PUBLIC AUDIT COMMITTEE

Wednesday 11 March 2009

Session 3

£5.00

Produced and published in Scotland on behalf of the Scottish Parliamentary Corporate Body by RR Donnelley.

CONTENTS

Wednesday 11 March 2009

Col.

PUBLIC AUDIT COMMITTEE
5th Meeting 2009, Session 3

CONVENER

*Hugh Henry (Paisley South) (Lab)

DEPUTY CONVENER

*Murdo Fraser (Mid Scotland and Fife) (Con)

COMMITTEE MEMBERS

*Willie Coffey (Kilmarnock and Loudoun) (SNP)
Cathie Craigie (Cumbernauld and Kilsyth) (Lab)
*George Foulkes (Lothians) (Lab)
*Anne McLaughlin (Glasgow) (SNP)
Nicol Stephen (Aberdeen South) (LD)
*Andrew Welsh (Angus) (SNP)

COMMITTEE SUBSTITUTES

Derek Brownlee (South of Scotland) (Con)
Linda Fabiani (Central Scotland) (SNP)
*James Kelly (Glasgow Rutherglen) (Lab)
*John Farquhar Munro (Ross, Skye and Inverness West) (LD)

*attended

THE FOLLOWING GAVE EVIDENCE:

Philip Riddle (VisitScotland)

CLERK TO THE COMMITTEE

Tracey Reilly

SENIOR ASSISTANT CLERK

Joanna Hardy

ASSISTANT CLERK

Jason Nairn

LOCATION

Committee Room 3

Scottish Parliament

Public Audit Committee

Wednesday 11 March 2009

[THE CONVENER *opened the meeting at 10:00*]

Interests

The Convener (Hugh Henry): Good morning, and welcome to the fifth meeting in 2009 of the Public Audit Committee. I ask that any electronic devices be switched off. I welcome Audit Scotland staff and members of the press or public. We have apologies from Cathie Craigie and Nicol Stephen, for whom James Kelly and John Farquhar Munro, respectively, are here as substitutes.

Anne McLaughlin is not only newly elected to the Parliament, but new to the committee. Welcome, Anne.

George Foulkes (Lothians) (Lab): Hear, hear.

The Convener: In accordance with section 3 of the "Code of Conduct for Members of the Scottish Parliament", I invite Anne McLaughlin to declare any interests that are relevant to the committee's remit.

Anne McLaughlin (Glasgow) (SNP): Thank you, convener. I have nothing to declare other than what will be published in my entry in the register of interests.

Decision on Taking Business in Private

10:01

The Convener: Item 2 is to agree to take in private items 5 and 6. Is that agreed?

Members *indicated agreement*.

Section 22 Report

"The 2007/08 audit of VisitScotland"

10:01

The Convener: Item 3 is evidence on the section 22 report "The 2007/08 audit of VisitScotland". We have with us Mr Philip Riddle, chief executive of VisitScotland—welcome, Mr Riddle. Before we move on to questions, I invite you to make an opening statement.

Philip Riddle (VisitScotland): Thank you, convener and members. I want to make a few comments. First, I am grateful for the opportunity to talk to the committee. The subject of VisitScotland.com is, of course, very topical, close to our hearts and very important. We are grateful that the committee has given the subject so much attention. I am grateful, too, to be able to elaborate on several points.

My belief is that, throughout its history, VisitScotland.com has been very good value for the public sector and has delivered what it set out to do. Undoubtedly, we could have done some things better, so the committee might want to ask about that. However, VisitScotland.com has delivered against the original rationale for going into the venture. Furthermore, I believe that it has given us a strong tool for tourism generally.

The recent shareholding acquisition was excellent value for the public purse and it has put us in a very strong position, particularly in the current economic environment, in respect of our ability to use the website and the resources that we now have to act flexibly on behalf of the industry in a difficult time. There is therefore a big strategic imperative. I want, on the record, to commend our partners, who have acted very well throughout the venture. I have no doubt, however, that the committee would like to talk more about the acquisition, which was well timed and necessary.

The industry is already involved in our future direction. We will, as we go forward, change somewhat our emphasis in the light of current conditions and market changes. Much of what we have done since the venture was first thought of has been done in reaction to changes in the environment, particularly in consumer demand. The venture has a long history—we can probably trace its origins back to 1992, but 1999 was the main set-off point. It is probably an understatement to say that the world has changed since then. We must change with it, which is one of the main reasons why we must do things a bit differently from here on in.

The Convener: Thank you for that. You stressed that you believe that the VisitScotland.com initiative has been good value for the public sector. In December 2008, VisitScotland paid £1.25 million to acquire the complete shareholding of the initiative. How much has been used in total from public funds for the initiative?

Philip Riddle: In terms of investment by the public sector, our initial investment was £1.8 million. Since then we have, as you said, spent £1.25 million to buy out the remaining shareholder. In addition, there was a large part of the investment that was not actual cash. We would count the sum of around £900,000 as investment, but that money actually represents accrued debt interest, not cash. Therefore, we are talking about nearly £4 million of investment in total, if we take the £1.8 million, the £1.25 million, plus the accrued interest.

The Convener: Okay. Has that £4 million or so of investment provided a good return?

Philip Riddle: There has been a good return. We have an asset today that has a value—we had PricewaterhouseCoopers value it—of between £4 million and £7 million. I believe that in the future we will do better than cover that £4 million of investment, through cash releases and income gains.

We did not go into the venture as part of the public sector in order to make a profit; rather, we invested because we needed a tourism website. There were five main reasons for going into the venture, which were to have a single contact number for Scotland, to have a contact centre, to have a website, to have a booking engine, and to provide a customer relationship management system. That rationale set us down the path, and all those things have been delivered.

The two main reasons for deciding to go into a public-private partnership, which existed anyway, were that Deloitte, which did the study, said that we—meaning the public sector and particularly the Scottish Tourist Board at that time—did not have enough expertise and resources, and that we could not adequately offset risks. I understand those concerns: between 1997 and 2002, the public sector spent about £10 million on developing the Ossian venture and on developing the lead-up to the venture that we now have. Grave concern about possible risks to public sector expenditure lay behind our going into the venture.

With hindsight, difficulties can always be seen, but that decision was probably quite shrewd. The venture made losses, but we were not in it for profit; rather, we tried to defer risk. We have put in £1.8 million, and the total investment in the venture over the period has been about £13 million. We now have an asset on our hands that is worth between £4 million and £7 million, which is very good value overall. When we started, the main aims were to have a website for the country, a contact centre and a single phone number, and to offset risk.

The Convener: I would like to probe a bit deeper before we move on. You say that you have an asset that is worth £4 million to £7 million. Did you say that PWC valued it?

Philip Riddle: Yes.

The Convener: Did PWC determine that someone out there would be willing to pay between £4 million and £7 million for the venture?

Philip Riddle: No. The work was not done on a resale basis, but on the basis of the venture's value in use, which is its value to VisitScotland. The brand—which is, obviously, ours—accounts for a large part of the value in use. Of course, the brand could be very valuable to somebody else, but we would not give the whole brand. Taking away part of the brand—separating VisitScotland.com from VisitScotland—would be a major loss to us. Part of the value lies in our database of businesses and a big part lies in our database of consumers. As members will know from database legislation, it is not easy for somebody to take databases and use them; there must be consents and so on. The asset would not naturally have that value for somebody else, but it is immensely valuable to us on the basis that if we did not have it today, it would take the costs that have been mentioned to get to where we are today.

A large element of the valuation is based on our anticipated future performance. We expect significant cost savings from the venture and there is a fairly conservative revenue picture, which must be factored in. We have a £4 million to £7 million range because such assumptions have been made. The value is therefore not a resale value; it is a value in use. However, the figures have been thoroughly validated, and they give us a feeling for the asset's value.

The Convener: Do you believe that the organisation is worth between £4 million and £7 million, given what it provides, even though the conversion rates from hits to bookings are as poor as they are?

Philip Riddle: I do. The point about conversion is interesting, but I will start by talking about value. I have never said this in negotiating with partners, but we need a national website—we must have that gateway to the world. The question is how to do that most cost effectively. It is not really a question of whether we should have a website; our view is that we have to have it.

In the future, things will be done slightly differently. The website will place less emphasis on bookings—which comes back to the conversion rate—and will be more about inspiration and information. It will look at user-generated content and different methods of engagement; for example, we want in particular to increase direct customer-to-business engagement. The industry very much appreciates that. In the future, we will not be trying to increase the conversion rate but will instead move to a model that tries to get customers to deal directly with businesses. That reflects the reality of the world and partly explains why the conversion rate has not been so good.

The biggest problem in our assumptions was overestimation of the industry's appetite for online booking and online booking engines. One of the big drawbacks is that although we have had very high usage of the website and very high visitor rates, we have had a low conversion rate. That is a lot to do with the fact that we just do not have a convertible product. We have a fantastic product; we have 9,300 businesses listed, along with all sorts of attractions and 100,000 pages of information. However, to convert that into bookings, one needs to be able to buy those things. We have something called web in a box, which allows businesses to build their own online booking systems. We have 9,300 businesses listed, but only 350 are enabled through web in a box.

Why was the appetite for online booking overestimated? Somewhere along the line, we did not take full account of the scale of businesses. It is very difficult for a business with two or three bedrooms to provide dedicated availability and allocation information. There is perhaps an issue about people not liking the technology, or at least not liking to use it as their sole booking mechanism. There has also been an issue around the cost, which people have questioned. Overall, I believe that businesses were not ready to move into online booking. When we started, we did not have a training programme to get everybody online.

I agree that one of the areas of weakness has been the conversion rate. Rather than say that we are going to change things and make the conversion rate much higher, we accept that there is a flaw in the business model, so we will do things differently in the future.

The Convener: I turn to the decision in December 2008 to take the company into public control, on which a number of members have questions.

Murdo Fraser (Mid Scotland and Fife) (Con): As you said, VisitScotland paid £1.25 million to acquire the shareholding. In addition, there was—I think—a write-off of loans of about £900,000. The information that we got from Audit Scotland at our previous committee meeting was that eTourism Ltd was, at that point, technically insolvent. Will you explain how you arrived at the figure of £1.25 million and the loan write-off figure? How did you decide that that was a fair amount to pay for the shares in a company that was effectively insolvent?

10:15

Philip Riddle: There were at least three questions in there, so I will try to get them in the right order.

The financial position of eTourism towards the end of 2008 was that the accounts had been signed off on the basis of its being a going concern—the enterprise had several hundred thousand pounds in the bank. It had produced a cash forecast that had been accepted by all the shareholders and which showed a cash surplus at the end of the venture, with disbursal to shareholders.

In accounting terms, eTourism was, strictly speaking, insolvent because the liabilities exceeded the assets. However, those liabilities were mostly shareholder debt. On that basis, the venture had been insolvent from day 1 because there had always been shareholder debts, probably exceeding the assets in the venture. That was only really an issue if the shareholders decided to call in the debt. However, the shareholders had already agreed a programme for debt repayment, so VisitScotland.com was not in breach of any obligations—it was not insolvent in the sense that it could not meet a debtor obligation. There were no trade debtors; trade debt and trade credit were manageable. Obviously, there was the credit and debt of doing business, but the only issue was the shareholder debt, although as long as all shareholders were saying, "We're staying with the enterprise", that was not really an issue.

As a business, eTourism was fine. The committee may well ask, "Why did you intervene?" I have already mentioned the strategic reasons. The time was right for a change of direction—the model needed to be changed. The enterprise was built up around a one-stop-shop model but customers no longer really wanted a one-stop shop. Consumers have become increasingly promiscuous, especially because of broadband. They move around all sorts of websites, and do different things in different areas. Our whole concession agreement was built around the concept of the one-stop shop, so that had to change.

The key point financially was in March 2008. As I said, a new cash forecast was produced that showed a surplus of cash for disbursal to shareholders at the end of the venture. That was the first time a cash flow had been produced that showed nothing for us. One of the reasons why the cash flow had been produced was that we were challenging some of the assumptions and saying that they were too ambitious. It was a much more modest and down-to-earth cash flow.

We have a schedule of repayment of debts in five categories of debt repayment. The categories of debt in levels 1 and 2 were to two of the other shareholders. That funding that was going to be available at the end of the venture would have been used entirely to service those categories of debt. That was the first evidence that we might not get repayment of our investment.

We have to remember that until then, although the business had been making losses, it was planned that it would not make a profit until the fifth year. However, in March 2008, we decided that it was time to act on that, so we started negotiations to change the model not only to make it more consumer-friendly, but to release the value that we saw in the business to make it a better deal for us. Does that cover the question about the overall value?

Murdo Fraser: Yes. I was rather keen to get some understanding of how you arrived at the figure of £1.25 million.

Philip Riddle: The bottom line is essentially that the figure was negotiated. However, the estimate of cash that would be available at the end of the enterprise was £3.2 million. The starting point for the negotiation was that there were shareholders who expected a return of £3.2 million if they held with the venture. We had to try to come down from that: we had to make a proposal that said, "We accept that, but we're going to pay only a proportion of the debt." The proportion of the debt that we decided to pay was based on our consideration of the potential cash flow and on saying, "How is this business configured today? Here are the outgoings. Here's the revenue", and on making a projection of future revenue and of future costs.

Using that, we estimated that we could release something like £2 million from the venture over the remaining life of the concession, which is to March 2012. That was my second backstop—we could not go above £2 million, because although we believe the value of the asset will be greater than that, we could see the potential for cash relief of £2 million, so I negotiated from £2 million down to the final sum that we realised of £1.25 million. Initially, we started higher than that, which is unusual in negotiations, but it happened because of the current economic backdrop. One might argue that if we had waited longer, we might have got it cheaper, but there would have been a lot of risks in doing that. The last thing we wanted was for the enterprise or its performance to be affected. It is consumer facing, it takes thousands of phone calls every day and it takes bookings every day: we had to keep that customer-facing side alive and well, so it all had to be engineered in a measured and amicable way.

Murdo Fraser: I am sure that other members will want to come in, but I have a follow-up question. Did you consider other routes? It is clear that eTourism Ltd was not performing as well as was anticipated. As a major creditor, VisitScotland had the opportunity to make the company insolvent. Had the company been made insolvent, that would have been an opportunity to pick up VisitScotland.com, perhaps at a bargain basement price, from the liquidator. Did you consider that option?

Philip Riddle: Yes. First, we decided that it would be quite difficult to make it insolvent. For a start, there was a big interest from two shareholders to hang on in there. For us to make the company insolvent, we would have had to withhold payments that were due, which is probably not ethical for a public sector body. We considered the possibility of voluntary liquidation and estimated that the cost of doing that would be about £1 million. I think that that was a high estimate, which came from VisitScotland.com and was probably a bit generous, but one has to recognise that, even with liquidation, there are costs.

We would have had to lay off staff and probably discontinue our presence online, which would have been a major drawback. That was not included in the estimated cost. Three, four or five months offline would have caused immense damage with our customers. Last, but not least, the company would probably have gone into the hands of the liquidators, whom I suspect may have taken a few months to get a valuation and may have come up with the valuation that PWC has now given us, so we would have had to pay between £4 million and £7 million.

We certainly considered the alternatives. We looked at sale possibilities and at possibilities for new partners, and I believe that we got the best deal after going through the various options.

Murdo Fraser: Okay. You said that you might have had to pay between £4 million and £7 million, but that would depend on whether anybody else was bidding for the asset. Based on what you said in response to a previous question, it is unlikely that any other bidder would have offered that sort of money for the asset.

Philip Riddle: That is true, and that would have been our argument, but the other shareholders would have argued that the company had been valued at between £4 million and £7 million. If the negotiation was around the liquidator's valuation, we would have said, "Look, it is not worth anything—nobody wants to buy it," but the other shareholders would have said that they had a valuation for what it would cost us to rebuild this essential tool, which was between £4 million and £7 million. There would have been a lot of give and take, and I suspect that we may have had a rather messy divorce and we would have ended up no better off.

Andrew Welsh (Angus) (SNP): What is your business experience and background?

Philip Riddle: Gosh—my experience is quite varied and goes back a long way, but most of my business career was with Shell, which I was with for 23 years, mostly in international petroleum and sometimes in the United Kingdom. I have worked overseas and I have worked in general management, in finance, in planning and in marketing—quite a few different areas.

Andrew Welsh: Have you not been involved in setting up businesses?

Philip Riddle: Yes, I have—mostly through Shell.

Andrew Welsh: What are the implications for VisitScotland of taking over a failing company?

Philip Riddle: As I have said already to a certain extent, it is not our belief that it was a failing company. To us, the venture is extremely valuable and is an essential tool for Scottish tourism.

Our plan—which the committee will no doubt want to look at further down the line—is that we will release money back into tourism by taking over the venture completely. We will, by acquiring it, spend less money over the coming years than we would otherwise have done, because it needs to change for reasons I have already given, such as the valuation of the asset and its history. We believe that the venture is viable, especially for a public sector entity that, although it will seek to break even in the future, is not seeking profit.

Andrew Welsh: You say that it is a viable venture and not a failing company. However, you have already said that the business model is flawed and—unless I have picked it up wrongly—that the problems with the eTourism venture are that businesses do not like it, it does not work and it is expensive.

VisitScotland paid £1.25 million for the organisation, in addition to writing off loans and interest at a cost of £2.9 million, so it is already £4.15 million of a problem. Why would anybody wish to increase their share in such a venture?

Philip Riddle: To clarify your first point, I said that I thought that there was a flaw in the business model. Overall, however, I believe that it has worked extremely well. We have had 500,000 bookings—worth £60 million—from VisitScotland.com; there have been 11 million visitors to the website; and we get thousands of phone calls every day.

Everything that was part of our rationale at the beginning has been met, although we overestimated how much businesses wanted to buy in to the venture. The effect of that has been fewer direct bookings through VisitScotland.com than we wanted. Throughout most of the life of the venture, however, that reduction in revenue has been compensated for by a reduction in costs, so there has not been a great shortfall. The things that we wanted out of the venture have been delivered very well.

We have bought not simply a bigger share, but the whole venture. All debt has been written off—£13 million was invested in the venture, we have got it for £4 million and it is worth between £4 million and £7 million. We do not have any contingent debt. The only remaining debt—it is just accounting treatment—is the debt that is owed to us. We might call in that debt, but that would just involve moving money within VisitScotland. We believe that we are in a very clean position. The venture is a good purchase for the public sector and it puts us in a strong position for the future.

Andrew Welsh: A better way of putting it is to say that the debts were cleared for you, because those who were involved agreed to write off the loans and interest that were owed to them. In addition, eTourism Ltd had a deal with VisitScotland to be paid £1 million in each year over a 10-year period

"regardless of eTourism Limited's performance".

That is in addition to the risk assessment warnings in the outline business case, based on which the whole thing got the go-ahead. That seems to be a very shaky foundation for a £10 million revenue assumption. Why would anybody want to buy into that? Why did it happen?

Philip Riddle: We are talking about operating costs and operating spend. I hope that I have explained the basis of the original investment: we invested £1.8 million, and our aims were to get a single contact number for Scotland, a contact centre, a website, CRM and a booking engine. That is why we bought into the scheme—those things are important for us. We had already spent £10 million on them without getting anywhere. We bought in to the venture because we wanted those things: we now have them.

During the course of the venture, the commercial arrangements have been that we have paid for services, which is nothing to do with the investment. We have also received £100,000 a year as a concession fee for the use of the brand. Those matters were commercially negotiated and have been good value for money, but they are quite separate from any debate about investment.

Andrew Welsh: If you were an ordinary company, would you be bankrupt?

Philip Riddle: Are you talking about eTourism Ltd?

Andrew Welsh: Yes.

Philip Riddle: PWC signed off the accounts for the venture in September 2008 as a going concern.

10:30

Andrew Welsh: What does all of this mean for the taxpayer? Have you not transferred to the taxpayer losses and liabilities that were previously shared with the private sector?

Philip Riddle: No. By paying £1.25 million, we have got rid of all private sector losses and liabilities—we do not owe anyone anything. That is one of the beautiful things about the arrangement. The company is owned 100 per cent by VisitScotland, and we have cleaned out the balance sheet. Now the only potential liability is debt from VisitScotland.com that is due to VisitScotland. How we treat that in accounting terms is an esoteric issue down the line.

Andrew Welsh: I find it difficult to correlate the word "success" with the reality of a company that performed poorly and seems to have had a shaky business case. Are you saying that it has been a success?

Philip Riddle: Absolutely. For us, it has been a success. The rationale for setting up the company was to produce a website, a contact centre, a single contact number for Scotland and an integrated approach to customers. The intention was to hedge our risk by bringing in private partners and using private expertise and resources. All of those things have been delivered; we also have a CRM system. Our customer research indicates that 75 per cent of people found the site easy to use, 93 per cent thought that the design was good and 98 per cent would recommend the site to a friend. That is what interests us. The public sector is not really interested in making a massive profit out of investment in a venture such as this; we are interested in delivering for our customers.

Andrew Welsh: Surely eTourism Ltd has not delivered on its original purpose in terms of bookings and outcomes for its customers.

Philip Riddle: It has delivered for customers. I cannot answer for the private sector partners, but it has delivered in respect of the public sector's reasons for embarking on the venture.

Andrew Welsh: Unless I am wrong again, you said that the businesses that you dealt with did not like eTourism Ltd.

Philip Riddle: I am not sure that I made a blanket statement to that effect. I said that one reason for moving to a model that is based more on connecting customers directly to businesses is that businesses have indicated to us that they prefer that approach. That is not the same as not liking VisitScotland.com—9,300 businesses are paying to be on the site and 11,000 are engaged. No one else in Scotland has anything like those figures. Businesses have voted on the venture with their money and participation. We would be silly not to recognise that some things could be done better, but overall VisitScotland.com has delivered on the purposes for which we set it up.

George Foulkes: I am slightly confused about where the £1.25 million went. The Auditor General's briefing paper indicates that shareholding in the company has changed over time. It states:

"the parent company of SchlumbergerSema, Atos Origin UK, decided to give up the majority of its shareholding, reducing its shareholding to 7%. At the same time, Tiscover UK … took a 35% share in the company, with the remaining shares split between TourCo Limited/VisitScotland (whose share increased to 36%) and Partnerships UK (share increased to 22%)."

In December 2008, VisitScotland bought out the other shareholders. To whom did you pay the money?

Philip Riddle: We paid it to the other shareholders.

George Foulkes: Do not say "other shareholders"—say which shareholders you paid. It is very confusing.

Philip Riddle: The other shareholders at the time were Tiscover, Atos Origin IT Services and Partnerships UK.

George Foulkes: So the sum of £1.25 million was determined in negotiations with those three shareholders. Can you describe Partnerships UK?

Philip Riddle: It is partly a Treasury body. It is the only one of the shareholders to have been involved in the venture from the start—we set up the public-private partnership with it. The body was conceived to help establish PPPs.

George Foulkes: But it is a Treasury—

Philip Riddle: It is part private, part Treasury.

George Foulkes: How much did it get?

Philip Riddle: It got £200,000.

George Foulkes: And Atos?

Philip Riddle: Atos got £800,000.

George Foulkes: And Tiscover?

Philip Riddle: Tiscover got £250,000.

George Foulkes: Did they press hard for that? Did they put forward convincing cases? How did the negotiations take place?

Philip Riddle: The negotiations started in May 2008, with—as I mentioned before—a higher offer on the table. At that time, we saw a higher value in the enterprise. The negotiations were quite tough. They took us from May to December 2008, when the deal was finalised. During that time, we revisited our offer, so there was a fair amount of to and fro. I found all the partners extremely businesslike and very supportive throughout. They did a good job in terms of what they put into the venture.

George Foulkes: But they got out of it with a substantial amount each, so they would not be unhappy about it.

Philip Riddle: I cannot comment for them. We have an asset, but they have not even recovered their initial investment.

George Foulkes: So they have lost out on the enterprise.

Philip Riddle: I hesitate to comment on how they would see it but, on paper, they have not recovered their original funding.

George Foulkes: I just do not understand the basis on which the negotiations were held. Who argued the case on behalf of VisitScotland?

Philip Riddle: I did.

George Foulkes: Personally?

Philip Riddle: Yes.

George Foulkes: Did you have a financial adviser? Did you have a company of accountants working with you?

Philip Riddle: Obviously, I was backed by the full team at VisitScotland, and throughout we were careful to take legal advice from—

George Foulkes: But did you have financial advice from KPMG, PricewaterhouseCoopers or—

Philip Riddle: We did not use consultants.

George Foulkes: No one at all?

Philip Riddle: Not for the negotiations, no.

George Foulkes: So how did you determine what level you should start at?

Philip Riddle: As I mentioned, one of the main issues hanging over the situation was the fact that the cash forecast that was on the table and had been agreed by all the parties said that there would be a disbursal of funds to other shareholders of £3.2 million by the end of the concession. Let us say that that was the aspiration point of the other parties, which I knew of in advance. Against that, our team had produced a cash forecast that said, "Here's a different way of running this venture." We forecast that we could take £2 million out in costs, based on the current cost profile, so my upper level of what we could take out was £2 million, based on a good, sound estimate. That gave me a threshold against which to negotiate. Then it was a case of trying to get the expectations of the other shareholders down towards a price that we were prepared to pay. I think that we did that reasonably, but the negotiations were quite tough.

George Foulkes: An initiative to buy out the other shareholders came from you.

Philip Riddle: Yes.

George Foulkes: They did not suggest it. They did not ask to be bought out.

Philip Riddle: No.

George Foulkes: You thought that it was a good deal to buy them out.

Philip Riddle: Absolutely.

Anne McLaughlin: Hello, Philip. We have considered two of the options that were open to you. One of them was to force eTourism Ltd into liquidation, which you obviously did not do; the other was to take it into public ownership. There must have been other options. If we accept that we need a website that is, as you put it, a gateway to the world, what other options would have been available if neither of those two options had been open to you?

Philip Riddle: We had already tried one that was reasonably successful. In 2006, we changed the partnership and brought in a new partner. That was one option that was open to us—to try to bring in a new partner with new capital and new expertise. We did that with Tiscover, which is an Austrian company with a lot of experience in running exactly the right kind of enterprise. Tiscover put money into the venture and brought a new platform for the technology. That worked pretty well, but it was not quite enough. We could have taken a view on whether we could bring in any other partners, but we think that we got the best partner at the time—we did quite a lot of work on that. Even today, we retain Tiscover as a technical partner, although not as a shareholder.

We looked at selling the venture, but if we had sold it, it would have been difficult to realise its value. Strategically, that was not a starter anyway because, particularly in the current environment, we prefer to have control of something that is absolutely central to Scottish tourism so that it is not driven solely by the need to get a certain level of profit.

A management buy-out could have been considered, but that would not have given us the necessary freedom and flexibility and might have been driven by profit. We could have considered other joint ventures. If we had left all the partners, we might have done a deal with Expedia and Microsoft. We considered those possibilities. We still think that there are possibilities to engage with those companies but we decided not to do so, as shareholders. In future, we would prefer to have the freedom and flexibility to engage with state-of-the-art partners on a more commercial basis.

James Kelly (Glasgow Rutherglen) (Lab): I have questions about the performance monitoring of eTourism Ltd. The external auditor's review indicates that you had concerns about eTourism from 2005 onwards. How did you monitor its performance in that period?

Philip Riddle: The monitoring was on several levels. Through our membership of the board of eTourism, we received regular reports on performance. Those were monthly and sometimes weekly, depending on what was requested. The eTourism board, on which we had two members, also monitored through regular board meetings. Our shareholding was held not by VisitScotland but by a company called TourCo, because originally the area tourist boards and the Scottish Tourist Board had invested. TourCo—of which I was, and still am, the chairman—monitored the reports and sent an annual report to the board of VisitScotland. There were several layers of performance monitoring.

It must be remembered that, throughout, we were never in the majority in eTourism and so we could not pull all the levers. I am sure that everyone round the table knows what it feels like to be in a minority position. At times, when monitoring the situation, we thought that something should be done, but that always had to be negotiated back through the various layers.

James Kelly: I note your comments about being in a minority, but I would have thought that if there were concerns, the other partners would have shared them. What information was contained in the reports that you mentioned?

Philip Riddle: We had regular operational reports and, as one would expect of a board, we had board reports on major topics. The most significant work was discussing and agreeing the annual business plan and then monitoring progress against it. That was the core thing that drove us on.

James Kelly: What key performance indicators were in those reports?

Philip Riddle: I suppose that the cash position was number 1. Obviously, we considered revenue and costs, but the most important thing was how much cash there was. We examined the number of bookings and their value—that was an important consideration. We considered the trends on issues such as the number of calls to the contact centre, the number of hits on the website and the number of online bookings. We also monitored the number of bookings through tourist information centres, as the system took bookings from our network of TICs throughout the country. It was important for us to monitor the trends in bookings. Those were probably the main KPIs. We started with the cash, but then considered how the various elements of the business, including the website, the contact centre and the TICs, were performing. We found some interesting changes. The contact centre did a lot better than we expected, but the conversion rate on the website was not as good as expected, for reasons that we have discussed.

James Kelly: Correct me if I am wrong, but you seemed to suggest earlier that the first time you saw a full cash forecast was in March 2008.

Philip Riddle: No—sorry. That was the first time that we saw a cash forecast that said we were not going to get our money. We had regular cash forecasts, but every one until then indicated that there would be a cash surplus at the end of the venture that would give people their money back.

James Kelly: What particular failures on performance indicators caused you concern between December 2005 and March 2008?

10:45

Philip Riddle: In general—I am going to generalise, but I hope to get my point across—revenue never quite met expectations. However, as costs had always been managed, the difference was more or less on plan. In other words, our cost base was fine, but we were always concerned about revenue. We addressed that in 2005 by introducing Tiscover, which helped to rejig the balance sheet by allowing us to take a lot of things out of the equation. For example, Atos wrote off £6 million of debt. We also brought in fresh money and a fresh platform.

When we got into 2007-08, we were still concerned about revenue. We were still impressed by the cost management, but there was a limit to how far costs could be cut, especially in the model that was being used. We believed that we could get further costs out of the enterprise, but that we would have to change the model to do so.

At a certain point, we said, "We think that, given the current cost structure, the revenue lines are ambitious. Please redo the cash forecast along more conservative lines." However, when that was done, it became clear that, with the lower cash surplus that was suggested, we were not going to get the money back and that more direct action was needed. As a result, we opened negotiations.

James Kelly: As you say, you can rejig the balance sheet all you like but, in business, cash is king and it drives decisions and success. It is clear that, over a significant period of time, you failed to get the revenue that you were looking for. What specific actions did you consider to reverse the situation?

Philip Riddle: You are quite right to say that you should concentrate on cash. The cash situation was okay, because although revenue was down, costs were also being kept down. The actions that we were looking for had to match costs against revenue, and the enterprise was successful in that respect. However, as I said, we realised that such an approach would not be sustainable over the longer term, and the cash forecast backed up that view. We could have gone back and said, "You must cut costs further and introduce new products and revenue streams," but we decided not to do that, because we believed that the model had to be changed and that that would be easier to do if we just made a clear acquisition. As a result, we did not go back and ask for modifications of the existing model. Instead, we said, "Things have been good up to now, but this is a time of change. Here's our offer."

James Kelly: You have told us about the action that was taken to reduce costs, but you have not provided any details about what you did to try to attract more revenue and therefore more business through the door. After all, that is what drives success in tourism.

Philip Riddle: It was not just a simple case of trying to increase revenue; indeed, one mistake was that people kept coming back with new ideas for increasing revenue. It was a combination of factors.

In August 2008, while we were having these discussions, we launched a new website, which changed the core of the business model by centring it more on listings fees. For much of the venture, the model had been based on making lots of money from commission on bookings. However, that model had its deficiencies, so we decided to correct it by encouraging more customer-to-business contact—which meant that, although we would get more customers in, we would not receive any commission—and putting more emphasis on charging businesses for being listed. That did not produce a lot more revenue, but it is a lower-cost and more effective option. We will continue to place more emphasis on businesses wanting to have themselves listed and less emphasis on trying to push people through the VisitScotland.com booking site.

We also introduced a business shop. The website was divided into two sides, both of which can be accessed from the homepage. There is now an information side with listings and great information about Scotland, and another, more commercial side, which is the route by which we intend to increase revenue, as it enables people to book online. We also introduced some new offers and packages and implemented a new shopping-basket system. However, although those aspects are designed to increase revenue, we do not expect them to do so to a massive extent.

James Kelly: What was the forecast revenue at that time, and how did performance compare with that, once the changes had been brought in?

Philip Riddle: I do not have the final 2008 figures yet, but the cash forecast that was produced during 2008 indicated that there would be a cash surplus of £3.2 million by the end of the period, which is fairly healthy. That was the forecast that all the shareholders agreed, based on more conservative revenue assumptions.

James Kelly: When you say "conservative revenue assumptions", do you mean that the impact of the changes would be to bring in less revenue than had previously been forecast?

Philip Riddle: Yes.

Willie Coffey (Kilmarnock and Loudoun) (SNP): In your opening remarks, you said that the venture had provided good value for the public sector. According to the Audit Scotland paper that I have before me, the eTourism venture reported cumulative losses of £12.4 million in December 2007. How on earth can losses of such a level be a good deal financially for the public sector? As Andrew Welsh noted, much of that money was debt and liability that had been held by the private sector.

Philip Riddle: There are two issues: one involves the financial performance of the venture; and the other involves the acquisition. It was planned that there would be four years of losses and that the operation would break even in the fifth year. That is not unusual, and the losses were financed through the shareholder funds that were put into the venture. It is not as if money was being poured in. We have not taken forward any liability; no repayments are due at all.

In the course of the venture, it was running at a loss, which was financed by the shareholders. When we came to the point of acquisition, the shareholders had that money outstanding, albeit mostly in debt, not equity. Most of that money was not our money; it was the private shareholders' money. Atos wrote off around £6 million of that, and we are left with the balance, which is around £6.3 million. We have made an investment of £1.8 million to start with, and, on top of that, there is the deferred interest, which is technically an investment, although it is not a cash investment; it is simply the interest that we did not receive. If you take away from the balance our investment and the deferred interest, you are left with about £4 million. That has also disappeared now, through the investment of shareholders' funds and £1.25 million of our money.

Therefore, as a result of paying out £1.8 million plus £1.25 million, we have got an asset that is worth £4 million to £7 million, which looks quite good. We have also had the use of the asset, which has been working productively for the industry for six years. We have stemmed losses—before we got to this point, we had paid something like £10 million. We have managed to control and defray the risk, we have had the use of the asset and we now have the value of the asset. To me, that represents a good investment.

Willie Coffey: Can you say anything about the current financial position? The conversation with members has gone along the lines of your saying that profitability is not really expected and has been about the low rate of converting visits to bookings. Will the entire venture at any point make any money that it returns to the public sector?

Philip Riddle: Our plan is to operate the enterprise at break even, so we do not expect dividends—we are not in this to produce dividends. However, in that plan, we will aim to recycle £2 million—I have mentioned that figure—which will be cash that comes back into VisitScotland's main business streams, excluding the value of the asset.

The public investment is covered, because we have an asset to set against the money that we have spent that is easily worth what we paid for it and is producing what we want. Normally, when we want to invest in an asset, we do not invest to try to make a return and then get out of the asset. On top of that, we aim to generate £2 million to put back into the business from cash that is released and which we would have paid otherwise. That comes back to the question about operating costs and the commercial arrangements.

Willie Coffey: You said in response to James Kelly that your approach is now different and that you charge listings fees rather than booking fees, but that not much difference exists between the two options. I do not see how you will get out of the current situation and make any profit from any part of the sector. I would appreciate it if you clarified when you will break even and perhaps begin to make a return on the investment of public money in the venture.

Philip Riddle: We have just produced the operating plan for the years ahead, but I do not remember where we put the break-even point. The situation is slightly more complicated, because one benefit is that we will remove quite a lot of cost. In the future, the entity will not be comparable. For example, the whole VisitScotland.com venture will move to Ocean Point on Monday and will sit in our offices, so it will have no chief executive, finance director, finance department or human resources department. All those costs will disappear straight off and they will no longer be captured.

As I said, the hard figure is £2 million of cash released over three years—from 2010 to 2012. I cannot say when the break-even point is but, over those three years, the venture will return that money to VisitScotland. We will have a functioning operation that continues way beyond 2012—it will keep going.

Our books will always show a cost, but we will try to keep the net cost to zero. That is our aim and our undertaking in the business plan. The cost of the long-term running of the venture will be on our books, but we will aim to have the revenue to match that cost. Revenue will come primarily, but not exclusively, from listings. We are also considering possibilities, such as pay by click-through, for changing the revenue model. We commit to saying that we will run the operation for VisitScotland at zero net additional cost, after we have released £2 million back into the business.

Willie Coffey: I am interested in having a wee look back at the business model and the risk assessments that were conducted when revenue was forecast from the conversion of visits to bookings. I recall from Audit Scotland's briefing paper that the possibility of not earning revenue from bookings was assessed as low risk and as unlikely. That went spectacularly wrong. You tried to explain the situation by saying that businesses were not quite ready for the online booking model, but that would make the public in Scotland unique in the world in not being ready for the internet booking environment, whereas I think that they were very well placed for that. I do not understand why that model failed and I would appreciate more explanation of that.

Finally, on a connected issue, you said that the web future for the VisitScotland.com site will be more about user-generated content and inspiration. Forgive me, but how on earth will that lead to revenue for the company and a return for the public sector?

11:00

Philip Riddle: On the first question, it is not the public who were not ready—

Willie Coffey: Were businesses not ready?

Philip Riddle: I am not sure that it would be correct to say that businesses were not ready, but there was definitely an overestimate of their readiness to move to online booking.

Three major factors contributed to that. The first—I am not saying that this has nothing to do me, but, although I agreed with the assumptions that went into the model, I was not there at the time so I cannot provide all the background on where those came from—is that we failed to understand that small businesses have great difficulty allocating 100 per cent of their accommodation. That is my interpretation of the matter. If a business that has only three rooms is to use online booking, it needs to use just one channel and make all the rooms available online. People then need to wait on bookings coming in, but they also want to take bookings over the telephone, from passers by and by word of mouth. I can understand that reluctance to go through just one channel—although people are doing that more now—so it is not impossible that, somewhere along the line, we underestimated that.

We also underestimated—

Willie Coffey: Sorry, was any market testing done to gauge people's response to that?

Philip Riddle: I am afraid that I do not know. There was a lot of industry involvement and the site was supported by all the area boards and by the Government's strategy, but I do not know what market research was done on that.

Secondly, people's need to feel in control was underestimated. When people move to having all their product available for online booking, they lose control. They might go to bed at night then wake up to find that they have gained three bookings or lost three bookings. That is a psychological barrier. Although that might not sound like much, I think that that is another issue that we have to overcome. The deficiency was that no programme was put in place to produce training or to tell people how to get over those barriers. I do not think that that jeopardised the whole business—it has had six successful years—but that was a fly in the ointment.

Sorry, was your other question about price?

Willie Coffey: My other question was about the move towards the new web experience being more about inspiration and user-generated content. How will that make any money?

Philip Riddle: Again, I reiterate that our aim is not to make money from the site—

Willie Coffey: Surely, the aim is not to make continuing cumulative losses. What is the aim in financial terms?

Philip Riddle: Our aim is to try to break even. We believe that the main purpose of a national tourism website should be to inspire people to come to Scotland. That must be done through providing many things that do not make money, such as information-rich content. We will put more emphasis on that, but we will aim to break even. Our revenue assumptions will be more modest than in the past because we will not be under that pressure to make a profit. The assumptions are that revenue will come primarily from listings, partnerships with businesses and some advertising on the site. However, the site will be less commercial, which we think will be good for Scottish tourism. It will be less commercial, but we will make the books balance.

On user-generated content, I wish that I had the magic to turn that into money. Some enterprises are able to do that, but we need to take on board the fact that this is a big new development on the web. Personally, I do not think that we will make money from enabling user-generated content, but if we do not accommodate that trend today we will need to do so tomorrow. In part, the issue is that the site needs to be more in line with consumer trends. It is not about making money.

Anne McLaughlin: You said earlier that the website is not a convertible product, and you have just explained why that is the case. However, we live in a world in which people are becoming more and more comfortable with ever-evolving technology. Have you decided that you will not try to convert visits into bookings? Will you review that as time goes on? I suggest that, just as you are reviewing content and having user-generated content, you might find that now—a few years on—more people are coming to terms with the internet and online bookings. Have other countries managed to do that successfully? Will you reconsider that decision? I appreciate the fact that it is a business decision, but it would be a great shame if the decision were taken that, because it has not worked, that idea is at an end. Will the decision be reviewed, and will someone look at whether you can up the conversion rates?

Philip Riddle: You are absolutely right. Online booking is here to stay—it is the future. That is why we have put a lot of effort into it.

The difference between us and other countries is interesting. Our current set-up involves exclusive online booking through VisitScotland via the VisitScotland.com booking engine. That is where we were locked into the contract, and it is one of the things that we have now bought ourselves out of. That is one of the aspects of the model that has been constraining us. Where other countries are concerned, I sometimes wonder whether we are leading the advance or covering the retreat. Practically everybody started out with the same vision—a one-stop shop with everything for everybody—but most countries have retreated from that. It may say something about our hardiness that we have stuck with it; alternatively, it may show that it is time to change.

Other countries have tended to go in one of two ways. Some have given up altogether and do not have any booking facility—their websites just have lots of information, colour, maps and so on. Others have opened up bookings to more providers. I am in danger of getting ahead of the situation, as we have not quite set our direction, but I can say that that is a feature that we are considering.

When the venture started in 1999—and even before then, when it was conceived—there were not many online booking engines out there. Massive advances have been made over the past few years. Now, the question that we must ask ourselves is not whether we need online booking but whether we need online booking exclusively through VisitScotland.com. I think that the answer is probably no. We must open out and have online booking through a number of channels. However, the ink is not yet dry on our strategic approach.

George Foulkes: Well, as far as the future is concerned, you had better get the ink dry fairly quickly, had you not?

Philip Riddle: Yes, but it is moving all the time. No sooner is the ink dry on one bit than we are changing another bit. The acquisition of the site gives us the possibility of being adaptable.

George Foulkes: You are the chief executive, but you are not giving us a clear indication of how you see the website operating. It can be one thing or the other. It can be either a website saying what people can do in Scotland, with all the attractions and all the nice pictures, or a website through which people can book. Which is it going to be?

Philip Riddle: We will still have a mixed model and give people the option of booking. I am talking about changes in emphasis. I do not think that it has to be either/or. The commercial world has moved towards having a lean, mean booking machine. Let us consider, for example, the evolution of the Expedia website over the years. It started off with quite a lot of information, colour and ideas on it, but it has moved to being a website for people who know where they want to go and want to book. I still think that there is a place for us somewhere in the middle, giving people access to information and routes to direct booking. That is what visitors want.

George Foulkes: But you have not given a clear indication of what you want your website to be. We understand the problems that you have mentioned with bookings for a hotel or boarding house that has only two or three rooms. However, there are many large hotels and commercial attractions, such as Blair Drummond safari and adventure park, theatres and—if you will excuse my saying it—football matches, that could be booked through the site. There is a whole range of such things. Do you have those in mind? Are you trying to make your site one through which people can book a number of attractions, so that people who are coming to Scotland can book a hotel, a trip to the theatre or a trip to see Hearts beating Hibs? What is your vision for it?

Philip Riddle: Let me try to clarify and simplify it a bit. I cannot guarantee Hearts beating Hibs, though.

George Foulkes: I can.

Philip Riddle: As long as Dunfermline beat Aberdeen—that is the only thing that we are interested in.

George Foulkes: You can see the point that I am making.

Philip Riddle: We will not fall into the trap that I think we fell into previously of saying that we are going to do absolutely everything—that would be too easy.

George Foulkes: But what are you going to do?

Philip Riddle: We are going to have a priority of inspiration, which is about reaching customers—

George Foulkes: What does that mean? With respect, you talk a good talk, but you are not telling us exactly what is going to happen in practical terms. James Kelly tried to pin you down on what that means in terms of revenue streams. Where are you getting the money from to get to the break-even point that you want?

Philip Riddle: There are three elements to the website. I could go on all day trying to describe what inspiration means, but let us just say that it is the big box with all the things that are lovely, colourful and wonderful about Scotland but from which we make no money. That is our service to our customers. Let us just try to compartmentalise it like that.

George Foulkes: Okay. I have got that.

Philip Riddle: The second box is our service to businesses, essentially. That is where we encourage customers to get in touch directly with businesses. We will make money from that, mostly just by taking a listing, but we will not interfere with the transaction.

George Foulkes: Right. I have got that.

Philip Riddle: The third box is where we commercially intervene.

George Foulkes: Right. Let us take the third box. Who are you negotiating with now so that you have the right to take bookings and responsibility for doing that? What commercial organisations around Scotland are you working with?

Philip Riddle: We have already got several hundred businesses in that category. As I said, 350 people use the tool called web in a box. We have many more businesses there that take bookings through—

George Foulkes: So I am sitting in Canada wanting to book—what can I book?

Philip Riddle: Primarily accommodation. We do packages and we can do some transport and some events ticketing. I agree that there is a big potential there. As you said, we must be a bit more mobile in adapting to the market. For the future, therefore, we would like to be able to offer the opportunity to book not just accommodation but everything else too, including the theatre, football and transport. However, I believe that most of that will go into the second box.

George Foulkes: Who is negotiating on your behalf? Do you have an agent? Do you have someone on your staff who goes out and seeks opportunities?

Philip Riddle: Absolutely. We do commercial deals every day with businesses, airlines, accommodation providers and tour companies, and not just for the website. A third of our budget comes from revenue that we generate through agreements with third parties. We do deals on a daily basis with, for example, Ryanair, EasyJet and Continental Airlines, with the hotel groups and with the attractions. They are sometimes reflected just in print or other initiatives, but—

George Foulkes: So I am sitting in Toronto—what can I book through your website?

Philip Riddle: You can book accommodation.

George Foulkes: Yes, I got that one.

Philip Riddle: You can book packages. For example, you can book a visit to the tattoo, with three days' accommodation in Edinburgh. You can book various things like that, but it is primarily accommodation.

George Foulkes: It is primarily accommodation.

Philip Riddle: It is today.

George Foulkes: But, with some entrepreneurial initiative, a range of other things could be done.

Philip Riddle: Absolutely. I think that that is tremendously exciting. When I refer to what you can book today, I am talking about booking through VisitScotland.com. You can come on to our site, get direct contact with a business and book practically anything. However, going back to my description of the three boxes, I think that most of the booking will be in the second box. One reason for having an agency such as VisitScotland is so that we can intervene where there is a market failure or a gap. However, we must address whether moving entrepreneurially into all the areas that I described is completely justified for a public sector agency.

George Foulkes: Why not? Public sector agencies can make profits, you know. It is quite permissible.

11:15

Philip Riddle: We are not averse to profit, and we recycle it. However, I will give an example. At the moment, the selling of concert tickets for the Scottish exhibition and conference centre is done very professionally on a private basis. We could try to move into that area; we could try to sell tickets through VisitScotland.com, and it would probably be quite a nice earner. However, I do not think that the private sector operators would be very pleased. We would be in danger of being accused of using public sector support in order to compete unfairly.

I would be excited to move into many different areas, but there has to be a degree of control over how far we go into some areas.

George Foulkes: What links on the website are related to the homecoming?

Philip Riddle: We have a dedicated homecoming website, which is up and functioning. It has gone very well, receiving a tremendous number of hits, and it links back into the main VisitScotland.com site. People can come into the homecoming site, learn about the events, and then link into VisitScotland.com to book accommodation.

George Foulkes: Just accommodation?

Philip Riddle: Primarily, yes.

George Foulkes: So people could not book for the Burns festival in Ayrshire, for example.

Philip Riddle: I do not believe that they could book online, although I would have to check, because I cannot remember.

The Convener: All right, we will draw the evidence session to an end. Thank you very much, Mr Riddle, for what has been a full session. It has gone on a bit longer than we had expected, and has covered a wide range of issues. Thank you for giving us your time. Would you like to say anything in conclusion?

Philip Riddle: Only to thank the committee very much for its interest. I welcome the chance to exchange ideas, which can be a healthy process for everyone. I hope that you now have a broader appreciation of VisitScotland.com; I certainly have a broader appreciation of some of the issues that the committee is interested in. The issues are complicated, and I would be only too happy to speak to members after the meeting, or to write to them, if there are lingering questions to be answered. Thank you.

The Convener: Thank you.

Public Audit Committee Report: Response

"Free personal and nursing care"

11:17

The Convener: We move to item 4. Committee members have received a response from the Government to our "Free personal and nursing care" report. It is a full response from the accountable officer, Dr Kevin Woods, who has attempted to cover a number of the areas that concerned committee members.

Andrew Welsh: Twelve of our recommendations have been accepted and one has been partially accepted. That sums it up.

The Convener: Yes, the outcome has been positive. I am sure that committee members want me to put on record our appreciation of the response from Dr Woods. I am not sure that there is much more that we can do. Do members have any thoughts? We might wish to consider which issues should be included in the Government's next progress report, and what further action should be taken.

George Foulkes: Are we talking about the recommendations in annex A of the paper from the clerk?

The Convener: Yes.

George Foulkes: The clerk has gently suggested some things that members "may wish" to do. I agree with the clerk's recommendations and I think that we should follow them.

Andrew Welsh: Yes—to get an update on the work that is being done.

The Convener: Okay. Are we agreed that we should ask for an update?

Members *indicated agreement*.

The Convener: As I say, the Government's response has been positive, which is to be welcomed.

11:19

Meeting continued in private until 12:06.

Members who would like a printed copy of the *Official Report* to be forwarded to them should give notice at the Document Supply Centre.

No proofs of the *Official Report* can be supplied. Members who want to suggest corrections for the archive edition should mark them clearly in the daily edition, and send it to the Official Report, Scottish Parliament, Edinburgh EH99 1SP. Suggested corrections in any other form cannot be accepted.

The deadline for corrections to this edition is:

Tuesday 24 March 2009

PRICES AND SUBSCRIPTION RATES

OFFICIAL REPORT daily editions

Single copies: £5.00
Meetings of the Parliament annual subscriptions: £350.00

The archive edition of the *Official Report* of meetings of the Parliament, written answers and public meetings of committees will be published on CD-ROM.

WRITTEN ANSWERS TO PARLIAMENTARY QUESTIONS weekly compilation

Single copies: £3.75
Annual subscriptions: £150.00

Standing orders will be accepted at Document Supply.

Published in Edinburgh by RR Donnelley and available from:

Blackwell's Bookshop

53 South Bridge
Edinburgh EH1 1YS
0131 622 8222

Blackwell's Bookshops:
243-244 High Holborn
London WC 1 7DZ
Tel 020 7831 9501

All trade orders for Scottish Parliament documents should be placed through Blackwell's Edinburgh.

Blackwell's Scottish Parliament Documentation Helpline may be able to assist with additional information on publications of or about the Scottish Parliament, their availability and cost:

Telephone orders and inquiries
0131 622 8283 or
0131 622 8258

Fax orders
0131 557 8149

E-mail orders
business.edinburgh@blackwell.co.uk

Subscriptions & Standing Orders
business.edinburgh@blackwell.co.uk

Scottish Parliament

RNID Typetalk calls welcome on
18001 0131 348 5000
Textphone 0845 270 0152

sp.info@scottish.parliament.uk

All documents are available on the Scottish Parliament website at:

www.scottish.parliament.uk

Accredited Agents
(see Yellow Pages)

and through good booksellers

Printed in Scotland by RR Donnelley