taking Business in Private

The Deputy Convener (Brian Adam): I welcome members to the second meeting in 2008 of the Economy, Energy and Tourism Committee.

We will take item 4 in private, if members are so minded.

Members *indicated agreement.*

Research

The Deputy Convener: Item 2 is consideration of research proposals. Members have a copy of the paper from the clerks. Are there any comments on the way in which we should commission the research?

Dave Thompson (Highlands and Islands) (SNP): I have a comment on recommendation 3 in paragraph 11, which asks the committee to

“note that the research proposal into productivity has been completed by SPICe and that this may be a subject the Committee returns to when it considers the choice of subject for future inquiries”.

I suggest that we replace the word “may” with “should”. I was impressed by what we heard at the Scottish Trades Union Congress seminar. On the day, the clear message from the Rolls-Royce people and others was that if we can increase productivity, we can improve the economy of Scotland. Our productivity is behind that of other countries. If we take up and develop some of the suggestions and ideas that we heard at the seminar, Scotland will benefit as a result. We are talking about improving the output of existing workforces and companies. The proposal should be put high on our list of priorities.

The Deputy Convener: How do other members feel about that proposal? “May” does not preclude something from being a subject for consideration; neither does “should” mean that it will be. We will have to determine our future work programme at a future point. That is not for discussion today.

Lewis Macdonald (Aberdeen Central) (Lab): To back up what Dave Thompson was saying, I thought that our session on productivity was very useful. To scope out the subject a little bit further, it might be useful to seek further advice from the Scottish Parliament information centre—the research that it has already done was very useful—on whether there are any areas on which it might readily be able to expand, so as to give us more information on which to make a judgment in due course about our future work programme. The case has been well made in the evidence that we have heard that productivity is the missing bit of the jigsaw for further economic growth.

The Deputy Convener: I take it, gentlemen, that you are suggesting that productivity should be the subject of an inquiry in the future. We would hear not just from the STUC about the case studies. Obviously, we would invite the STUC back, but we would also hear from representatives of industry.

Lewis Macdonald: I suggest that we consider productivity as a topic for a potential future inquiry, rather than make a decision this morning to go ahead with an inquiry.

The Deputy Convener: We could put it on the list of subjects for consideration for future business. Is that generally agreed?

Mr Thompson has picked up on one item in the proposals paper. I think that Mr Brown has some suggestions on other points.

Gavin Brown (Lothians) (Con): Yes. I concur with everything that has been said about productivity, which is a weak link in the Scottish economy. It is right for us to put that subject on our list and to look into it further.

The forthcoming SPICe briefing on “The housing market and the Scottish economy and the impact of the ‘credit crunch’”, which is covered in paragraph 5, jumped out at me. I read an article in *The Economist* last week by the well-known banker George Soros. He was apparently saying that the impact of the credit crunch and the situation in the sub-prime mortgage market was pretty much all over, and that we did not need to worry about it any more. I suspect that not everybody is saying that.

A briefing on the matter is being prepared for mid-June. I wonder whether there is any way of accelerating that. Things are moving quickly, and not all the work that is done by June might be relevant afterwards. I wonder whether we could pull that work forward somehow.

The Deputy Convener: Is that view generally shared by the committee?

Lewis Macdonald: Do I understand correctly that Mr Brown is referring to the part of the research that will relate to the credit crunch, rather than the wider economic implications of the situation in the housing market, which I suspect will require quite a big piece of work?

Gavin Brown: For that particular part of the work, it would be quite helpful to get something sooner than mid-June, given that things are moving quickly.

The Deputy Convener: Today, we are getting a report back on the commissioning of research on issues that we are interested in. Mr Brown is suggesting that we seek to accelerate one part of the research, and I understand that SPICe might be willing and able to do that. On that basis, is there agreement that we encourage SPICe to conduct that research a little earlier, so that we can make decisions on our future work programme relative to that?

Members indicated agreement.

The Deputy Convener: I would like to go through the recommendations in paragraph 11. I take it that members are quite happy to note the first four bullet points, taking into consideration our suggestion relating to the third one. Are members

also happy to consider the last two items in the paper—that is, the material regarding the commissioning of research that appears in the annexes? Are we content to accept that?

Lewis Macdonald: The recommendation in paragraph 11 on encouraging export promotion and international trade is helpful.

The Deputy Convener: Okay.

Gavin Brown: The final bullet point of the recommendations refers to any further issues. If this is not already on the list, I would like to add research on how we capture and measure our economic data. That has been referred to by several experts both at the away day and thereafter. It would be useful to have a good summary of the potential options and why some are better than others, so that we can see whether there is a Scottish consensus on how best to capture and measure economic information.

David Whitton (Strathkelvin and Bearsden) (Lab): I understood that the Council of Economic Advisers was also concerned with that. I vaguely recall that its first report mentioned that there was a lack of proper data. As Mr Brown says, the point was also made at our away day. If we are trying to get a handle on what makes the Scottish economy tick—including productivity and international factors—more up-to-date data would be a big benefit.

Stephen Imrie (Clerk): As David Whitton said and members will recall, George Kerevan, John McLaren and others at the away day talked about the quality of economic statistics collected by the Scottish Government and about what improvements could be made. Following the away day, the convener wrote on the committee’s behalf to John Swinney to ask what the Scottish Government was planning to do, because the subject had been mentioned as an early task in the work plan of the Council of Economic Advisers. The cabinet secretary replied that it was a priority and that the council would consider it at an early meeting. I understand that it will be one of the subjects that the council considers when it meets again in February.

I will ask the civil service for a briefing on what went on at the council and what moves are planned, which I will bring back to the committee for further discussion. I am also happy to liaise with colleagues in SPICe to see what opportunities there are for improving data collection.

The subject appears regularly in the newspapers—Bill Jamieson wrote an article in *The Scotsman* on it recently—so I am happy to keep the committee informed of what the Scottish Government is doing to improve statistical services.

Christopher Harvie (Mid Scotland and Fife)

(SNP): Back in the 1970s, the Scottish Council Research Institute did a big project to compile a Scottish input-output table. It modelled the economy almost in three dimensions so that people could see the flows from one sector of the economy to another and the flows in from and out to external bodies. That was great when I was working on North Sea oil, for instance. Nothing of that sophistication has been produced since. It was valuable in showing how the economy would move in one direction and what all the associated links between economic sectors would be. That was all done before personal computers and so on, so one imagines that it should be easier to do now than it was then. Such a model would give us a much more realistic view of the economy and how changes in one sector cause changes in another.

Dave Thompson: It is a question not just of what we are collecting and how but of the speed of collection. As various people have mentioned when addressing us, there seems to be a time lag in the Scottish statistics, which lag a quarter, two quarters or even further behind the statistics available for the rest of the United Kingdom. That is important, because we need up-to-date information if we want to make proper decisions.

The Deputy Convener: Are members content to allow the clerk to contact the appropriate people bearing in mind the points that members have made? We will have a report back so that we can consider the subject for future work.

Members indicated agreement.

National Economic Forum

09:44

The Deputy Convener: We move to item 3. Members have a paper before them on the Government's establishment of a national economic forum, including a response from the deputy director of the enterprise and industry division of the Scottish Government. Do members have any comment?

09:45

Gavin Brown: I ask the committee to note my great disappointment at the Government's response to our suggestion. Having looked back at reports on the issue over the past couple of years, I note that there was cross-party consensus, with no objection from any party, that a good way forward would be to establish some kind of national economic forum, involving all business groups—small, medium and large—the college sector, the STUC and the universities. There was cross-party consensus on the need for a long-term strategy to take Scotland forward—our predecessor committee spoke of a decade-long strategy, but we may need it to be longer term than that. It should survive any change of Government or composition of the Parliament. Our predecessor committee's report was excellent in putting forward that view.

The proposal was partly built on the model of the Republic of Ireland's National Economic and Social Forum. The Irish forum, which I think has been going since 1993, includes representatives of the academic and business sectors as well as seven members of Fianna Fáil, three members of Fine Gael, two Labour Party members, one Progressive Democrat member and one independent. A broad political spectrum is represented on the forum. We should ask the Government to rethink the composition of the national economic forum, which should be opened up to all parties.

The letter from the deputy director of the enterprise and industry division says:

"Ministers are not minded to involve MSPs in this body. The Forum is a numbers-limited group."

However, it goes on to say:

"The Forum will not have fully fixed membership and will retain flexibility".

The letter is contradictory. If we are to build consensus on the economy over the long term, forum membership should include MSPs from all sides of the chamber.

Dave Thompson: I am not convinced that it would be helpful to have MSPs on the forum. If

that were to happen, the danger is that our party-political views would interfere with discussion on the economy. There are advantages in letting the forum get on with its work without direct political involvement. There is plenty of time and room for political involvement in and debate on the forum's findings. The forum is, after all, an advisory body. All its discussions will be brought back to the Government and Parliament in due course.

Lewis Macdonald: Clearly, there are different views on the issue. Gavin Brown's point is a fair one. As he pointed out, the Government based its decision in part on the argument that the forum is "a numbers-limited group" but went on to say that the core membership would be augmented by other members who would attend according to the theme.

In the first instance, we should reply to the Government, pointing out the paradox and asking for an explanation. The Government may have a perfectly good explanation and we should at least ask what it is. The presumption of having flexibility but no room for MSPs is an odd one. We should see what the Government's response is before coming to a final view.

Christopher Harvie: As I am an historian, it is my business to introduce dullness from the past into the debate. Two similar bodies were set up in the past: the Scottish Economic Committee, which Walter Elliott set up in 1936; and the Scottish Economic Conference, which Arthur Woodburn set up in 1948. The format that I would want us to avoid is that of the Scottish Economic Conference of 1948. It was representative of all sides of industry and politics, but it drowned itself in generalised discussions. I believe that those discussions were largely monopolised by Tom Johnston, who could conduct hour-long monologues. No one dared to interrupt him because he was so senior.

However, the Scottish Economic Committee struck me as interesting. It basically got four or five young academics, who were chosen by what the Germans would call a Kuratorium, to undertake original work on particular difficult issues that had come up. It reported several times before 1939—one of its best reports was on the Highlands—and it led to James Bowie's book "The future of Scotland", which was published in that year. The quality of the work that the committee did was good because it was done at a hands-off level. It got its executive chosen and then acted as a Kuratorium, which met occasionally to find out what had happened.

David Whitton: It is always dangerous to follow Christopher Harvie, but it is one of the great enjoyments of the committee that I learn something every time I turn up. I am glad that he mentioned Tom Johnston, as he represented the

seat that I now represent—however, that is an aside.

The letter from Jamie Hume says that the forum will be "a numbers-limited group". However, it goes on to say:

"We expect around 120 delegates to attend the first meeting."

If the forum has 120 delegates, how will it get anything done? The danger is that some person—sadly, not Tom Johnston, who is no longer with us—will dominate the conversation and other views will not be heard. I am sure that the membership will be representative, but 120 delegates seems an awful lot.

I have no view either way about whether we should be involved in the forum's membership. I think that it will come back to us—we can ask for it to do so—anyway. There are various other avenues that members can pursue to make their voices heard on the economic future of the country. However, it seems to me that 120 delegates is too many. I hope that they are able to channel their thought processes down the way, so that the forum does not end up being simply a massive talking shop that leads to nothing happening.

The Deputy Convener: I think that it would be rather churlish of us not to welcome the fact that there is to be a national economic forum. The discussion is around various aspects of one particular point—the membership of the forum and whether it ought to include politicians. There seem to be a range of views on the matter, and it seems that the letter that we have received from Jamie Hume contains an internal paradox. He suggests that the forum will be "a numbers-limited group" but that it will have the flexibility to include 120 people.

I do not know about the rest of the committee, but I am content with Lewis Macdonald's idea that we write to tease out that internal paradox. I suggest that we write to Mr Swinney on the matter, expressing our concern and asking whether he can explain in a bit more detail why the Government took the view that it did not want to have politicians on the forum. We can also ask him how it is consistent that the number of members will be limited but will be flexible enough to include 120 people, and how that will allow the forum to deliver. Are members content with that course of action?

Dave Thompson: I would go along with that. We need to write to tease that out. If we are going to write anyway, we should also ask what Mr Swinney feels is the relationship between the national economic forum and the business in the Parliament conference, which will take place next month. That is quite important. I would like to know

whether he foresees the conference continuing or whether it will be superseded by the national economic forum.

The Deputy Convener: I do not think that that is quite within his gift. The conference is a creature of the Parliament—in particular, of this committee—that the First Minister and the minister who is responsible for our area of work are always invited to attend and speak at. However, we could ask in the letter how Mr Swinney sees the business in the Parliament conference—and, indeed, any other event—fitting in with the Council of Economic Advisers and the national economic forum. It would be useful to know what the strategic view is of how it is all going to bind together.

Nevertheless, we ought to start by saying that we welcome the fact that the forum is going to happen. We can then present the questions that we have around it. Are members content that we proceed along those lines?

Members *indicated agreement.*

Gavin Brown: I am content to go along with the committee's decision. Ultimately, I would prefer something stronger, but I am sure that we can deal with that when we get a response.

The Deputy Convener: Once we have the response, we can have another discussion on the matter.

Gavin Brown: The forum offers a unique opportunity for Government, Parliament and business to engage with one another at the same time, instead of one by one. It presents a unique opportunity, which is why I have stressed the views that I have expressed this morning.

The Deputy Convener: I have been an advocate of the Irish model for many years, and the idea of having a consensus view on the direction of travel and building consensus around an appropriate vehicle is undoubtedly attractive to me. There is no doubt that a political input at some point is appropriate, and it is not unreasonable for us to ask why that is not the model that the Government has chosen to follow in setting up the national economic forum. If we disagree with the response that we receive from the minister, we can have that debate then.

I close the public part of the meeting as we go into private for our session on the tourism inquiry.

09:56

Meeting continued in private until 10:55.

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