

ECONOMY, ENERGY AND TOURISM COMMITTEE

Wednesday 28 May 2008

Session 3

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ECONOMY, ENERGY AND TOURISM COMMITTEE 12th 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

THE FOLLOWING GAVE EVIDENCE:

Richard Arnott (Scottish Government Enterprise, Energy and Tourism Directorate)
John Brown (Scottish Government Enterprise, Energy and Tourism Directorate)
Ross Loveridge (Scottish Government Enterprise, Energy and Tourism Directorate)
George MacKenzie (Keeper of the Records of Scotland)
Jim Mather (Minister for Enterprise, Energy and Tourism)
Mike McElhinney (Scottish Government Enterprise, Energy and Tourism Directorate)
Jamie McGrigor (Highlands and Islands) (Con)
Neel Mojee (Scottish Government Legal Directorate)

CLERK TO THE COMMITTEE

Stephen Imrie

SENIOR ASSISTANT CLERK

Katy Orr

ASSISTANT CLERK

Gail Grant

LOCATION

Committee Room 1

Scottish Parliament

Economy, Energy and Tourism Committee

Wednesday 28 May 2008

[THE CONVENER *opened the meeting at 09:34*]

Tourism Inquiry

The Convener (Tavish Scott): Good morning, ladies and gentlemen. This is the Economy, Energy and Tourism Committee's 12th meeting in 2008. We have three agenda items and will begin with our tourism inquiry. I am pleased to welcome the Minister for Enterprise, Energy and Tourism, Jim Mather, whom I thank for attending the meeting, along with his colleague John Brown, who is the deputy director of the Scottish Government's tourism and whisky legislation division. I hope that I have got Mr Brown's title correct, as his division seems to have grown since I last saw its name written down; I am glad that he handles whisky now—he should feel free to share that with the committee at any stage. I also welcome Richard Arnott, who is the head of the Scottish Government's tourism unit.

The minister is welcome to make a brief opening statement, after which we will ask questions.

The Minister for Enterprise, Energy and Tourism (Jim Mather): I am delighted to take up the option of making a statement. It is great to be here. I welcome the inquiry and the committee's directing its attention to this vital sector, on which it is important to focus. I have been interested to read and examine the evidence that has been submitted and the wide variety of views that the committee has collected. That process has emphasised what I have found—that a lot of high-calibre people who are passionate about tourism are out there and are involved in trying to improve our tourism industry; that much scope exists for improving growth; and that there are lots of ideas for improvement and further investment.

The committee will know that we accepted the tourism framework for change that we inherited, but the Government has also adopted a strategy that supports the central objective of sustained economic growth. The target of growing tourism revenue by 50 per cent might not be exactly right, but it supports that principle. It also provides a mechanism to unite the industry around a common goal to get across the message that step changes are necessary if we are to achieve the numbers.

We need to consider the issue in the context of international competitiveness and the world

economic climate, although the euro situation is a double plus for Scotland in keeping people here and bringing more Europeans here.

We are keen to consider additional goals, such as comparing the performance of tourism in Scotland with that of tourism in the United Kingdom overall and using tourism as a key element to match the UK gross domestic product growth rate, which is a major target, as members know.

We have several other goals. Tourism intelligence Scotland's initial output on walking tourism and tourism in the future has been well received, and funding arrangements should be completed shortly. We are on track to have 90 per cent of accommodation businesses taking part in the quality assurance scheme. The tourism innovation group has worked well to improve the use of technology and to encourage collaborative working throughout the industry. The VisitScotland.com website has improved following calls from the industry, which has helped to spread the use of e-tourism.

The key thing that we have done for tourism is to recognise the critical importance of tourism economically. That is why it has been placed at the centre of the enterprise structure. The established strategic forum, which ministers chair, ensures that the work of the enterprise agencies, VisitScotland and Skills Development Scotland is fully co-ordinated. We have had useful and well-attended meetings with industry stakeholders, at which my much-derided mind mapping has allowed us to identify many useful factors. We have gone beyond talking just to tourism businesses to talk to the drinks industry, the food industry, visitor attractions, golf courses and so on. I know from my constituency that there is wide interest across sectors in being more involved in tourism. The drinks industry in particular does not want to be semi-detached and wants to be part of the tourism sector.

We have ensured that the VisitScotland.com website has evolved and improved to meet industry requirements. We have started to establish the possibility that tourism can play an even more material part in our economic wellbeing as a key component of Scotland's overall sales effort. Tourism presents a face of Scotland that attracts and connects with people worldwide. It gives us new and repeat visitors; direct investors in Scotland; people who put money under management in Scotland; people who come and buy homes here; and even people who return to Scotland. In the long term, that will mean more demand for goods and services.

The vision for tourism is immense. We know that we have absolutely fantastic potential and an opportunity to use all our wonderful assets—

scenery, festivals, heritage, culture, evocativeness, uniqueness, wilderness, wildlife, golf and so on. We need to develop among the people of Scotland the realisation that we have a fantastic product.

As we have shown in engaging the industry and others who are associated around its outskirts, the vital ingredient has been establishing a more collaborative, cross-selling and joint-marketing approach. Improvement all round will allow tourism to become even more central to economic wellbeing.

With the upcoming homecoming funding to support the return of the diaspora in 2009 and beyond, we are moving into a new phase in which it is likely that many of our signals will be replicated out there by the industry helping itself to remove inhibitors, improving the way in which it does things, adapting and innovating to do more and, most important, having the confidence to invest in itself. The industry in Scotland has a long way to go.

I look forward to responding to members' questions.

The Convener: Thank you very much, minister. That was helpful. I should apologise at the outset; I will have to slip away for half an hour during the meeting. There is another meeting that I must attend.

The committee would like to discuss broad themes around the target of a 50 per cent growth in tourism revenue before we discuss more discrete issues that we have been considering over the past two or three months or so. I will start with two issues that we face, which some might describe as icebergs. First, what plans do you have to deal proactively with the perception of value and quality in the industry? Secondly, will you say something about fuel, which I would argue is a long-term rather than a short-term issue for all of us? That would help the committee.

Jim Mather: An increasing awareness of value has come through in our sessions with the industry. The striking thing from our first session last year was the conclusion that a 50 per cent upgrade in tourism revenue was perhaps a bit too selfish and that we should be somewhat more altruistic towards the customer. It was thought that we should increasingly deliver better value and memorable visits that send people back home talking about Scotland in positive and glowing terms. I think that we are getting that idea into play with the industry.

This evening, Alasdair Allan will lead a members' business debate on fuel costs, in which what might be done for the islands will be discussed. It is clear that fuel costs depend on global energy demand and United Kingdom policy.

Anything that can be done to ameliorate the current position is important.

The convener mentioned the overall target for growing tourism revenue. I am on record as being more enthusiastic about long-term goals that mean long-term improvements, and less enthusiastic about targets. We rightly decided to maintain continuity by accepting the 50 per cent target, which was part of the legacy that we inherited, because we believe that it is right to be ambitious and to generate a climate in the industry that will mean that it will be properly ambitious. The industry should be especially conscious of the very high quality of its products, the scope to improve their quality, and the scope to see happening in tourism what we are seeing in the Scotch whisky industry—essentially, a premiumisation of the product. We are seeing the Scotch whisky industry's ability to move its products upmarket, charge marginally higher rates, get higher volumes and materially increase margins.

The Convener: Is that what you want to see happening across the spread of visitor attractions and accommodation providers?

Jim Mather: The key word is "spread", because I still value the hostel side at the bottom end of the spectrum. It is important to condition youngsters and students to come and feel Scotland's magic so that they will come back to high-quality guest houses and four-star hotels with their families later in life as they become affluent. A spectrum exists. We must ensure that there is a wide array of choices and that people have a positive experience of Scotland, no matter what stage of life they are at when they come here.

The Convener: Is it your job or the industry's job to deliver across that spread? More to the point, is it your job or the industry's job to sort out value for money? The committee has heard about that time and time again during the inquiry.

Jim Mather: I genuinely think that that is a decision for the industry. I have been boring people by talking about a book that I have recently read by Eric Beinhocker called "The Origin of Wealth", the theory behind which is essentially the same as that behind "The Origin of Species"; it involves the survival of the fittest. The businesses in the economy that survive are those that adapt, evolve and move forward. We need businesses to do so across the whole spectrum in order to give Scotland a pipeline of potential customers. The more variety we have, the better.

On 4 February 2007, Tom Hunter ran an event entitled "The Second Enlightenment", to which he brought along a young guy called Simon Anholt. Anholt's argument was that if you want to maintain a vivid national brand, such as the one that we

want to have around tourism, you cannot hang on to the coat tails of your predecessors or be content with what you have got. Instead, you have to have a pipeline of new and interesting projects. That needs to happen across the spectrum of tourism, so that we can create a vibrant ecology of businesses that are adapting, innovating, executing plans better and aligning with their target customers.

09:45

The Convener: Therefore, your position—which you have obviously thought about in relation to other influences—is that it is for the market to decide. That raises the question of what the Government's role is.

Jim Mather: The Government's role is to ensure that we market Scotland in the best way possible and offer support when there is market failure.

Brian Adam (Aberdeen North) (SNP): Are you aware of any market failure at the moment? How do you see the Government being involved in product development and in creating the pipeline of projects that you talked about?

Jim Mather: There is a role for Government in relation to maintaining the continuity of the brand. The Scottish brand is one of quality. That is one of the things that Russell Griggs discovered when he was running Scotland the Brand. He got Professor Michael Porter involved in some work that showed that we are famous for reliability and integrity. The job of Government, society and VisitScotland is to ensure that we broadcast the message that Scotland is a place where people will get a warm welcome and a high-integrity product.

Brian Adam: What specifically is the Government going to do to reinforce those positive perceptions of reliability? I do not know that every product across the tourism spectrum in Scotland is necessarily seen as being high quality or reliable, or as something that must be visited again.

Jim Mather: I would not claim that we are looking at a game of perfect. However, you can see that the adverts from VisitScotland and so on get that message across. To be perceived in that way might be aspirational for some businesses at the moment, but the situation will be helped by the climate that this Government is creating in relation to the sector. For example, the First Minister is enthusiastic about the Virginia model, which involves focusing all aspects of Government on outcomes. In that regard, for some time, civil servants have been talking to Professor Mark Moore, of the John F Kennedy school of government at Harvard University. He is an advocate of public value, which involves ensuring that our public bodies are delivering value as perceived by their customer base—the industry, in

the case that we are concerned with today. Further, I am keen on the thinking of John Seddon, who brings the Toyota approach of continuous improvement from manufacturing, through the service sector to the public sector. As the public sector takes that on board, I want it to wash back into the smaller businesses that have perhaps been too busy to think about continuous improvement and have got in a bit of a rut.

The Convener: Earlier, you said that Government's role was simply to do with the marketing of Scotland and the provision of support in cases of market failure. Unless I misunderstood you, you were not saying that the public sector had any other role.

Jim Mather: That limits us a bit too much. I was always taken with the approach that Honda has been able to take down the years. The key reason why Honda succeeded in becoming a major motor manufacturer was that its staff could handle a slight element of ambiguity and inconsistency from management, as long as there was a main direction of travel. The classic tale involves management saying, "Guys, we are going to be a major motor manufacturer. Meanwhile, John, you go off and make the Honda 50, and, Richard, you go off and make the lawnmowers."

We know where we are going and I do not think that being too regimented with regard to the definition of what we do is likely to be helpful. We need to flex and support as we go forward.

Brian Adam: In relation to the Virginia model, will you be spelling out the outcomes that the Government expects as regards its contribution to marketing and the support of product development? Are they likely to be spelled out in detail so that not just the committee but the public can monitor the Government's performance?

Jim Mather: That is entirely the concept. The key thinking is to have outcomes that people can see improve over time.

Brian Adam: When might we be able to find out what outcomes the Government expects?

Jim Mather: In due course, after debate with VisitScotland and others.

Brian Adam: Will that be this calendar year or next year?

Jim Mather: In due course, once we have discussed the matter with VisitScotland and others.

The Convener: We note that response in the context of when our inquiry has to finish.

Marilyn Livingstone (Kirkcaldy) (Lab): Minister, you made much of the importance of the quality of the welcome that tourists receive, which has been an important issue throughout our

evidence taking. People are extremely important to the quality of the welcome. I want to tease out what you think the Government's role is in supporting a highly motivated and trained workforce in the tourism industry. That issue came up in evidence, along with the sustainability of the workforce, given that a high number of migrant workers are working in the sector. What plans does the Government have to encourage people to view tourism as a career, to ensure that there is a career structure in the sector and to provide the necessary skills and training?

In that context, how did the Government come to the decision to withdraw any support or funding for modern apprenticeships in tourism and the food and drink industry? I am extremely concerned about the message that that sends out. What will those apprenticeships be replaced with? I know that that does not fall within your portfolio, but it is extremely important to the quality branding issue. People really matter in the tourism industry and there is great concern, certainly among the people I speak to in Fife, about the Government's approach to skills development and training. People want to know where the Government is coming from.

Jim Mather: You are absolutely right—people matter. They are the key element that can trigger a return visit; the connection that they make with visitors can make all the difference. The Government is committed to providing apprenticeships for school leavers. That is why more apprenticeships will be available for 16 to 19-year-olds this year.

In addition, we have the Hospitality Industry Trust working to help young people reach their full potential through the hospitality sector. Earlier this year, I went out to Ratho to talk to 400 bright young people who are involved in the tourism industry. The enthusiasm for the industry and their career prospects was palpable—it was as if I was standing up in front of 400 people who were capable of going on Mr Sugar's television programme.

The number of adult apprenticeships in the hospitality industry has been reduced because of low take-up. At the end of January 2008, less than 4 per cent of modern apprenticeships were in hospitality and tourism. We are working with Skills Development Scotland and the industry to promote tourism and hospitality as positive career choices. The industry is conscious that the migrant worker flow might not be a permanent phenomenon, given that the economies of countries such as Estonia and Poland are growing at much faster rates.

We are also working with the sector skills council on developing a training action plan to ensure that the industry has access to appropriate

training in management, leadership, customer service, chef skills and the retention and recruitment of staff. Our engagement with the issue is serious, and we are looking to make progress with the sector skills council.

Marilyn Livingstone: Thank you—you have answered a large part of my question. However, I am still concerned about the reduction in the number of modern apprenticeships in the tourism and hospitality sectors. You have increased the number in the construction industry, which I am pleased about, but the message is the reverse in the tourism industry. No matter what is said, a reduction in the number of training places in the tourism industry gives out a particular message. How will you address that situation? We have heard that there is a genuine concern about it.

The Deputy Convener (Brian Adam): Perhaps you can spell out the Government's reasoning for that reduction, minister.

Jim Mather: The focus is still on the target age group of 16 to 19-year-olds—that focus continues unabated. The adult apprenticeship has, as I said, a low take-up, and only 4 per cent of modern apprenticeships are in the sector. There is no great record of retaining those people in Scotland, let alone in the industry. That is the issue.

Dave Thompson (Highlands and Islands) (SNP): We heard in a number of our evidence-taking sessions that thousands of different training courses are available across the country. If memory serves me correctly, I believe that there are thousands of different qualifications in the broad spectrum of tourism and so on. Can you comment on that vast array of available qualifications and training? Do we need, to use your own word, to declutter some of that?

Jim Mather: Having taken on board the decluttering message ourselves, I am always susceptible to having further decluttering. The sector skills council is evaluating existing qualifications in tourism, which I hope will result in some pragmatism and decluttering in the sector.

Dave Thompson: I was struck by the lack of co-ordination between the industry and many of the training bodies. The tourism industry in general does not seem to be as well organised as other parts of our economy in linking with education providers and so on. How can the industry pull together a bit better?

Jim Mather: We are dealing with relatively low demand. However, getting the industry together with the training providers has proven to be effective to date. VisitScotland or the Government could act as a facilitator, allowing people to talk matters through. For example, VisitScotland.com's repositioning of what it offered was a function of direct connection with the industry. Two sessions

down at Victoria Quay and some intelligent letter writing to the newspapers got forward movement going. Any movement forward is a function of dialogue. However, I take Dave Thompson's point on board, and we will assess what we can do to have further dialogue and get a better focus on matters.

The Deputy Convener: We certainly wish to pursue with you changes in VisitScotland.com and its role. Gavin Brown might want to pursue that—or other high-level issues.

Gavin Brown (Lothians) (Con): I certainly want to pursue the issue of VisitScotland.com later, but I want to return to where we started, which was the 50 per cent growth figure, before we move on. I want to be clear about where the minister stands on the ambition of 50 per cent growth. He suggested in a previous answer that he was behind that ambition, but he also said that it was not exactly right and not altruistic enough. His position on the ambition of 50 per cent growth is critical. Minister, are you four-square behind it or not?

Jim Mather: I am absolutely four-square behind it although, again, I am not naively saying that it is perfect. There is every reason to believe that, with a proper focus on investment, removing inhibitors, getting improvements and adapting and innovating across the industry, 50 per cent could look like a soft number and that we could achieve dramatic results in Scotland. A study in 2004 suggested that, in the 10 years from 1994 to 2004, 50 per cent more Americans classified themselves as Scots Americans. A similar movement probably also happened in Canada and in the rest of the UK. There is a big latent market there, a burgeoning confidence in Scotland and a realisation of just how world class our offerings are, whether we are talking about Edinburgh castle or Stirling castle, the Old course at St Andrews or the beaches in Harris. We must get that message across and get an increasing number of people in Scotland involved, so that everyone, whether they are a traffic warden or a bus driver, feels that they have a slice of the action.

10:00

Gavin Brown: I am with you on the quality of the offerings that we have throughout Scotland and am glad that you are behind the target, which was set in 2005 as a 10-year target for 2015. We are three years into that period, so let us take stock. In hard facts and figures, where are we in relation to the target?

Jim Mather: We have improved marginally, but not materially, on the 2005 position. We have not inherited a great legacy position, but the climate is

now right for us to seek to meet the target and to press forward to make that happen. The work that we did with Scottish Development International during the recess to attract more timeshare companies and other major resort players is interesting and augurs well for Scotland. We have looked at what has happened in Vancouver and on Vancouver Island. A company called Intrawest has a huge resort hotel on Vancouver Island, which has lamentably poor weather from October through to March. The hotel has 90-plus per cent occupancy rates and is being sold as a venue for storm watching. There is fair bit of scope for us to emulate that on our west coast.

Gavin Brown: The most recent figures that I have seen are the figures for 2006; unfortunately, those were marginally down. The figure for international tourists was up significantly, but the figure for UK and Scottish tourists was down significantly. I am delighted to hear that the figures are now marginally up, but where are those figures? Can the committee get access to them?

Jim Mather: Members have exactly the same data as I have. In June we will provide the committee with data that will provide a clinical view of the position. The important message from the data is that we should be optimistic about what can be achieved. There are numerous steps that can be taken to remove inhibitors to investment and to make improvements. Down the line, we have the year of homecoming and the Ryder cup. I have been enormously impressed by the attitude and industry that are associated with the tourism framework for change. There is a coming together of transport and food and drink to bolster our tourism offering.

Gavin Brown: I return to the issue of the tourism figures. I agree that it is important to look forward and to have optimism, which we have, but the figures tell us what happened and are indisputable—they tell no lies. You say that the figures are marginally up from the time when the target was set. Have those figures—for which I have searched far and wide—been published, or are you saying that they will be published?

Jim Mather: An update will be published in June.

The Deputy Convener: Which figures will you publish in June? How up to date are they? Concerns about the quality of the data, which are often out of date, have been expressed to us. To what period do the figures that you will publish in June relate?

Jim Mather: I ask John Brown to give you full details of the figures.

John Brown (Scottish Government Enterprise, Energy and Tourism Directorate): Any figures for last year that we have published so

far are provisional. The final figures for last year will be published in June. As the deputy convener said, there have been and are doubts about the accuracy of the data, which are the best that we have. It is difficult to get good data, but there are other sources such as hotel occupancy rates. Just this week, hotel occupancy rates and yield on hotel rooms in Aberdeen showed strong growth—by far the strongest in Britain. There are a number of ways of measuring how tourism is doing. The data to which Mr Brown referred are the most important, but we must also consider hotel occupancy and business confidence, as measured by chambers of commerce. VisitScotland tends to put all that information together to get a view of how the industry is doing.

The Deputy Convener: Will you write to us to give us not just the figures that Gavin Brown seeks, but the broader picture, so that we can include that in the outcome of our inquiry?

Jim Mather: Yes.

David Whitton (Strathkelvin and Bearsden) (Lab): Nice to see you again, minister. You will be pleased to hear that I am not going to ask about your mind mapping. When we heard evidence from Mr Clark of Scottish Development International back in March, he spoke about a destination development strategy that was being worked on. Mr Riddle, when he spoke to us a couple of weeks ago, talked about the Irish having a development plan and said that, although we have good capital investment, we do not have a national plan. As the minister responsible for tourism, what are you doing to develop the strategy?

Jim Mather: We have had several meetings with the destination marketing communities. There are one or two notable successes, such as Fort William becoming the outdoor capital of the UK. We are keen to ensure that the work goes beyond simply producing a fixed position with a brochure and involves communities actively adapting and evolving their products, as places such as Fort William have done over the piece. That is where the thinking is on that.

David Whitton: Is that part of the pipeline of projects that you talk about? I am intrigued that you think that people will come to the west coast of Scotland to watch the rain falling through storm watch, whatever that is. Is there a national plan that says that we have got mountain biking in Fort William and we want more yachting in Oban? What are you doing to bring all that together?

Jim Mather: We are encouraging evolution. To impose from the centre a particular strand of tourism in one area would hardly be likely to succeed. Communities are showing a lively interest in the issues. I ran a meeting in Oban

recently to talk about the simple issue of extra marina places in Oban Bay. The meeting was on a wet Friday night in January—I think that it was 18 or 19 January—but 250 people turned up. Communities are interested in how they can evolve the offering and they are beginning to see the pattern of cause and effect and to realise that if there are activities in an area, people will linger for an extra meal or stay for an extra night.

During the election campaign, I asked Mr MacLeod, who runs the Ee-usk restaurant on the north pier in Oban, what one thing we could do to help his business most. I expected to hear something about water charges or business rates, but his answer was that he wanted one more attraction in Oban or greater awareness of an existing attraction, such as the golf course, so that people linger a bit longer. The key point is to bring communities together and to get them to stay together to evolve the destination locally, beyond simply creating a brochure and thinking that the job is done.

David Whitton: It is interesting that you mention that because, in evidence, we heard from Sandy Orr that he proposed a plan to develop a marina at Oban but was howled down by everybody who lives on the seafront.

Jim Mather: It was interesting that, at the meeting in Oban, the fishermen were at first defensive about the idea of having yachts in Oban Bay and were dismissive and negative about the proposed positioning of the marina, saying that the pontoons could be turned to matchwood in a bad October. However, after two and a half hours in the meeting, they began to make positive suggestions about different positions for the marina. They began to see the cause and effect and that having more tourists and more people in restaurants would mean more restaurants buying local fish produce. The realisation was beginning to open up in their mind that they, too, are part of the local economy and that vibrancy in the community helps to keep their shops vibrant and to reduce their council tax as a result of there being more council tax payers in the area.

The Deputy Convener: How do we deal with the gap in perception between potential developers—dynamic entrepreneurs in the field—and the reality on the ground? You say that there is an optimistic feeling in Oban, but how do you build on that so that the likes of Mr Orr are encouraged to continue with their plans? Do you think that it is the role of ministers to ensure that we have a national plan that is positive about development? The message that VisitScotland gave us at an earlier meeting was that we should be identifying opportunities and then looking for the Mr Orrs of this world to make it happen. What is your role in that?

Jim Mather: The role is one of dialogue. I have become a big fan of dialogue—we get people into a room and talk to them. Anyone who tells me that that is just another talking shop needs to examine the results of that. People are exchanging ideas and working together.

SDI is doing a particularly valuable job in that role by searching for those who might come and invest heavily in new hotels and resort facilities and for those who would be interested in running new timeshare schemes in Scotland. Last week, I was invited to speak at an event that was held in Our Dynamic Earth by the organisation for timeshare in Europe, and which was essentially concerned with overseas timeshares. There was a room full of people who had a burgeoning interest in Scotland and a positive attitude to what can happen here and the demand that is out there.

There are now 50 per cent more Americans who classify themselves as Scots Americans, and the same phenomenon is happening in Australia, the rest of the United Kingdom, Canada and New Zealand. Along with the huge army of affinity Scots—people who feel an affinity with Scotland because of our scenery, our golf, our whisky or whatever—the market is enormous.

David Whitton: You have mentioned several times the Scottish diaspora, particularly in America. We heard evidence about the homecoming Scotland event and its fairly risible marketing budget. Do you think that £1 million is enough to spend on homecoming Scotland 2009?

Jim Mather: You could spend an infinite sum of money on it, but the question is what the return would be. I suspect that it would be—

David Whitton: With all due respect, minister, we have heard evidence that the city of Newcastle is spending £10 million on events alone. You are spending £1 million on an event that is supposed to last for a year.

Jim Mather: The total budget is £5 million.

David Whitton: That is still half of Newcastle's.

Jim Mather: There is probably another £1.5 million coming in from the culture side. We have a much stronger brand than Newcastle—we are one of 15 or 16 countries in the world with a global brand.

David Whitton: Yes, but you have to invest in the brand.

Jim Mather: The brand is constantly being invested in, by our being here and by this country putting out its network. The diaspora is out there.

David Whitton: We heard from Philip Riddle that VisitScotland received something like 180 applications for money for homecoming Scotland 2009, but was able to fund only about a third of them.

Jim Mather: Absolutely, but many of those unfunded events will still happen—they are events such as Highland games that would be on anyway. Having been awakened to the idea, people are beginning to see the commercial benefit of pressing on with it. The feedback that we have had on the year of homecoming is exceedingly positive; so much so that it would be naive to put a full stop after 2009—we should try to make homecoming a perpetual idea. In terms of the development life cycle of people out there who have an affinity with Scotland, 2009 might not be the year that someone is 21, or retires, or has a wedding anniversary or whatever—

David Whitton: But you are a businessman. Surely you understand the philosophy of speculate to accumulate? If it is such a good deal, should you not invest more in it?

10:15

Jim Mather: The key thing is to get a good return on investment and to encourage the industry, and others who can take advantage of the event, to invest.

Just yesterday, I was up in Dundee talking to representatives of Scotland Online, which hosts the ScotlandsPeople website for the General Register Office for Scotland. They were talking about dedicating a substantial part of the following year's marketing budget to promoting the homecoming, which they can see giving their website more hits. They predict that people will come back for genealogy purposes. Of the key themes of the homecoming, genealogy is up there at number 1—there are also Burns, golf, whisky and the enlightenment. The whisky industry is spending a great deal of money to give us a whisky festival next May, from Speyside to Islay.

If we analyse what will be spent on the year of homecoming, we find that it will be substantially in advance of £5 million and substantially in advance of the money that Newcastle is spending. We will get a substantially better return. The year of homecoming will have an afterglow and an afterlife into 2010, 2011 and thereafter.

Lewis Macdonald (Aberdeen Central) (Lab): John Brown mentioned the growth in hotel yield in Aberdeen over the last year and said that it was by far the strongest in Britain, which is a good place to start. Is that a consequence of the successful promotion of Scotland as a tourist destination, or is it a consequence of the high price of oil?

Jim Mather: You and I could spend a couple of hours getting to the bottom of that one; it might be a combination of both. Vibrancy in the North Sea will be a major factor. Interestingly, at the "All-Energy 08" conference two weeks ago, the lord provost was bullish about the prospect of tourism

in Aberdeen and about growth in the sector. I am very keen to see that. Oil and gas are booming at the moment, but a balanced, diverse economy in Aberdeen, including tourism, is really important. I notice that the conference took up pretty much every hotel bed in the city. However, there is still some scope to get high levels of occupancy at the weekends—on Friday and Saturday nights. Given the quality of the city and the amenity around it, we should be continuing to sell it—we should not be complacent.

Lewis Macdonald: There is a wider question here. In the course of the inquiry we have heard evidence to suggest that a 50 per cent growth in revenue would be a failure for Gleneagles or for Edinburgh, for example. For some parts of Scotland and for some businesses, that target is within the business plan anyway, or it is below their business horizon. There is an issue for other parts of Scotland and for other businesses, however, which might find that target harder to achieve. You have described your four-square support for the target. How do you apply it with respect to the diversity of Scotland?

Jim Mather: It is a hearts and minds exercise, as much as anything, to wake people up to the idea that it is possible to achieve the target, to the fact that their current trajectory might be way below that level and to the idea that running their businesses just as they are is not a clever thing to do. Earlier, I mentioned that brilliant guy, Eric Beinhocker. He has a lovely line about stasis and keeping a business as it is. He says that stasis, in the fitness landscape, is a recipe for extinction. Those of us who have been in business and have simply tried to sell the same product or service without change year on year have found it increasingly tough as other people have been learning from us and have been making things that are more attractive.

The key is to develop a new mindset. If someone has a business, for instance a guest house or a hotel, and if it is performing with a steady-state growth level, setting a goal that is way above that requires them to do something different. The something different that they must do is to remove inhibitors, to execute better, to improve how they do things and to invest critically in better products that get higher occupancy and better, premium prices.

Lewis Macdonald: I am interested in your comments on the issue of having a plan or a framework for the growth of tourism in different parts of Scotland. One of the issues of interest in the north-east is golf tourism and the selection of appropriate sites for its development. A number of witnesses have pointed out that it would be helpful to inward investors to know where the preferred locations are and where public sector support is

available for particular developments. Do you have a view on that approach, either specifically in relation to golf tourism or generally in relation to inward investment?

Jim Mather: We are looking at that within the energy sector, with local authorities considering where the preferred areas for wind farms and so on might be. There is an element of common sense to the point. However, it is important that there is grass-roots involvement and that people can say how they want their area to develop. That said, there has to be a continuous presumption in favour of growth. We need economic growth and vibrancy in Scotland.

Lewis Macdonald: Do you see no role for Government or the national planning framework in indicating, for example, where is a good place for a marina or a world-class golf resort?

Jim Mather: The national planning framework operates at too high a level. Those decisions need to be made more locally.

Lewis Macdonald: Essentially, the thinking should be led by local agencies.

Jim Mather: Yes.

Christopher Harvie (Mid Scotland and Fife) (SNP): With regard to the immediate future, I have been concerned about issues such as the greatly fluctuating exchange rates, the rise in the price of petrol and the doubtful future of recent developments such as low-cost airlines. How do you plan to factor such probabilities into the advice that Government can give the tourism industry over the next three years or so, assuming that that is how long it takes things to stabilise?

Jim Mather: Environmental factors impact on every economy. The key issue is to look for the advantages. The strength of the euro provides a positive double whammy for Scotland, because it makes it expensive for holidaymakers from Scotland and the rest of the UK to go to Europe and much cheaper for European holidaymakers to come here. That is the low-hanging fruit.

Equally, Canada's dollar has strengthened quite significantly, so it is not as expensive for Canadians to travel here as it is for Americans to do so, and Canada is connected to Scotland by such excellent services as Zoom Airlines. We should not be negative about American holidaymakers, of course. Only 20 per cent of Americans hold passports and many of those who come to Scotland are of a high net worth. Staying in a quality hotel in Atlanta, Austin, New York or Chicago is not materially less expensive than staying in a quality hotel over here. Therefore, we can look to continue getting their business.

Christopher Harvie: I would like you to consider modelling a virtual Scotland, including economic factors, in terms of tourism. The great

success, in a horrid way, of Scottish culture recently has been the launch of "Grand Theft Auto IV", in which people kill people in a virtual city that has been created for them. Instead of that, we could create a virtual country's economy and start charting whether growth in one section of that economy might detract from the growth of other sections. All the variables, such as rates of exchange and the price of petrol, could be factored in. Get a bright PhD student and you might be able to get that done quite quickly and cheaply.

Jim Mather: I defer to your view on that, because I remember that, 30 years ago, IBM was supporting the Fraser of Allander institute to try to achieve a similar objective, but I am not sure that computing technology was able to handle the complexities at that time.

You mentioned "Grand Theft Auto IV". I had an interesting discussion yesterday with someone from one of our gaming software companies, who was interested in using their software to help educate children. Perhaps there is scope for that software to be able to get its head around some of the complexities and fuzzy issues that are associated with economics. I am open to any offers that can help us get further clarity.

The Deputy Convener: After a discussion of low-cost carriers, the obvious topic for Lewis Macdonald to ask about is the route development fund.

Lewis Macdonald: A number of witnesses have told us how important the fund has been over the past five years in stimulating direct flights to Scottish destinations, thus increasing air traffic and tourism. The committee is aware of the reservations about continuing with the fund as previously constituted, but there has been great demand for VisitScotland to promote a destination marketing fund, targeting customers on potential new flights into Scotland. Either as a committee or as individual members, we have raised that issue with ministers over recent months. Have you any good news about route development to give to people who want to grow tourism in Scotland?

Jim Mather: You have asked that question often in the chamber and elsewhere, and you will understand that European Commission guidelines constrain us from developing a replacement to the route development fund. However, VisitScotland continues to mount joint marketing campaigns with some of the airlines that operated direct routes into Scotland, and the Delta Air Lines link between Edinburgh and New York was recently launched. Back in March, I was in Houston, Texas, talking to Continental Airlines about how best to attract to Scotland the customers that the company is seeking to attract, who are high-net-worth tourism visitors and business visitors.

We are keen to ensure that we optimise traffic, but there is more to it than just the flight element. We have to make Scotland an attractive proposition and we have to broadcast what Scotland has to offer.

Lewis Macdonald: I certainly welcome the work on joint marketing. Do you acknowledge that, for potential developers who are thinking of establishing routes, it is important to have visible support and encouragement from the Scottish Government for those routes? Do you acknowledge that having a dedicated fund to support the routes would be helpful in conveying a positive message?

Jim Mather: I share your nostalgia for the route development fund, but we have to face realities. Working with airlines to develop joint marketing campaigns is the best that we can do. We are actively pursuing such ideas; we have a vested interest because we have adopted the 50 per cent target and we want the numbers to increase. We will do everything possible to optimise the system. We want to motivate people to come across here and have a wonderful experience.

Lewis Macdonald: What motivates me is not nostalgia for the system that operated over the past five years but the desire to see a public commitment from Government. Government should say, "Yes, we understand the need for specific support for the marketing of Scotland at the other end of new routes." That would not involve direct subsidies to the airlines, which would be ultra vires, but it would involve clear branding and marketing and air route development. That would be a new and positive response to the current situation.

Jim Mather: That sounds very close to the definitions in our discussions of joint marketing campaigns, which seem to have gone down well with the airline companies. The companies accept that we have to work under European Commission guidelines.

The Deputy Convener: Minister, I want to bring you back temporarily to the issue of labour supply. The industry is concerned about what it perceives as poor-quality output from our education sector. Concerns have also been expressed about the low appeal of careers in the industry.

Like others, you have remarked on the significant number of migrant workers who are keeping the industry going. What will happen when the migrant workers go home because the economies of their countries have improved and we are left with an industry that still has low appeal and an output from our education sector that is still perceived to be of poor quality? Will Government have a role there? Once you have dealt with those questions, I will ask one more.

Jim Mather: That is much more an issue for the industry. The industry must address those perceptions and seek to lift all the boats within its sector, including its own staff.

10:30

The Deputy Convener: I understand that you have had several rounds of discussions with the industry. In those discussions, has it not raised with you concerns about those issues? Is it not looking for the Government to be involved?

Jim Mather: Yes, it is, but there is an increasing acceptance by the industry that only it can address low pay and poor terms and conditions. Let us return to our objective of a 50 per cent increase in revenues. All the good advice from others who have gone through business transformation is that the real way to achieve that is by focusing on people, helping to build skills within the industry, helping to improve terms and conditions, increasing morale and getting people to buy in to the objectives that are set for the sector.

The Deputy Convener: One side of an investment in the product is investing in the people, but there is also an investment in the quality of the product and infrastructure. We have heard in evidence that we have not got that quite right yet, although some changes have been successful. Is there scope for Government involvement in bringing the financial sector together with potential players to develop a range of mid-range and smaller hotels, especially in our towns and, for example, your own constituency? Can we match the successes that Sandy Orr and Donald Macdonald have had? Is there a role for the Government in encouraging that step change in quality?

Jim Mather: That is fundamentally where we are going. Part of the strategy of activating our individual industry sectors involves self-nominating sectors coming in for consultation sessions with us. We have now done those for aquaculture, construction, drinks, manufacturing, information and communications technology, life sciences, chemical sciences, textiles and tourism—the lot. Part of that strategy is the prospect that we can bring together some of the people from different sectors to see where the synergies might lead us.

I am currently activating almost all the sectors in Argyll and Bute, including tourism, aquaculture, food and drink, transport, construction, registered social landlords, the voluntary sector, health care and education, with a view to bringing them together to see where the synergies lie. There are clearly key synergies between finance and the hospitality sector, given that the hospitality sector is capital intensive. The banking sector has worked well with certain players in the tourism

sector to protect investments and give a good return to shareholders. We are keen to maintain that synergy.

David Whitton: I have a supplementary question about training. In giving evidence, Scottish Enterprise said that its role was to educate the managers and that the education of the workforce—the Indians, as it put it—was down to the industry itself. Further education colleges all over the country have catering courses of one type or another and of one quality or another. We have also heard evidence about the potential need for a hotel school or schools spread around the country. What are your views on that approach?

Jim Mather: That is an interesting point, given that we have the diversity. I have drawn great comfort from talking to John Seddon and having him visit a number of times. His view is that step change of continuous improvement is achieved not through different central specifications, whether they are courses or qualifications, but largely through a process of continuously finding out what is working well and broadcasting that, but without a mandatory push.

It is a question of encouraging an evolutionary process by highlighting when a course or a company's internal training produces outstanding results. I favour our doing case studies of approaches that work and broadcasting that information succinctly, so that people can learn from it. That allows people to decide whether an approach would work terrifically well for them, whether to adopt just a bit of it, or whether what they are doing is better. They can then feed their conclusions back into the process.

David Whitton: Can you cite some examples?

The Deputy Convener: We will return to David Whitton later—I am anxious to give all members the opportunity to put a second question to the minister.

Marilyn Livingstone: VisitScotland's role in engagement with stakeholders and as a marketing organisation at national level—marketing Scotland the brand—is not in question. However, there is confusion and growing unease in localities. That is due in no small part to the growth of independent city marketing organisations. I will use Fife as an example, but many places in Scotland are in a similar situation. Fife is placed between the two cities of Edinburgh and Dundee. Fife Chamber of Commerce asked specifically who will promote Fife as a visitor destination, given that no one with the authority to make decisions, to strengthen tourism promotion and to strengthen local partnerships will be based in Fife. Local partnerships are important in the tourism industry, especially outwith cities. There will be a growing trend for people to go it alone on marketing, in

particular. What is your view on that issue? Do you share the committee's concerns?

Jim Mather: New partnerships in places such as Fort William and Aviemore are positive, especially if chambers of commerce are starting to recognise that tourism is a key sector. VisitScotland's growth fund now supports local area marketing campaigns and will complement efforts to establish local identity. At the first tourism session that we ran down at Victoria Quay, the plea from the floor was that we should allow an appellation contrôlée approach. Under such an approach, lots of different brands would be part of a Fife super-brand, which would be part of a Scottish super-brand.

The approach would create a multitextured Scotland, in which different localities sell themselves in different ways and bring in others such as local golf clubs and local authorities—even local churches—to help them to achieve that end. Last year a US congressman came to Scotland to retake his wedding vows in Lismore church. There must be several million folk with a great-great-grandparent, a great-grandparent or even a mother or father who was married in a local church in Scotland who might like to retake their wedding vows or to get married for the first time there. The church may be quite nondescript to us, but magical to them. Such possibilities are interesting. There is a case for letting the tapestry of Scotland evolve in the most vibrant way possible.

Marilyn Livingstone: How does the Government view the role of the tourist information centres in the tapestry that you describe?

Jim Mather: Some tourist information centres are working well, but others are not. Back in the spring, I ran a joint session with Peter Lederer at the Argyll hotel in Inveraray. He made the point that a new generation of people is coming through for which tourist information centres are not the first port of call. He said that, for people aged between 16 and 24, something that does not appear on their iPhone is not real. An evolutionary process is under way that will subject tourist information centres to market testing.

Dave Thompson: We have heard quite a bit about planning during our inquiry. In particular, witnesses have expressed concern about delays, the complexity of the process and the cost for business, in the context of not just small, local developments but bigger developments. Will you comment on planning in general?

What is the possibility of getting planners, SDI and Scottish Enterprise to work together on the pre-approval stage, so that we know where we are going and what we want from planning? If such an approach were taken, foreign or indigenous

investors who wanted to develop a project in Scotland would find that much of the groundwork had been done and the planning process would be short. I am sure that you appreciate that the time and cost involved in the process can be a turn-off for businesses.

Jim Mather: The Planning etc (Scotland) Act 2006, which received cross-party support, was the result of an acknowledgement that performance must improve dramatically. The First Minister is determined that the planning system, which might have put Scotland at a disadvantage in the past, must start to put Scotland at a comparative advantage. There is clarity around planning's purpose, which is to approve good projects.

I have been taken with how the issue is covered by John Seddon in his book "Systems Thinking in the Public Sector", which I have been promoting unscrupulously for months. He has interesting things to say about planning—I bounced his ideas off the chief planner, who was receptive to them. In essence, John Seddon says that the purpose of planning is to approve good projects and we need to measure the system's performance on its ability to be consistent, principled and forecastable and on its ability to generate clear understanding, on the part of the applicant, on what needs to be put in train to facilitate the flow to approval in the crispest way possible. John Seddon advises us to move away from planning targets, which can lead to decisions being made with a view to meeting the targets rather than adding value. For example, good projects might be rejected, approval might be granted but with onerous conditions that prevent the development from going ahead, and applicants might be asked to withdraw and resubmit applications.

The focus is on how planning can add value. Insights from other jurisdictions and people's keenness to implement the 2006 act in a fulsome and proper way give me confidence that we can achieve better results.

Dave Thompson: I know that the 2006 act is being implemented through commencement orders, but when will we see the improvements?

Jim Mather: We can expect to see a proportionate incremental delivery of efficiency. I do not know at what rate that will happen, but the key point is that it is acknowledged by everyone from the First Minister down that if our focus is on increased sustainable growth we need a more effective planning system, which gives Scotland a comparative advantage over other jurisdictions that might currently have a competitive advantage over us.

Gavin Brown: You said that the VisitScotland.com website has improved. In what ways has it improved?

Jim Mather: The website is now much more a listing facility, which is in line with what people wanted. It encourages self-sufficiency on the part of individual accommodation providers, who can use the web-in-a-box tool to take bookings. The changes have been well received by the industry, which recognises that the evolution of VisitScotland.com is more of a process than an event. It is not a case of saying, "Didn't like what we had first time. Here's what we've got this time. Hope you like it." The message that we have got from Nick Kuenssberg and Marco Trufelli is that there is an evolving process.

10:45

Gavin Brown: You referred to web in a box. What percentage of hotels, bed and breakfasts and other accommodation can be booked directly online via the VisitScotland.com website?

Jim Mather: I am not sure, so I will delegate the question to Richard Arnott or John Brown.

Richard Arnott (Scottish Government Enterprise, Energy and Tourism Directorate): I understand from VisitScotland.com that more than 1,000 outlets are listed that can be booked directly online. In addition, about 450 small tourism businesses have taken advantage of web in a box, which means that they have their own online booking system that is linked directly to VisitScotland.com. That facility will grow.

Gavin Brown: So there are about 1,000. What percentage is that?

Richard Arnott: I think that 12,000 tourism services are listed on VisitScotland.com.

Gavin Brown: VisitScotland.com has been around for a number of years, so we were surprised to hear in evidence from it of the low percentage of online bookings, which does not seem to have grown substantially. If we are serious about having an online portal, it is important that it should be possible, almost without exception, for bookings to be made online. What plans are afoot to ensure that that happens swiftly?

Jim Mather: The key plan is to come into line with what has been said by people such as Alan Keith, who is one of the most strident critics of VisitScotland.com, and commit to evolve the system to facilitate high levels of online booking and awareness of accommodation offerings. You could say that where we start from is indicative of what has happened in the past regarding the general dissatisfaction with VisitScotland.com. I believe that that position has moved forward, and I expect the numbers of direct online bookings to increase over time.

Gavin Brown: Of course, we all hope that they will increase over time. However, in terms of making Scotland competitive, how many providers do we need to have online bookings available through VisitScotland.com?

Jim Mather: The number should be as high as possible. In addition, I want as many providers as possible to have individual online booking facilities if they are not lined up with VisitScotland.com. We want as many of them as possible to be e-enabled, because that is how more and more bookings are being made by the new generations.

Gavin Brown: I think that everybody would agree with having the number as high as possible, but that can mean different things to different people. Does the minister have a personal view? In his opinion, how many of the 12,000 providers should be bookable online to make us competitive? I just want a ballpark figure; I will not hold him to an exact number.

Jim Mather: This takes us back to what Noel Spare, who is a mutual friend of Chris Harvie and me, calls the danger of arbitrary numerical targets. It is far better to create a climate in which we constantly seek to have the numbers of online bookings improve over time. Many providers view getting involved in such technology as anathema and not why they got into tourism or why they run their guest house or B and B; they want a quiet life and the personal touch of the telephone or whatever. Were I to give a number, it would be an unhelpful arbitrary one.

Brian Adam: You said that the Government could intervene in the case of market failure, and it has already made a commitment to deal with market failure in the provision of broadband. If we want to have Scotland online, for want of a better description, is there a role for Government in encouraging that to happen, in the same way that it has made it possible for business in Scotland to be online through broadband?

Jim Mather: The best view to take on that is the Seddon view about broadcasting what works. It is about being able to tell providers how effective an hotelier has been since moving to an online booking service, compared with their previous system. Such an approach requires enthusiastic volunteers to take up the technology, rather than conscripts being offered a service that they might not use or take on board with any enthusiasm.

Brian Adam: Initially, each exchange had a trigger level for broadband to be enabled. Those levels were around 5 per cent; now we are at 50 per cent plus. Indeed, there is a greater uptake of broadband in rural Scotland than in the urban environment. Given all that, surely a little push from the Government would get us much more quickly from these very low figures to a fairly high figure.

Jim Mather: I think that a combination of broadcasting what works and using the options that are available from Scottish Enterprise and HIE to train people in the use of the technologies could be most helpful.

The Convener: VisitScotland charges £400 a throw for web in a box. However, the north-east equivalent, which some of us saw last week, is free and people go after it like there is no tomorrow, because they believe that the future of north-east tourism lies completely online. Is that not an example of the type of approach that Brian Adam has quite rightly suggested?

Jim Mather: That is very interesting. We should take the north-east's message and broadcast it to the rest of Scotland.

The Convener: Is it not more a case of telling VisitScotland that it should provide the service for free?

Jim Mather: Absolutely.

The Convener: So it is not really a case of broadcasting anything.

Jim Mather: None of us is in a game of perfect. However, when we learn about things, especially things that work, we are duty bound to broadcast them and, indeed, to look to VisitScotland to broadcast them.

Brian Adam: It does not matter whether we are talking about VisitScotland or Scottish Enterprise. The Government has taken the view that business rates should be reduced if we are to encourage business to get on with the job. The convener and I are simply suggesting that some encouragement from a Government agency to go down this particular route might pay big dividends. After all, uptake is not what we—and, indeed, you—would wish it to be.

David Whitton: As you are in a learning lessons mode, minister, I refer you to evidence that we heard from a couple of witnesses in our inquiry. Mr Graham from Historic Scotland said that he had not been

“given a remit by ministers to be a ... marketing organisation for Scottish tourism”—[*Official Report, Economy, Energy and Tourism Committee*, 26 March 2008; c 612.]

Mr Dunthorne and Mr Mason Strang, both entrepreneurs who run their own businesses, roundly disagreed with that.

Mr Worsnop of Rabbie's Trail Burners Ltd told us that, when he takes one of his minibuses on a CalMac ferry, he is charged double the cost of taking a caravan across. When he raised the issue with CalMac, he did not even get the courtesy of a reply.

Moreover, it appears that, when you decluttered Scottish Enterprise Glasgow, its tourism experts left and now tourism—for Glasgow, at least—is being dealt with by someone in Ayrshire. Are there any lessons that you can learn from that?

Jim Mather: I understand why Historic Scotland might not want a marketing role—

David Whitton: It might not want a marketing role, but what about this country's iconic buildings and castles, which have been described as honeypots? Mr Graham might not want his organisation to be a tourist trap, but that does not mean that you cannot tell him that he is going to be one.

Jim Mather: I have had some very interesting conversations with Mr Graham about certain locations up and down the west coast and how he might optimise his offering to ensure a spin-over into the local community. When I was with him on Thursday night, the message that was coming through loud and clear was that he had to be more entrepreneurial with that in mind.

You are right to say that these buildings are iconic assets. For example, a lot could be done to ensure that Urquhart castle on Loch Ness has more of an impact on the local village. Some players are doing well, but others are not quite benefiting from the castle's pulling power.

I have a strong interest in CalMac, as I represent Argyll and Bute, where it has a heavy presence. We are engaging firmly with CalMac to ensure that it listens to its community.

David Whitton: We were told that, as a result of the double whammy that I described, the operator took one coach trip off the ferry. That meant that 16 fewer people visited Mull, which had an economic impact on people in Mull. That was all because CalMac will not listen to reason.

Jim Mather: We return to the fundamental proposition about which I become enthusiastic. In the landscape of Scotland, each and every agency that is out there is perhaps motivated to optimise its position in isolation. The key activity is to generate as much dialogue as possible in the sector, to see how agencies might work together better to optimise the whole system. We have a north star of a 50 per cent increase in revenues as a target. I want agencies to talk to one another in more open dialogue, so that the chemistry of their individual self-interest in working towards that goal leads them to be more collaborative.

David Whitton: Do you see it as your job to bring together all those organisations? After all, we are trying to sell Scotland as a unique destination, as you said. Scotland has a strong brand worldwide. However, it seems from much of the evidence that we have heard that public organisations are fighting each other.

Jim Mather: Sure. I recognise that, but the landscape is changing, because people at the top of the organisations are getting the message. When we ran a session on aquaculture up at Inveraray recently, the Food Standards Agency came along and told shell fishermen and fin fishermen that its objective in aquaculture was to protect public health—full stop. After three hours, the agency left saying that its objective was now to help the industry to produce more and more healthy, safe and nutritious food, which would promote public health and economic wellbeing. Achieving that alignment is the key result of dialogue.

It is interesting that when I fed back that result to the National Economic Forum, I was buttonholed by Professor Graeme Millar, who is the Food Standards Agency's Scottish chair, who said, "Wait a minute—our objective at board level is to help the industry to produce more and more healthy, safe and nutritious food and to achieve economic growth and the public health benefit through the vehicle of a vibrant industry." The key message to him was that, somehow, that message had been lost between the board and the troops on the ground. That is why dialogue must be cross-sectoral. We must also have more senior people in non-departmental public bodies talking to people who do the work on the ground.

David Whitton: That is why it is a pity that the people at SE Glasgow had to leave.

Jim Mather: Again, we are not talking about a game of perfect. The opportunity might exist for more people to come together to fill that gap.

Christopher Harvie: I am in my 60s and I think that you might find that the bulk of my generation are information poor but cash rich. In reaching out to them, we should not abandon visitor centres, for example. We still search for some homeliness—the equivalent of the General Post Office phone box in "Local Hero"—by which to orientate ourselves. If we do not find that sort of thing, we become rather adrift.

Jim Mather: I take that point. Where visitor centres work, they work well. There are notable examples of local centres that are evolving and adapting and are delivering additional services to create a more compelling reason for people to visit them. That is entirely healthy. Those examples need to be broadcast.

Lewis Macdonald: Marilyn Livingstone asked you about the range of possibilities for local promotion of destinations. In the inquiry, we have heard evidence about a clear distinction between destination marketing on the one hand and destination management on the other hand. You talked about promoting partnerships at local level. Which of those approaches did you have in mind?

11:00

Jim Mather: I favour destination management over destination marketing because destination marketing tends to plateau with the brochure or the advert and then gets into a stasis that is not entirely healthy. Managing and encouraging vibrancy and new ideas among the community is the way to go, because it results in ideas coming out in conversation and dialogue that no one would have thought of if they had just been invited to make submissions to a secretary.

Lewis Macdonald: It has been said that when one attempts the hard job of managing one's destination, it is quite easy to slip back into the soft option of marketing it.

Jim Mather: That is absolutely true, but I favour the Simon Anholt advice about maintaining vibrancy by having a pipeline of new and interesting projects. The key thing is that although someone might run their business in a static way, their customer base is not static—Anno Domini is at work. The customer base changes with every passing year, as young people come through. The key thing is that we have a destination development guide that sets out best practice and gives people a road map. On top of that, the bush telegraph allows us to listen to those who are doing well. It is worth finding out how they have branded their destinations and managed their fortunes.

Lewis Macdonald: If VisitScotland is the flagship organisation for marketing Scotland, how do we avoid duplication of that function by local partnerships?

Jim Mather: Local partnerships must operate at a level below that at which VisitScotland operates—in other words, at the local level, where people have a passion for and understanding of the local area that it will never be possible for a central entity to emulate. That is where the excitement lies. There are hidden nooks and crannies, and areas whose suitability for particular sports appeals to people's psyches. It is interesting that at Aonach Mòr near Fort William, a facility that was designed for skiing has evolved—with enormous success—into a venue for downhill mountain biking. In addition, in the summertime, over-60s such as me can go up in the gondola to look at the view.

The Convener: But Fort William is marketing itself as the UK capital of outdoor activity—it has its own direct marketing organisation.

Jim Mather: Absolutely—and I applaud it for that. Marketing and management are not mutually exclusive. They are part of the one whole.

Lewis Macdonald: Are we not drifting into ambiguity, whereby we will end up with two different organisations marketing Fort William?

Jim Mather: That is perhaps not such a desperate situation, given that, as I said earlier, Honda achieved its success despite a bit of inconsistency and ambiguity.

The more the management and marketing sides work together seamlessly and the more the marketing side understands all the nuances, potential and magic of what is on offer, the more likely a destination is to have a continuous stream of customers.

Lewis Macdonald: I will approach the issue from another direction. You will be aware of the recent reorganisation of VisitScotland, which aimed to set out who does what in a regional office such as the one in Aberdeen as opposed to at a higher, national level. Are you satisfied that that is understood by the industry and stakeholders in it?

Jim Mather: It might not be fully understood yet, but it will be more and more. I am certainly spending as much time as I can on waking people up to the potential of the new reality. The strong message that emerged from the informal session that we had down at Victoria Quay was that even the smallest sub-area of Scotland could attract people as long as it had a brand and an evocativeness that would encourage people to come. Every sub-area helped to make the texture of every other layer further up the tree richer, because there was more to do in the area when people arrived in that part of the world.

Lewis Macdonald: Is there not a risk though? I acknowledge that you said that you recognise the need to communicate what has happened clearly, but you have been a bit ambiguous on whether local partnerships should market areas. Do you run the risk of creating a space into which local partnerships will go and thereby dilute VisitScotland's effectiveness in marketing Scotland?

Jim Mather: No. All they can do is to augment that effectiveness simply by increasing the texture. That is why I have been spending time in Argyll and Bute. I have taken a structured approach there that I am happy to share with the committee. Last year, I activated all the communities—Mull, Islay, Kintyre, Bute, Cowal, Lismore and Oban—in my area; this year, I am activating all the industry sectors. We have already had a summit, which brought together all the players that produce services in or draw revenue out of Argyll and Bute, to get as much cross-fertilisation activity as possible. We wanted people to open up their minds to what could happen. Tourism is fundamental to every aspect. Even the accountants and lawyers in Argyll and Bute know that tourism is fundamental to their viability.

The Convener: Okay. We will have to stop our discussion. I thank the minister.

Energy Bill

11:06

The Convener: Item 2 is discussion of the Energy Bill that the United Kingdom Parliament is considering. Mr Mather's officials are swapping places.

The committee will consider a legislative consent memorandum that has been lodged by John Swinney—LCM(S3)12.1. Again, we will take evidence from the Minister for Enterprise, Energy and Tourism, Jim Mather. He has been joined by Ross Loveridge, who is a senior energy policy adviser in the Scottish Government's enterprise, energy and tourism directorate; Norman MacLeod, who is a senior principal legal officer for the Government; and Bruce Stewart, who is a policy executive in the marine strategy branch of the marine directorate.

While those gentlemen settle themselves, I say in passing to Mr Mather that it would be helpful if he submitted any other evidence that he has on the energy technologies institute, although I am not asking for that today. The committee is keen to draw consideration of that to a conclusion before the summer. Obviously, the ball is in the minister's court. We are keen to hear his position on the institute to help us to reach a final understanding of it.

I invite the minister to make a brief opening statement on the Energy Bill.

Jim Mather: Thank you for inviting me to answer your questions on the Scottish Government's legislative consent memorandum on the UK Energy Bill.

As members know, the bill includes the UK Government's proposals following the publication of its energy white paper in 2007, including proposals relating to gas importation and storage, carbon dioxide storage, nuclear power stations and changes to the renewables obligation. The Scottish Government has been in discussions with the Secretary of State for Business, Enterprise and Regulatory Reform, John Hutton, and we have reached agreement with the UK Government on aspects of the bill that touch on devolved competence.

On nuclear power, the UK Government accepted our strong arguments on the decommissioning provisions being devolved. The provisions do not extend to Scotland. That approach was welcomed in the Scottish Parliament debate that took place on 17 January this year.

On the renewables obligation, existing powers are executively devolved. The bill will amend

existing provisions to allow the introduction of banded support for different technologies. Those powers will be executively devolved by a new section 63 order.

On carbon dioxide storage, the bill provides a framework for licensing in the offshore area. The Scottish Government's view was that a common framework quickly achieved through the legislation would be best. Therefore, the bill extends to Scotland on a devolved matter in territorial waters. Scottish ministers will exercise powers from 0 to 12 miles, and the UK secretary of state will exercise powers from 12 to 200 miles. We will negotiate with the UK Government a memorandum of understanding that will ensure that Scottish ministers are consulted on all storage licences in the 12 to 200-mile zone, and ensure a common licensing regime that is simplified and straightforward for the industry. The LCM seeks the Scottish Parliament's consent only on the carbon dioxide provisions.

In summary, the LCM seeks the Scottish Parliament's approval to allow Westminster to legislate on its behalf to give Scottish ministers powers to regulate carbon storage from 0 to 12 miles offshore.

The Scottish Government believes that a single UK framework for carbon storage is not only in the best interests of the energy industry but is consistent with our belief in deregulation and simplified administration. Given the potential for geological stores to straddle the 12-mile boundary, it does not make sense to have two separate legal frameworks in Scottish waters.

As the committee will know, the bill's provisions on carbon storage deal with only one part of the carbon capture, transportation and storage chain that is crucial to the Scottish Government's ambitious climate change target to reduce emissions by 80 per cent by 2050. As some committee members heard two weeks ago at the joint meeting of the cross-party group on oil and gas and the cross-party group on science and technology, carbon capture and storage have the potential to reduce emissions by up to 90 per cent. I am sure that members will agree that that makes it imperative that we have the correct legal framework in place as soon as possible.

Currently, the storage of carbon dioxide under the sea is prohibited under European Union directives, the London convention and the OSPAR—Oslo and Paris—convention. In essence, the OSPAR commission manages the protection of the marine environment of the north-east Atlantic. In January, the EU issued a draft directive on the geological storage of carbon dioxide, which is expected to be agreed by the end of this year. The UK Energy Bill implements the storage aspects of the new EU directive. The UK

is also negotiating on the conventions that I have just mentioned. The carbon capture and transportation aspects of carbon capture and storage can be dealt with under existing UK and Scottish powers.

I am confident that the agreement that we have reached with the UK Government on the bill's carbon storage provisions is in the best interests of Scotland in meeting our climate change targets. I commend the LCM to members. I am happy to take questions.

The Convener: Thank you, minister.

Lewis Macdonald: I am happy to be debating the legislative consent memorandum this morning. When we debated these matters in the chamber in January, the minister will recall that his position at the time was not to bring forward an LCM, albeit that members on our side of the chamber encouraged him to do so. I am glad that he has decided to do that. What happened to change your mind on the matter since January, minister? What justification can you give for changing your position? As I said, I welcome it, but if I recollect the debate correctly, I believe that ministers said that they were looking for a different outcome in respect of waters between 12 and 200 miles. Did I understand correctly what you said?

Jim Mather: Where we are now is that we are keen to see a situation develop in which we clarify matters for the industry, give them a simplified basis on which to operate and encourage them to take advantage of the opportunity. We wanted neither to clutter the landscape with too many legal frameworks nor leave ourselves open to the charge that we were not making things as simple and straightforward as we should be.

We now have a regulatory review group, the members of which I listen to intently. I am keen to ensure that regulation in Scotland goes forward in a way that makes Scotland as competitive as possible. This is pragmatism.

Lewis Macdonald: If I understand the minister correctly, the outcome is that both Governments will consult both within and beyond the 12-mile limit.

Jim Mather: That is indeed the case.

Lewis Macdonald: And that, therefore, when the regulations finally come forward, they will be introduced in identical form, albeit that they will be made in separate legislative forums.

Jim Mather: Absolutely right.

Brian Adam: At the risk of becoming party political, minister, is this not exactly the kind of complex area in which decluttering the landscape—as you are wont to put it—would be useful? If we are looking at changes to powers,

would not this be a sensible area for change? The aim of the change would be to have control of it all—whether to 12 or 200 miles—under one authority. Surely the most appropriate authority would be the Scottish Government.

The Convener: Do not feel that you have to answer that, minister.

Jim Mather: The member describes the ultimate pragmatism that I prefer.

The Convener: That is one way of putting it. I am not going to allow a political debate on that, or we will be here all morning. Are members content to recommend in a report to the Parliament that consent be granted to the UK Parliament to consider the bill, as set out in the draft legislative consent motion?

Members *indicated agreement.*

The Convener: Are colleagues content for the convener, deputy convener and clerk to sort out a report in respect of that?

Members *indicated agreement.*

The Convener: I thank the minister.

Scottish Register of Tartans Bill: Stage 1

11:15

The Convener: Item 3 concerns the Scottish Register of Tartans Bill. Once again, we have a shuffling of chairs at the other end of the table. We will take evidence on the bill at stage 1 from the poor, long-suffering Mr Mather, who must now deal with his third topic of the morning. This time, he will be joined by Mike McElhinney, the branch head of manufacturing policy in the Scottish Government, who gave evidence to us a week ago. We also have with us George MacKenzie, the keeper of the records of Scotland. Mr Mather, it might be helpful if you introduced your final colleague, because the committee is not aware of who he is.

Jim Mather: He is Neel Mojee.

Lewis Macdonald: We know now.

Jim Mather: The Government supports Jamie McGrigor's member's bill, which is a good example of the Parliament working on areas of consensus. We have taken a realistic and pragmatic approach, which is proof that, in the Parliament, we can engage, listen and learn and be persuaded by argument, not simply by force of majority. Since Jamie McGrigor's previous bill was introduced, some major issues have been resolved. The Scottish Tartans Authority and the Scottish Tartans World Register have agreed to share data with the Scottish register. That will avoid the need to create a new public body and will use public resources better and more effectively.

We are working with industry experts on the detail. Diverging views exist on what constitutes tartan, but we are working on that issue openly with the industry and on the classification of tartans for the register. The proposals are based largely on existing classifications and will involve giving due prominence to woven tartan. I am aware of the issues between the wovenists and modernists. We accept and respect the varying views on woven and non-woven tartans. The fact is that most tartan is woven, but not all of it is. Again, the issue is pragmatism, and we believe that we should maximise the commercial opportunities for non-woven tartans—through measures such as screen printing, their use on ceramics and printing on to fabric—by considering tartan to be the design or pattern and not purely the woven iteration of the design. That will maximise the register's relevance and potency.

The bill is a function of extensive on-going industry engagement. We continue to consult and

involve industry experts. Industry sub-groups are helping us to work out the details of how the register will function. We are working assiduously to take all the views into account.

The bill will fill a big gap because no genuine national repository of tartan exists in Scotland. The situation has been piecemeal and incomplete, perhaps dominated by interests that do not cover the entire sector. There is a risk that tartan records could be lost, that access to the records might not be as complete as we would want and that the records might not be commercially optimised for Scotland. The bill recognises tartan as a core part of our culture and a core brand. It is one of a few products or images worldwide that can broadcast effectively the nature and name of a country. The register promises to widen interest in tartan and to get more people thinking of it as a mechanism to get more product out there with tartan embedded in it. The register will help the industry to promote itself more effectively and will make a vivid statement to the diaspora out there that we are taking care of our birthright and maximising its potential.

I am most heartened by the fact that the keeper of the records and the National Archives of Scotland will be engaged in keeping the register, largely using existing resource, but using it better and ensuring that the Scottish Tartans Authority and the Scottish Tartans World Register and their accumulated wisdom, knowledge and data are cherished and managed for all time.

Brian Adam: You were right to mention the debate between the wovenists and the modernists. The bill will be of great interest to the two camps, which are why we currently have the two registers. What is to prevent further registers from being set up if there is another issue on which the industry cannot agree? There could be several more—we could end up with a whole series of splinter organisations. The evidence that we have heard so far has not contained an assurance from the two existing organisations that they will effectively wind themselves up. Where is the advantage to the public and to the country in having a single organisation under the public umbrella if the issue is not resolved and if there is the potential to have other organisations in the future?

Jim Mather: I see the situation marginally differently. I see both the existing registers as being willing to merge their data in with the national archive—

Brian Adam: At least one of them has said to us that it does not plan to wind up.

Jim Mather: Okay, but I think that we will see a consolidation of data in the national archive, with the power of its legitimacy, brand and capability

driving things forward. There will be a gravitational pull, whereby anybody who registers a new tartan will ensure that it is registered in that archive, because that will give increased legitimacy to that tartan and a better capability of getting it broadcast effectively to other people who might want to use that design.

Brian Adam: I would have hoped that the motivation for the bill would have been not just the commercial interest but the public interest. What is the public interest? What are the costs to the public purse of going down the route of agreeing to set up the register? There will be a cost to the public purse, will there not?

Jim Mather: Could you rephrase that? I am not sure that I understand.

Brian Adam: Quite appropriately, you plan to place the register that is to be set up in an existing public body. However, that will involve costs. What is the public benefit of having the register in the public sector? There will be a public cost. If we are going to do something of this sort, there has to be a clear public benefit.

Jim Mather: The public benefit is the added legitimacy and the increase in the number of jobs that will flow through the textile industry from the interest in tartan and from the motivation of more people to produce tartan goods. We think that the interest will be huge.

When we first launched the proposals, I had phone calls to make from my typically busy Friday surgery in Oban to the United States, Nova Scotia, Prince Edward Island and Vancouver in order to satisfy radio interests there. People in North America are interested in what is happening with tartan here. It is a matter of raising the profile of tartan and giving it legitimacy and a central domain that people can access and browse, allowing them to see designs and to motivate themselves to produce more. The key thing is building economic value from what has been very much a latent brand to date.

David Whitton: Are you a wovenist or a modernist?

Jim Mather: I am a pragmatist on the issue. As always, when looking for increased sustainable growth, I have an avaricious component to my thinking. I want us to maximise the potential return. I think that we can find a way of accommodating both sides—comforting the woven side that anything that is designed could be produced in woven format.

David Whitton: You have spoken about how iconic tartan is and about its close association with Scotland. It is a core brand. You have said that you want to secure more jobs in the textile industry.

Under the heading “Meaning of Tartan”, the written evidence that we received from the Scottish Tartans World Register states:

“A tartan is a woven pattern. This Register should be a Register of woven tartans.”

In our previous discussion of the issue, we had an interesting debate about whether any tartan should be woven material or whether it could be a design on the back of an aeroplane. If you want to protect and promote the textile industry and the jobs in it, should you not insist that any registered tartan must be a woven fabric?

Jim Mather: In my previous life, I was in the information technology industry, where I discovered that restrictions close down development and ultimate benefit. The sensible compromise is to ensure, as we will, that we seek a thread count for any design, so that it can be woven. If we were to do exactly what the member suggests, we might preclude designs that turn out eventually to be not only iconic woven designs but iconic woven designs that have a huge mass market. The next Burberry design that everyone wants to wear may appear on a mug or a ceramic of some other description.

David Whitton: Section 6(9) states:

“The application may include a woven textile sample of the tartan”.

Could the word “may” be changed to “must”? The person who designed the new Burberry tartan to which you refer—perish the thought—would then have to get a small textile company to produce a sample for them. Would that not boost jobs in the textile industry?

Jim Mather: At the moment I am spending a lot of time with Russell Griggs of the regulatory review group, who has been terrific. Russell and I meet on a three-weekly basis. Time after time, the message that I get from him is that I should take great care to ensure that any measures that we take do not have a negative impact on competitiveness and economic momentum.

David Whitton: How would it impact on competitiveness for us to insist that anyone who designs a new tartan must produce a woven textile sample of it? Surely that would increase business for textile producers.

Jim Mather: We should consider the case of the impecunious student or school that wants to produce a tartan. What about schools in overseas countries that might otherwise make connections to Scotland? The measure that you propose would act as a further barrier. The pragmatic approach is for us to seek a thread count for any design, so that it can be woven. We should not preclude the flow of imagination and ideas into which Scotland can tap. We are about to tap into a world of

potential generators of intellectual property called tartan that will flow into Scotland. It will include ideas that none of the 5.1 million people in Scotland can come up with. Let us not make the bar too high.

Lewis Macdonald: My question relates to the same point. You spoke about restrictiveness: I presume that you support the raft of very restrictive legislation that we have to protect Scotch whisky as a brand.

Jim Mather: I will seek to negotiate that dilemma. With Scotch whisky, I am always keen that Scottish provenance and value that is created here are maximised. Maximising the value that is created here is the common theme in the point that I have just made to Mr Whitton and in what I am saying to Lewis Macdonald. I am out to maximise value for Scotland. It is important for us to ask for a thread count for any design, to ensure that it can be woven and appear on a kilt, skirt or shawl, but much more important is the huge avalanche of ideas that can flow into Scotland and provide us with designs of which we have never thought and could never think.

Lewis Macdonald: I presume that when you had conversations with radio journalists on the other side of the Atlantic, they were all keen to be reassured that the register that is being promoted has the imprimatur of Scotland’s devolved Government and is an official Scottish tartans register, rather than simply a commercial opportunity.

11:30

Jim Mather: Absolutely. In essence, there are people overseas who are probably more forcibly Scottish than we are. They consider us to be the direct custodians of their birthright, and I am very keen to ensure that we make the best possible job of it.

Lewis Macdonald: What do you say to the suggestion that the requirement for a thread count and information on it puts in place a barrier—very small, but a barrier nonetheless—and that the requirement to weave that counted number of threads to form the tartan might be important to the credibility of tartan, since you describe it as precisely that?

Jim Mather: It is a compromise—going halfway and essentially forcing the issue of thread count establishes a link. It gets people thinking without creating a barrier that might lead them to say, for example, “Well, we have had this little academic exercise in class, but we will take it no further because that would mean that we have to have it woven, so we will just bin the exercise.” We might then lose the design that could end up being the kilt that everyone wants to wear in 2015.

Lewis Macdonald: Do you believe that a requirement to weave is a greater barrier than a requirement for a thread count in order to do the weaving?

Jim Mather: The barrier is slightly less with the thread count requirement, and it does not have the same cost implications, given the situation of the weaver who would struggle to make a commercial return on what would be a very small sample.

Gavin Brown: You talked about the fact that there will probably be an “avalanche” of designs from around the world. Is that desirable?

Jim Mather: It is probably desirable. That would make my iconic hunting Stewart kilt and other iconic tartans even more iconic—it gives them a cachet. The difference would be that the existing tartans have provenance that goes back in time; they are associated with certain parts of Scotland and certain names. I very much agree with the “Let many flowers bloom” idea.

I mentioned my enthusiasm for Eric Beinhocker earlier. He says that even in a business, you might want to have five or six competing business plans to maximise the chance of evolution. Having lots of new tartans coming forward would keep tartan alive and vibrant. It would work in other parts of the world with the Scottish connection—that Scottish provenance—to maintain what Michael Porter discovered when Russell Griggs had him working for Scotland the Brand: that 98 per cent of the people in the world know what Scotland is, which is something that only 15 or 16 other countries enjoy. I believe that although whisky and golf might play a part in that, tartan plays a bigger part.

Gavin Brown: I will resist the temptation to ask whether Eric Beinhocker is a modernist or a wovenist. I am hugely supportive of the principles of the bill: it is a great idea and we have to protect an iconic brand. You used the phrase “custodians of their birthright”. I agree with that, but I am more interested in the longer-term sustainable return for Scotland in tartan than in the kind of commercial “avalanche” that the minister mentioned. My concerns are that an avalanche of designs would dilute a very potent brand, and that that avalanche will then be on the official Scottish tartans register. Does that concern you?

Jim Mather: No, it does not. Vibrancy is important. I mentioned earlier Mr Beinhocker's thought that stasis in the fitness landscape was a recipe for extinction. We need both that vibrancy and the custodianship of absolutely classic brands. I will still be wearing hunting Stewart.

Gavin Brown: That pleases me, minister.

During the previous meeting at which Mr McElhinney gave evidence I talked about

organisations that for £50 will name a star after someone, perhaps as a Christmas present. Given the fairly wide definition of tartan—an application would have to include the tartan's thread count and sett, but I understand that that would not be a difficult hurdle to overcome—I am concerned that a number of companies might set up and offer to name tartans after customers for the cost of registration, which might be £70 or £80. Tens of thousands of people might decide that that would be a great Christmas present for someone and apply for a tartan. That would dilute a powerful brand. Is there anything in the bill that would prevent that scenario from happening?

Jim Mather: Instead of thinking about how to preclude such a scenario, it is worth thinking about the other side of the coin, whereby tens of thousands of people who have a direct association with a given tartan or an association with their town's local tartan feel an affinity with Scotland, which makes them more likely to buy goods and services from Scotland. They might have Scottish forebears or skills that are appropriate to Scotland, which would make them more likely to come here.

A few years ago I remember hearing that Highland games were being run in east Germany and the Czech Republic. When the organisers were asked why they were doing that, they said, “The Scots are Celts and we are Celts, but their Celticism is cooler than ours and we want some of it.” We are not going to make it compulsory to be Scottish, but there are huge commercial advantages for us that go beyond the sale of tartan.

The Convener: We agree, but the bill would not make a blind bit of difference to any of that.

Jim Mather: With respect, I disagree. The fact that we are having this lively debate is indicative of the bill's effect and if the bill is passed, as I hope it will be, the rest of the world will start to engage at a neat time, because during the year of homecoming we will be able to make the call even more vivid by saying, “Come back with your tartan tie and kilt or skirt.” Jamie McGrigor's bill is exceedingly timely and there could be an explosion of material advantages to accrue from it.

The Convener: I am conscious of time, so I ask members to ask brief questions.

Marilyn Livingstone: We do not want to inhibit creativity. The important question is what should and should not be registered. What difference would the bill make? How would it ensure authenticity, so that there was not a plethora of tartans that had no meaning to anyone apart from the people who registered them? Surely we want the register to be meaningful.

Jim Mather: I ask officials to respond and add texture to the issue.

Mike McElhinney (Scottish Government Enterprise, Energy and Tourism Directorate):

Section 6 of the bill sets out criteria that the keeper of the register of tartans would apply in respect of each registration. For example, applicants would have to demonstrate the uniqueness of the design and provide the tartan's name and the association with the name that was claimed. The criteria would ensure that the tartans that were registered were sufficiently unique to warrant entry. Such an approach would militate against dilution of the authenticity or uniqueness of registered tartans.

Marilyn Livingstone: Are the criteria strong enough?

Mike McElhinney: The criteria in the bill more or less reflect the criteria that are applied by the current registers. By including them in the bill we would put them on a statutory footing. For the first time, there would be a statutory definition of tartan, against which new tartans that applied for registration would be tested. Over time, new tartans would be registered after being tested by the keeper against a set of criteria and against the first statutory definition of tartan to be passed by Scotland's Parliament.

The Convener: It is not, however, possible to trademark intellectual property rights.

Mike McElhinney: We cannot do that within the current devolved powers of the Scottish Parliament.

The Convener: Indeed. So, to pick up on the minister's earlier example, what is to stop Burberry just getting on with it? If it does not get a trademark out of this—one that it can then use to marketing advantage in the commercial world—I am at a loss to understand why, for the Burberry mug, it would even bother with the register.

Mike McElhinney: That is the prevailing situation. The register will take the existing tartan designs and put them on a more sustainable footing. At the moment, they are at risk. They are diverse and independently held, and access could be restricted. That became apparent during the previous session of Parliament. Now—for the first time—everything will be put on a statutory basis. If we accept the argument that tartan is an important part of Scotland's cultural heritage, the register will become a valuable national resource.

Dave Thompson: The bill includes no classification role for the keeper of the registers of Scotland. Would it be a good idea to define the difference between authenticated historical clan tartans and commercial tartans, whether sporting, corporate or whatever?

Jim Mather: Clearly, thought has been given to the options for classifying clan tartans, club tartans, corporate tartans and so on. However,

that adds complexity. I have spoken to Kinloch Anderson—lots of corporate bodies are beginning to take a tartan identity. Treating everything the same is tidier. The market, the clan societies and the families can handle classification by identifying themselves with the individual tartans.

Dave Thompson: We might end up with lots of tartans with the same name. That happens at the moment, but will we deal with it?

Mike McElhinney: The bill says that no two tartans with an identical name will be entered in the register. Part of the reason for that is to ensure that each registered tartan is sufficiently distinct.

Previous evidence showed how registration can work in practice. A sporting organisation or a commercial organisation might change its corporate tartan, so including the date of registration would be one possible way of ensuring that the entry was sufficiently distinct. Families might have branches in different parts of the world, so including an indication of where the family comes from would be another way of ensuring that the entry for the tartan was sufficiently distinct.

We have to take a commonsense approach. No two tartans will be identical; otherwise, people looking at the register would be confused. However, there will be flexibility to ensure that tartans are distinct.

David Whitton: I am sorry to hear you say that classification will add complexity. I fully support the idea of a register, but to me tartan has to do with family and clan and all the rest of it. We should try to protect that. My tartan is MacDonald of Clanranald, by the way.

Lewis Macdonald: Hear, hear.

David Whitton: I would have thought that the register should say, "These are the clan tartans of Scotland." We are talking about the year of homecoming for the diaspora. People want to be able to identify with their family tartan, and they will want to see the authentic tartan on the register.

If people want a kilt in a Rangers tartan or a Celtic tartan, that is fine, but those tartans should be listed under the heading of football club tartans. There should also be a separate heading for tartans such as a Royal Bank of Scotland tartan. Would it not be better to register the iconic brand of tartan as under the clan tartans of Scotland?

Jim Mather: I regularly meet with Fergie MacDonald at the hotel in Acharacle, and he is an assiduous protector of all Clanranald interests, so I am sensitive to this issue. I invite George MacKenzie to answer the question.

11:45

George MacKenzie (Keeper of the Registers of Scotland): The question is a good one and, essentially, the answer is yes. We require to classify tartans to allow people to find them. In this instance, our approach is not to put the provision in the bill but to make it part of the way in which the register will operate.

Classification is a means of helping people to understand where in the register they are likely to find an entry that interests them. As David Whitton said, people want to look up their clan tartan, so they will be distinguished as such in the register. Given that classification is a means of finding information, it is not appropriate to include it in the basic legislation.

David Whitton: If classification was in the legislation, surely that would protect the uniqueness of clan tartans.

George MacKenzie: On the other hand, that would also be rather inflexible. Classifications are likely to change over time and we cannot always predict what will happen. For example, we have seen a lot more recent interest in tartans from sporting clubs, which did not happen in the past. In the future, we could see greater commercial interest in registering tartans. By not including classification in the bill, we have the opportunity to change categories if necessary. We intend to take a simple approach to classification by minimising the number of categories under which tartans are classified. Essentially, classification is a means of finding information in the register.

The Convener: Bills can be amended, Mr Whitton.

I thank the minister for coming to committee this morning and for dealing with the three agenda items that were before us. We are grateful to you for your time, minister.

We move to take evidence from the member in charge of the bill, Jamie McGrigor. I am keen to finish at 12 o'clock, as many members are under pressure of time today. I ask colleagues to be sharp and pertinent with their points and questions.

Thank you for your patience, Mr McGrigor. We will go straight to questions, the first of which is from Mr Whitton.

David Whitton: Perhaps we can establish whether Mr McGrigor is a wovenist or a modernist.

Jamie McGrigor (Highlands and Islands) (Con): Am I not to give an opening statement before we move to questions, convener?

The Convener: We are keen to get on and put our questions, if that is all right, Mr McGrigor. In answering Mr Whitton's question, perhaps you will take the opportunity to make a statement.

Jamie McGrigor: All right, but my statement is of some length.

The Convener: We have 13 minutes before we finish. We would be grateful if you could be sharp and to the point.

Jamie McGrigor: In that case, I will not make my statement. I will simply answer questions.

The answer to the question whether I am a wovenist or a modernist is that I am both—I am a pragmatist. I want an all-encompassing register that takes in all forms of tartan.

David Whitton: Obviously, you are on the same wavelength as the minister. I think that that was exactly the answer that he gave.

You listened to the earlier exchanges. The last point that I made was on the protection of tartans on the register, including clan tartans. From what Mr MacKenzie said, it appears that classification will not be included in the bill. I would welcome your view on the matter.

Jamie McGrigor: In order to keep the bill simple, classification is not included. The national archive will show where tartans are kept. The keeper of the records answered the question quite well.

The difficulty in including classification is that some tartans may be both a clan and a sport tartan, for example. The sensible approach is not to make things inflexible by including classification in statute; it is better to have classification in the secondary stage, so to speak. The point at which a tartan should be classified is when people come to register it.

Gavin Brown: My question is similar to one I put to the previous witnesses. Is the wording of the bill, particularly sections 6 and 7, strong enough to protect the tartan brand?

Jamie McGrigor: I hope that it is. I will mention the thread count. On 14 May, the committee heard from Dr Nick Fiddes and Brian Wilton of the STA, who said that they know from a thread count whether a tartan is weavable and that any sort of rectangular pattern is weavable. It is therefore not necessary to have in the bill wording along the lines of "something that is capable of being woven"; the point is made by including the words "thread count" in the bill.

In any application, a link will have to be shown through a coloured photograph or other coloured pictorial representation of the tartan, a thread count, the name of the tartan and the nature of the applicant's association with the name. That is the important point. It will be up to the keeper to decide whether an application is serious or frivolous, and he will be able to ascertain the applicant's link. For example, for a 2014

Commonwealth games tartan, the applicant would have to show a link to the organising committee. Otherwise, he could be a complete impostor.

Dave Thompson: Can you elaborate on the status of the existing registers? We have heard in evidence that one says that it will be merged and go out of business but the other appears to be saying that it will carry on. Will that have a detrimental effect on the new register?

Jamie McGrigor: I do not think that it will have a detrimental effect. From what I can gather, the STA and the STWR will not continue to register tartans. However, they will continue to be a great help to the new all-encompassing register, which they have been good enough to provide the broad base for by donating their existing registers. The new register will come from those people, who want a Scottish register.

The existing registers are in private hands and are paid for to a certain extent by the weaving industry, which is smaller than it used to be. The fact that the weaving industry has contracted puts the private registers in danger. It is high time that we in Scotland took the buck and started looking after our heritage, which is the point of an all-encompassing register.

Mike McElhinney: Both the STA and the STWR have indicated that they will not accept registrations once the national register becomes live. They will direct any queries for registration that they receive to the new register.

The articles of association of the Scottish Tartans World Register include the ambition to create a nationally held definitive register, as a *raison d'être*. That register will cease to exist in the future. The STA is different in that it has more of a trade-facing responsibility. Its move away from registration will enable it to free up capacity to concentrate on developing and enhancing its capability to represent the interests of the tartan industry. As we heard before, that involves trade, promotional and educational activity about tartans, including with retail outlets. The STA will move towards a more commercially oriented function than it performs at the moment.

Marilyn Livingstone: We heard from the minister the commercial considerations in respect of insisting on woven swatches, but I do not understand why we cannot include the phrase "capable of being woven" in the bill. Will you explain that?

Jamie McGrigor: I do not know whether it is good to have duplication in a bill, but I imagine that it is not: a bill wants to be as minimalist as possible. The reference in the bill to "thread count" means that a pattern will have to be weavable, so it is not necessary to include the phrase "capable of being woven."

Marilyn Livingstone: You and I both know that because we have sat here listening to the evidence, but do you not think that it would give the bill better status if it said that a tartan had to be capable of being woven?

Jamie McGrigor: Neel Mojee might like to comment on that.

Neel Mojee (Scottish Government Legal Directorate): There is a power under the bill for the keeper to issue guidance, and that may be the more appropriate place to make it clear that a tartan must be capable of being woven.

Marilyn Livingstone: So does the reference to "thread count" give better protection than the words "capable of being woven"?

Neel Mojee: I do not know whether I would describe it as giving "better protection", but the fact that there is a requirement in an application for a thread count means that the design must be capable of being woven.

Marilyn Livingstone: I am sorry to be pedantic about this but, although we accept the modernists' argument, why can the bill not just say that tartan must be "capable of being woven"? Would that not send a clear message?

Jamie McGrigor: The message would certainly be clear, but the question is whether it is necessary to put that text in the bill. The committee has heard from the experts Dr Fiddes and Brian Wilton, one of whom, I believe, qualified his original statement by saying that anything with a thread count is capable of being woven. All I can say is that this is how the bill has been drawn up. Should we say the same thing twice? Moreover, if tartan is so capable of being woven, do you really want to withdraw the phrase "thread count" from the bill?

Brian Adam: You have identified the potential risk to the two existing registers from commercial realities. I am anxious about the public purse. Do you plan to have full cost recovery in registering the tartans?

Jamie McGrigor: Will you repeat the last part of your question?

Brian Adam: Are you planning to have full cost recovery with regard to the charges that will be levied for registering a tartan? If not, the public purse will have to bear costs that were previously borne by the commercial industry.

Jamie McGrigor: The register will not involve any new money. It will be covered by the budget of the National Archives of Scotland, which will put up the £100,000 to set up the register and the £75,000 to run it.

Let me speculate for a moment on the second question. Anecdotal evidence suggests that the

existing register websites receive about 1,000 inquiries about tartan each day, or about 250,000 inquiries a year. If the proposed register increased levels of interest in tartan by 20 per cent, it would mean an additional 50,000 queries. If 10 per cent—or 5,000—of those additional queries resulted in a commercial opportunity such as a £100 or £200 purchase from the Scottish industry, the register could generate additional sales opportunities of between £500,000 and £1 million straight away. That is not a bad return on your £75K.

Brian Adam: It might not be a bad return for the industry, but is it a good return for the public purse, which currently does not have to bear any of those costs? I think that the answer to my question whether there will be full cost recovery is that there would not.

George MacKenzie: We do not intend to set charges to recover the full costs of operating the register. Of course, we cannot predict the number of registrations that will be made. You will recall that in our previous evidence we indicated that the charge will be around £80 to £100. At the moment, there are about 150 registrations, which would mean about £12,000 of income. As the expected cost of running the register will be nearer to £75,000 a year, there will be a shortfall.

However, I stress that the register fits extremely well alongside the National Archives of Scotland's family history business. As a result, we are keeping costs down remarkably and greatly limiting the net cost.

Brian Adam: The family history business is very much that—a business—that has full cost recovery and is not particularly commercial. In fact, it is in the public interest. Why should we offer the industry what amounts to a cross-subsidy from the National Archives of Scotland's activities when we are not offering it such a subsidy from the main part of the budget?

George MacKenzie: We offer a package of services. Some—but not all—of the family history services recover their costs; some of the National Archives of Scotland's activities recover no costs at all. The internet service that we operate with the General Register Office for Scotland does make money, does cover its costs and does help to cross-subsidise the personal visitors who come to use our services.

Brian Adam: By the sound of it, it will also help to cross-subsidise this activity.

12:00

George MacKenzie: It is a matter of striking the right balance and having something that is attractive. It is about getting the price right in the

legislation so that it will not dissuade, as somebody said, the impecunious—someone who wants to register a design but does not have a lot of money. On the other hand, we want to set the price high enough to deter frivolous applications or the name-a-star type application. That balance has to be struck. We are setting the price at about £80 to £100.

Brian Adam: Given that we currently have two registers and they cost the public purse nothing, where is the money that it currently costs to do that going, and where will it go in the future?

Mike McElhinney: The economic impact study demonstrates that the tartan industry is a significant part of the Scottish textile sector. If you accept that argument, we work with a number of sectors to support, promote and grow them. The public investment that comes from putting this part of what the registers currently do on to a more sustainable, objective and independent basis, held in perpetuity for the Scottish nation, is a powerful argument for using it to support the industry to promote itself. There are two distinct issues. One is preserving the archive that exists in perpetuity for the Scottish nation.

Brian Adam: As I understand it, you have explained that the £100,000 set-up costs and the on-going £75,000 annual costs come out of an existing budget, which is nothing to do with the industry. You are saying that there is no new public money, so that money must come out of other activities in the general records office and the National Archives of Scotland, the Court of the Lord Lyon or whatever. If the industry will be the principal beneficiary, I fail to see why any subsidy should come out of, for example, the Scottish Enterprise budget. Why should it come out of a public budget when the principal beneficiaries are the commercial industries? The budget that it will come out of is one to which we do not currently provide a massive public subsidy. Some might argue that the public already have to bear full cost recovery in respect of genealogy-related activities, but that is not applying in this instance. It seems to be a strange way of going about things.

Jamie McGrigor: Minister, can I make a contribution?

The Convener: I am just a convener.

Jamie McGrigor: Sorry.

We heard an excellent report from a lady, Miss Scott—I think that she was from Scottish Enterprise—on what she thought the benefits of the bill would be. I think that it will provide a springboard to promote the Scottish tartan industry and I make no apology for that. I do not want to talk down the textile industry in Scotland and neither does my party, nor do most members of the Scottish Parliament. It remains an important

part of the Scottish economy. I see no harm in producing a register that will help the Scottish tartan industry. If there is a problem about that, please ask me another question.

The Convener: No one is arguing that. What Mr Adam is asking is where—

Jamie McGrigor: With respect, Mr Adam is arguing that.

The Convener: He is asking where the money will come from. We have previously been told that the £75,000 is coming from the enterprise budget. Is that true? Yes or no?

Mike McElhinney: Yes.

The Convener: Where will the £100,000 for start-up costs come from?

Mike McElhinney: The £75,000 is £75,000 each year for the next three years.

The Convener: Yes, but it is coming from the enterprise budget.

Mike McElhinney: It is coming from the part of the enterprise budget that supports innovative products to encourage—

The Convener: Where will the £100,000 for start-up costs come from?

George MacKenzie: That money has come from the National Archives of Scotland deferring other work to give this work greater priority.

The Convener: What other work are you deferring?

George MacKenzie: We will defer cataloguing of archive collections, on the ground that we are still promoting a joint service.

Lewis Macdonald: I have a brief supplementary. Mr MacKenzie said, if I understood him correctly, that all the existing tartans would be registered at a fee. I may have misunderstood him, in which case he can clarify the point.

George MacKenzie: The existing entries in the registers held by the Scottish Tartans World Register and the Scottish Tartans Authority will be taken on to the new register without a fee. We will not charge for that. New registrations after the register begins will be charged.

Mike McElhinney: There is discretion for the keeper to waive a fee for taking into the register new collections or existing collections elsewhere that we may come across as it goes forward, if we think that they will enhance and deepen the value of the register.

The Convener: Thank you for coming along, gentlemen. It is our job to test the legislation and we are grateful for your evidence.

12:05

Meeting closed.

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