

MEETING OF THE PARLIAMENT

Wednesday 29 September 1999
(*Afternoon*)

Volume 2 No 9

£5.00

© Parliamentary copyright. Scottish Parliamentary Corporate Body 2000.

Applications for reproduction should be made in writing to the Copyright Unit,
Her Majesty's Stationery Office, St Clements House, 2-16 Colegate, Norwich NR3 1BQ
Fax 01603 723000, which is administering the copyright on behalf of the Scottish
Parliamentary Corporate Body.

Produced and published in Scotland on behalf of the Scottish Parliamentary Corporate Body
by The Stationery Office Ltd.

Her Majesty's Stationery Office is independent of and separate from the company now
trading as The Stationery Office Ltd, which is responsible for printing and publishing
Scottish Parliamentary Corporate Body publications.

CONTENTS

Wednesday 29 September 1999

Debates

	Col.
MANUFACTURING AND INDUSTRIAL STRATEGY	807
<i>Motion moved—[Henry McLeish]—and agreed to.</i>	
<i>Amendment moved—[Mr Swinney]—and disagreed to.</i>	
The Minister for Enterprise and Lifelong Learning (Henry McLeish)	807
Mr John Swinney (North Tayside) (SNP)	816
Miss Annabel Goldie (West of Scotland) (Con)	822
Allan Wilson (Cunninghame North) (Lab)	826
George Lyon (Argyll and Bute) (LD)	828
Andrew Wilson (Central Scotland) (SNP)	829
Cathy Jamieson (Carrick, Cumnock and Doon Valley) (Lab)	832
Mr Murray Tosh (South of Scotland) (Con)	833
Mr Michael McMahon (Hamilton North and Bellshill) (Lab)	835
Robin Harper (Lothians) (Green)	837
Mr John McAllion (Dundee East) (Lab)	838
Christine Grahame (South of Scotland) (SNP)	841
Bristow Muldoon (Livingston) (Lab)	842
David Mundell (South of Scotland) (Con)	843
Ms Margo MacDonald (Lothians) (SNP)	845
Mrs Mary Mulligan (Linlithgow) (Lab)	846
Fiona Hyslop (Lothians) (SNP)	848
Trish Godman (West Renfrewshire) (Lab)	849
Mr Nick Johnston (Mid Scotland and Fife) (Con)	850
Fergus Ewing (Inverness East, Nairn and Lochaber) (SNP)	852
Henry McLeish	854
DECISION TIME	860
FOOTBALL CLUBS	863
<i>Motion debated—[Donald Gorrie].</i>	
Donald Gorrie (Central Scotland) (LD)	863
Fiona McLeod (West of Scotland) (SNP)	865
Cathy Jamieson (Carrick, Cumnock and Doon Valley) (Lab)	865
Mr Brian Monteith (Mid Scotland and Fife) (Con)	867
Bruce Crawford (Mid Scotland and Fife) (SNP)	868
The Deputy Minister for Culture and Sport (Rhona Brankin)	870

Scottish Parliament

Wednesday 29 September 1999

(Afternoon)

[THE PRESIDING OFFICER *opened the meeting at 14:30*]

Mr Alex Salmond (Banff and Buchan) (SNP):

On a point of order, Presiding Officer. Will you ask the Executive to make a statement on the lobbygate affair? I read in the press that the First Minister would like to see a full inquiry into the matter, that sources close to Mr McConnell would like the Standards Committee to consider the matter and that the First Minister and the Secretary of State for Scotland came to blows on the issue, before making up over a cup of tea. The Parliament is entitled to hear the Executive's view in a statement outwith the realms of the press.

In summary, the issue touches on claims made about the Labour party and Labour ministers; it will touch the Parliament unless we hear how the Parliament will deal with the matter. We are entitled to be given that information in a statement from the Executive.

The Presiding Officer (Sir David Steel): I take it that the substance of the point of order is whether I have had notice of a ministerial statement; I have not. The question whether there will be such a statement is a matter for ministers and not for the Presiding Officer. The point made by the member will have been heard.

I have two other related matters to put before the Parliament. Today, I wrote to the Convener of the Procedures Committee to express my concern that the standing orders that we are currently using do not allow sufficient flexibility for urgent and topical questions; I know that the committee is already considering that problem.

The second item, which we must all take into account, is that this morning the Standards Committee decided

"to meet on Tuesday in private for careful consideration of the matters that have been placed before us, with a view to deciding on the terms of an investigation."

It has that matter in hand.

David McLetchie (Lothians) (Con): On a point of order, Presiding Officer.

The Presiding Officer: As long as it is not a speech.

David McLetchie: No, it is not a speech. As you have just intimated to the Parliament, the matter is being considered by the Standards Committee. To

assist the committee in determining the scope of its deliberations, will you make a ruling as to the terms of the remit? Perhaps you can clarify whether the committee's remit to report on and examine members' conduct in relation to "any code of conduct" covers matters relating to the Scottish ministerial code, bearing in mind that in statements issued to the press by, or on behalf of, the First Minister and the Minister for Finance, the Standards Committee has been invited to investigate any allegations in the published material.

The Presiding Officer: It is important that the Standards Committee considers those matters. I do not think that I should give an off-the-cuff ruling from the chair. I notice that the committee chose its words carefully. It will meet in private

"for careful consideration of the matters that have been placed before us, with a view to deciding on the terms of an investigation."

You are asking me to pre-empt the terms of the investigation.

David McLetchie: Presiding Officer, I am asking you to clarify the committee's terms of reference, so that it knows the basis on which to proceed.

The Presiding Officer: Those terms of reference are laid down in the standing orders; I will not elaborate on that at the moment.

Mr Salmond: On a point of order, Presiding Officer. We should also clarify whether the Parliament would support the idea of private hearings as opposed to public evidence sessions.

The Presiding Officer: Let me make it clear. The committee will consider the matter in private; it has not said that it will conduct a private hearing.

Manufacturing and Industrial Strategy

The Presiding Officer (Sir David Steel): The main business of the afternoon is a debate on motion S1M-171, in the name of Henry McLeish, on a manufacturing and industrial strategy for Scotland. There is also an amendment to the motion.

14:34

The Minister for Enterprise and Lifelong Learning (Henry McLeish): Let us move on to more consensual material.

Manufacturing is seen by some people as being less important than the service sector. It is easy to see why many people have that perception. Employment in the sector has been in slow decline, despite the growth in electronics. More recently—

Phil Gallie (South of Scotland) (Con): On a point of order, Presiding Officer. As Mr McLeish rose to speak on this very important issue, the First Minister vacated his place. Is not that an insult to Mr McLeish?

The Presiding Officer: Mr Gallie, you should know better than that; who is or is not in the chamber at any time is not a matter of order.

Henry McLeish: I am immensely reassured that Phil Gallie stays to listen to my words.

Dennis Canavan (Falkirk West): You should be so lucky.

Henry McLeish: What better compliment can one have?

Employment in the sector has been in slow decline, despite the growth in electronics. More recently, as we have seen from a number of headline-grabbing closures, manufacturing has gone through some testing times.

The announcement by Levi Strauss last week was a sharp reminder of the problems, particularly in sectors that are caught in the pincer movement of declining markets and cheaper production costs in low-wage labour markets overseas.

All that illustrates a view that I do not share. There is a more optimistic and accurate view of manufacturing in the last few months of this millennium. We have manufacturing companies that are world class and others that have the potential to be so. The sector still employs 300,000 people—just under one in six of all jobs in Scotland—and a further 130,000 service jobs are dependent on the sector. That means that 430,000 jobs are allied to manufacturing one way or the other, which is important from an employment

perspective.

Overall, manufacturing output is growing faster in Scotland than it is in the rest of the UK, and exports are up. I firmly believe that the manufacturing sector will remain a main driver of our economy for many decades. I will take some time to explain why, and what this Parliament and the Executive can do to help.

It is clear that a vibrant future cannot be achieved without change. Industry needs to modernise, invest and seek new opportunities. It must fully embrace the need to pursue innovation and the development of skills. Of course, it needs to embrace the knowledge economy. We all need to take the sector more seriously—for instance, when we shape the career choices of our children. The Executive and the Parliament need to ask what we can do to help industry change, to improve its profile, and to help our economy move from low-value-added work to the knowledge-driven industries of the future. We are asked to shape our economy for the 21st century. We need to sharpen our competitive edge and boost productivity.

My recent trip to America highlighted the need for industry to recognise that we live in a world where there is harsher competition and more rapid technological change than ever before. If one element of the trip had an impact on me, it was the incredible rate of technological change and the ability in the United States to get products from the lab to the marketplace.

To succeed, we must be more enterprising. We must encourage more small businesses, more entrepreneurs, more investment—whether domestic or inward—and more innovations that become new businesses.

It is only through modernisation that a stronger Scottish economy can be built and that the high and stable levels of growth and employment that we want in the economy of the future can be achieved. Colleagues in all parts of the Parliament can sign up for that aspiration. We might have differences of emphasis and differences over the shape of the vision, but I hope that today we will send a powerful message to manufacturers and employees: we want to help to secure the benefits for which they are striving day in, day out. Only new approaches will help us to rise to the new challenges.

I am determined to ensure that the manufacturing sector continues to play an important part in delivering jobs and prosperity for the Scottish economy. For that reason, I have established a group of business leaders and trade unionists to develop, in partnership, a manufacturing strategy for Scotland. At our first meeting earlier this month, we hammered out the

scope of our work and set a testing timetable to produce an action plan for implementation from next year. The strategy will examine competitiveness and productivity; the use of knowledge and technology; skills and people; the business environment, including the crucial role of small businesses; and the science base and its commercialisation.

We want to build on the pathfinder initiative, which was developed before the Parliament was established, and both produce an overarching strategy for the whole sector and consider the needs of particular sub-sectors. We shall be looking critically at existing support, the need for additional support and possibilities for removing unnecessary burdens on the sector.

Phil Gallie: I welcome what Mr McLeish said about manufacturing industries. The glass industry and food processing industry are high but efficient users of energy. What consideration has Mr McLeish given to the new energy taxation policies proposed by the chancellor, and what will he do to ensure that such taxes do not create massive damage to manufacturing industries in Scotland?

Henry McLeish: Phil Gallie raises an important point; representations have been made to the chancellor on the matter. We have also had representations from a number of industries, for example, the paper industry, which is the biggest industry in my constituency and a major user of energy. I hope that the final shape of the levy when it is proposed will reflect the concerns that we have expressed to the chancellor.

In bringing the subject of manufacturing to the Parliament, I hope to enlist members' support for the proposed strategy; members' views on it are vital. We have all been saddened by the job losses in manufacturing in recent weeks. I will say something later about our plans for sharpening up our response to such events. However, I hope that today we can avoid focusing on particular company or area problems and can concentrate our discussion on the future of the manufacturing sector and how best we can support it.

I want to offer colleagues a good run at the issue, so I will try to keep my opening comments short. However, I will cover a few areas where the Scottish Executive is already highly active and on which the debate can usefully focus.

We are preparing an overall economic strategy for Scotland. Our manufacturing strategy will be set in that context. The economic strategy is at an embryonic stage, but the aim is to produce a framework in which more detailed strategic and policy work can be taken forward, to target more effectively the Government's objectives. It is critical that we work out the different roles of Europe, Westminster and this Parliament, so that

in the jigsaw of the Scottish economy we know where we can exercise leverage and positive change and can ensure that there is no duplication. A proliferation of programmes that duplicate each other or appear to do so is of no use to industry.

Mr Murray Tosh (South of Scotland) (Con):

Does the minister accept that this context makes it clear that the provision of strategic transport links is a role for the Scottish Parliament and Executive? A Government policy of no funding for transport improvements before 2004 or 2005 fails to address a critical condition for economic competitiveness and the expansion of manufacturing.

Henry McLeish: That is an unduly pessimistic view. Sarah Boyack will publish in the near future the result of trunk roads review, which will be vital in prioritising the roads that need to be tackled. We have published a transportation paper that will generate discussion. This morning, I met members of the Institute of Directors who raised similar concerns, which I was happy to take on board and to pass to my colleague. I reassured them that it is vital for industry that we have a roads infrastructure and programme that will support the objectives that I am setting out. There will be opportunities in the future to discuss the issue; I recognise that transport is vital to industrial development.

There is consensus on the importance of the knowledge economy. Science, the commercial exploitation of science and business innovation are key components of the development of a modern, knowledge-driven economy. It is no longer possible to compete by carrying out routine manufacturing tasks more cheaply than countries with low wages. Knowledge, know-how and brands are fast overtaking buildings and machinery as key assets of business. That is true for existing manufacturing as much as for new, high-technology companies and services. We are expanding the work done by Gus Macdonald's knowledge economy task force, by producing an action plan to develop the knowledge economy by February 2000.

Closely linked to that is the complementary issue of our science base. We already have an excellent science base, but there is no doubt that we need to exploit it better, so that it feeds more efficiently into the knowledge economy. I saw on my American trip that a powerful, university/industry community has been built up at silicon valley. In Scotland, we too have world-class universities and industries; we can work as a community as well, to ensure that we get products from the lab into the marketplace at the earliest opportunity. It is quite breathtaking to see the speed with which that is done in silicon valley,

which is a model that would be difficult to transfer, but one from which important lessons can be learned.

That was part of the thinking behind our announcement to set up a science strategy review group.

Alex Neil (Central Scotland) (SNP): Does the minister agree that another ingredient of silicon valley's success is the support that is given by the public sector, along with industry and academia? Expenditure in California and other US states is increasing on such projects. How does the minister reconcile that with the actual and planned cuts in Scottish Enterprise's budget?

Henry McLeish: I warmed to the first part of the question—although I thought that it was too good to be true—then we stumbled into traditional comments about budgets. I endorse Alex Neil's point that one of the key things about California—silicon valley in particular, or throughout the state—is the partnership between education and the private and public sectors; that is crucial to what we are doing. We have gone past the ideological period in which Government did not have a role, but when we are using public funds, it is crucial to ensure that we get the maximum leverage and get added value for every pound that we spend. I share Alex Neil's concerns on that important point.

I said that we had set up a science strategy review group to consider the key issues and mechanisms that are necessary to implement the strategy. Funding will be put in place by Scottish Enterprise to help higher education institutions and research institutes move ideas from the lab to the marketplace. Other UK-wide initiatives include the joint infrastructure fund, university challenge and science enterprise. The challenge recently provided a consortium of universities with £4 million to establish an institute of enterprise for Scotland in Glasgow.

Another issue on which we can build consensus is skills and training. Conservative and SNP colleagues, Liberal Democrats and ourselves are united in believing that we must have a skilled and trained work force, but we must increase the momentum of building skills for the knowledge economy. Business success depends increasingly on people who have the right skills in the right place at the right time. We published the skills strategy for a competitive Scotland in March, and we are establishing a Scottish labour market unit by the end of the year to highlight the skills that are needed in Scotland.

Modern apprenticeships are a central plank of our strategy, so we have set a new, challenging target of 20,000 modern apprenticeships by 2003; that represents a near doubling of the current

number. That is a challenge to every member in the chamber; doubling the number will require all of us—not just the Executive—to do a real advocacy job.

The university for industry is another important development to help people and businesses reduce the skills gaps that are a barrier to growth in some sectors. Indeed, the Scottish Council Development and Industry recently published a good report that highlights some of its critical concerns. The university for industry project is progressing well; the establishment of the company is expected next month, and the appointment of key personnel will take place over the next few months.

Further, we are strongly encouraging firms to take up Investors in People as a way of modernising management culture; more than 3,500 firms in Scotland have committed themselves to IIP. In addition, individual learning accounts will offer a way of helping people to invest in their own learning with employers' help and help foster a culture of lifelong learning. People in the workplace should empower themselves and embrace lifelong learning. Individual learning accounts are a positive way of employers, Government and individuals coming together financially, so that individuals can secure their own skills future. Those accounts will be complementary to some of our existing programmes.

The enterprise network strategies have an important role to play; they have been updated to take account of key Government priorities and are fully consistent with the need to broaden the knowledge base and help advance the vision of a knowledge economy.

Against the background of the increasing globalisation of companies and commerce, Scottish Enterprise is seeking to promote greater international involvement in our business base and to encourage Scottish businesses to be more aware of opportunities in world markets and of the need to compete effectively at world-class level.

The Parliament and the Executive need to take e-commerce seriously. There is a grave danger that if we do not accept the challenge today, it will become a threat to Scottish companies tomorrow. I hope that over the next few weeks—and I will be discussing this with the Enterprise and Lifelong Learning Committee—we will have a fairly high-profile and properly structured and focused campaign to ensure that we do not miss out.

If we need one example of where the future is, we can consider British Telecommunications. It has announced that it spends £5 billion on procurement every year—a staggering sum. It intends to save £1 billion every year by doing all

its procurement over the internet. If that is an indication of how corporate Scotland is developing, it is clear to me that to be outwith e-commerce and the internet will lead to severe trading difficulties. That is why it is not a fashion to talk about e-commerce and the internet—they are a fundamental reality in every workplace in Scotland. We need to address that.

Mr John Swinney (North Tayside) (SNP): The minister mentioned the e-commerce word; I would like to mention another e-word—exporting. I fully support what the minister said on e-commerce, and I understand the threats that it poses and the opportunities that it offers to the Scottish economy. However, does he believe that the support currently available to Scottish Trade International will enable that organisation to deliver the exporting target of £23 billion that has been set for it? Is he content with the profile of exports in the Scottish economy and with the amount of public sector support for them, compared with the drive to attract inward investment? Does he see opportunities to strengthen the indigenous business base in the Scottish economy by strengthening exports—

The Presiding Officer: Mr Swinney, interventions—especially if they are from members who are hoping to speak next—are meant to be short.

Henry McLeish: But of high quality, as I am sure Mr Swinney would say.

I embrace a great deal of what is being said. Despite some trading difficulties, there has been a real increase in current manufacturing exports of 8.3 per cent in the year to the first quarter of 1999. However, we could be doing more, and that is one of the areas that I want to look at. A total of £18.6 billion-worth of manufactured goods is exported every year—an enormous sum—but that figure could still be improved on.

On my visit to America, I was struck by the fact that people in silicon valley see Scotland as the electronic gateway to Europe. That offers us tremendous potential to increase our exports, a fact that the committee will embrace and that the Executive will take seriously.

Scottish Enterprise's cluster approach to economic development seeks to foster long-term developments in particular growth sectors. Pilots have been established in oil and gas, food, semiconductors and biotechnology. The aim is to allow companies to form highly beneficial relationships with other businesses, suppliers and the wider community, especially with research and development establishments. That, in a nutshell, is the university/industry community. It is happening elsewhere, but it has not yet developed in this country to the extent that it should.

Our main financial support to industry—regional selective assistance—has mainly benefited manufacturers. Over the past three years, the manufacturing sector has attracted 85 per cent of funding offers. That equates to Government commitment to industry of around £350 million, with planned investment of around £3.8 billion, which is creating or safeguarding more than 40,000 jobs. A wide range of companies is being supported, from small engineering firms to leading-edge technology companies.

Andrew Wilson (Central Scotland) (SNP)
rose—

The Presiding Officer: The minister is already over his time, Mr Wilson, so let us make this the last intervention.

Andrew Wilson: Given the minister's aims—with which I agree—to improve the knowledge base and to promote value-added growth in the economy, will he agree to alter the guidelines for RSA, which are not focused on value-added growth or on the knowledge base?

Henry McLeish: I am happy to deal with that issue. Although we have changed the map, we need to ensure that in that context we are investing in the value-added sector that Andrew Wilson mentioned. I can reassure him that it is being considered, to see whether we can improve it.

I am conscious of the time, but there is a great deal to be said about what we are doing in business and industry.

Small businesses make a crucial contribution to the economy, but we need to increase the start-up rate, which is not as good as it should be. We are committed to facilitating easy access for business to all forms of local advice and funding. We have a target of 40,000 new businesses by 2003 and 100,000 by 2009. We have introduced a £12 million business growth fund to achieve that.

I know that the Conservatives are interested in better regulation; so am I. I have met the Federation of Small Businesses, the Forum of Private Business and industry generally, and there is no doubt that there is too much regulation in many areas. That is a given. I have asked the organisations that we have consulted to be specific. I do not want to talk glibly and generally about the problems. This Parliament can influence Westminster on some of the bigger issues.

I see that Phil Gallie is scribbling furiously—no doubt what I have said will return to me another day.

The rapid response initiative is important. We have had significant job losses recently. We have a good response mechanism at the moment, although we cannot intervene in every company in

the country. We need to ensure, however, that we have the best system. A review has been undertaken and we now need to have a brief consultation with Scottish Enterprise, the local enterprise company network, the local authorities and the trade unions.

We need to improve our labour market intelligence. Sometimes, we get information only by luck, because there is a massive number of companies.

In some situations, companies could be helped and job losses staved off through intervention by a local enterprise company, a local council or central Government. In other cases, however, intervention would make no difference. At that point, we need to sharpen up what we are doing. When a business collapses, we need to be able to offer the most effective and co-ordinated task force approach to get people into jobs, training or education and to ensure that they have a decent future.

We are announcing a radical review of the rapid response initiative. We want to listen to the people of Scotland and invite them to give us examples of best practice. We want to make sure that we have in place the best set-up. We have arranged a series of practitioners' workshops that will take place towards the end of October in Glasgow, Edinburgh, Stirling and Aberdeen. Representatives from the LECs, local authorities, the Employment Service, the Benefits Agency and the careers guidance office will be invited to attend.

I also want to consult the Enterprise and Lifelong Learning Committee, which is chaired by John Swinney.

We have a good programme ahead. There is a powerful vision for the future of manufacturing in Scotland. Achieving that will require collaboration and partnership, and I hope that this Parliament whole-heartedly endorses the importance of manufacturing. It is vital for the 300,000 people who are employed in industry, for the new companies that we want to establish and for the new jobs that we want to create.

I move,

That the Parliament believes that a vibrant manufacturing sector will continue to play an important part in Scotland's knowledge driven economy.

The Presiding Officer: Members might have noticed that a momentary technical glitch caused us to lose a few words of Henry McLeish's speech. The same glitch has removed from my screen all information about members who wish to speak.

Those who wish to speak in the debate should push their buttons now.

The number of members who want to speak is greater than the number we can possibly call. However, if members limit their speeches to four minutes, we might get everybody in.

The next speaker, who is moving the amendment in a speech 10 minutes in length, is John Swinney. *[Interruption.]*

14:59

Mr John Swinney (North Tayside) (SNP): Mr Presiding Officer, I am tempted to say that the first part of the new manufacturing strategy should be to get more lecterns in the Parliament.

The Presiding Officer: They are on their way.

Mr Swinney: I compliment the Presiding Officer on his rapid response to market demand. It is an example to all of us.

I welcome this debate and the opportunity to assess the future of the manufacturing sector. It would be disingenuous of me to suggest that the motion from Henry McLeish is all motherhood and apple pie and I am happy to associate the Scottish National party with the aspiration that is contained within the motion.

The aspiration, of course, is one thing, but the Government must be capable of delivering on its aspiration and, as a Parliament, we must be able to judge just how effective the Government has been in going about that task. Those two questions—whether the Government can deliver an effective manufacturing strategy and whether we as a Parliament can properly judge its performance—lie at the heart of the remarks that I shall make in speaking to the amendment in my name.

Mr McLeish's motion states:

"That the Parliament believes that a vibrant manufacturing sector will continue to play an important part in Scotland's knowledge driven economy."

We all value the manufacturing sector, we regret the damage that was done to it during the years when the Conservatives were in power, and we want to create the best conditions in which manufacturing can prevail in future.

Let us take a moment to consider where manufacturing stands now. This Parliament has been well served by the contents of the report, "Pathfinders to the Parliament". There is an interesting paragraph in the report that I think encapsulates a lot of the challenges that face us in the manufacturing sector. It reads:

"The Scottish manufacturing base has found it difficult to move up the value chain with inward investors because the product design and product ownership has in most cases not been attracted to Scotland. Equally the research capability in universities and hospitals has not been able to link into foreign manufacturers for the same reason.

Without significant product design and ownership in Scotland, this will not change."

That is a fundamental point that we must recognise in arriving at our conclusions.

Whether it is in the financial services sector—where I have been known to bemoan the fact that essential functions among our major companies are lost from Scotland—or whether it is in key manufacturing companies that are unable to locate their product design operations in Scotland, our economy will suffer unless we have a critical mass of indigenous companies that can anchor Scotland's economy and manufacturing base.

The lesson from the manufacturing sector is of vital importance, but we should also look at other recommendations from the manufacturing section of the pathfinder report. I was struck by the fact that a group of able and esteemed Scottish business people should tell us, as one of their priorities, that we should abolish student fees for university courses in science and engineering. There may be a moral in that story about university tuition fees being a disincentive to young people who want to enter higher education. The business people suggested that we had to develop greater value from Scotland's intellectual property. Any analysis of intellectual property in the Scottish economy suggests that it is an issue on which I can agree with the minister that we are not maximising the full potential of our indigenous strengths.

The minister mentioned the importance of e-commerce and the knowledge economy. We have to acknowledge that, for many people, the language of e-commerce is rather remote—so distant, almost, that they wonder where the plug is for the internet. We must ensure that more people become accustomed to the language and operating basis of e-commerce and the knowledge economy, and to all that that means for the traditional practices of the manufacturing sector.

The pathfinder group recommended that the Parliament should review the plethora of organisations that undertake much of the activity in the sector, and that is now under way. The group also called for a national benchmarking programme to provide a framework within which we can judge the effectiveness of the Government's manufacturing strategy. That recommendation goes to the heart of the constructive amendment that we have put forward today, and it is something to which I shall return in more detail.

The final point that I want to highlight from the pathfinder report concerns the suggestion that there should be a parliamentary committee on competitiveness. We ought to examine competitiveness, although I suspect that that

matter is reserved to the Department of Trade and Industry. Nevertheless, we must consider what makes companies competitive and what we can do as a Parliament to ensure that we maximise the competitive opportunities of individual companies.

Henry McLeish: The issue of competitiveness is not reserved to Westminster. The manufacturing strategy group will consider productivity and competitiveness and will share its findings with the Enterprise and Lifelong Learning Committee. It is clearly an issue that needs to be considered in a Scottish context.

Mr Swinney: Many important lessons have emerged from the pathfinder reports. I hope that the Government takes those points seriously in the formulation of its manufacturing strategy.

The Government should consider four issues. In the minister's considered and, as always, carefully constructed address, he managed to talk about difficult trading conditions, but not about interest rates and the value of sterling. To have a realistic debate, we must understand the impact that interest rates have had on the manufacturing base in Scotland. Exports are on the increase, but from a lower level because of the impact of interest rates and the value of sterling. The Scottish Council Development and Industry responded to the last announcement of an increase in interest rates, by saying that

"this decision to increase interest rates is premature. Although the economic data is looking positive, it's important not to get carried away."

I fear that we have become carried away on a small amount of good news.

The current value of sterling is over DM3. The latest Confederation of British Industry survey of exporters found that 15 per cent had been wiped off the value of Scottish manufactured exports as a result of the value of sterling. We cannot afford to lose £415 million from the Scottish economy.

Phil Gallie: In addition to the added burdens that Mr Swinney has addressed, there are other burdens such as social charges and high personal taxation. He supports additional social charges and, at the last election, his party supported additional personal taxation. How can he talk about competitiveness when he supports such policies?

Mr Swinney: If Mr Gallie was following the debate properly, he would know that I argue for lower corporate taxation, to maximise the opportunity for businesses to see Scotland as an attractive location, in which they can operate constructively and positively. That will generate added value for the Scottish economy much more than the arguments that Mr Gallie has put forward.

Tommy Sheridan (Glasgow) (SSP): Under Mr

Gallie's Government, the top 20 per cent in our society reduced the proportion of their income paid in taxation from 41 per cent to 36 per cent. The level of taxation that the bottom 20 per cent of our society paid on their income increased from 27 per cent to 39 per cent. Will Mr Swinney agree that it is shocking that the top 20 per cent in our society now pay less in tax than the bottom 20 per cent?

Mr Swinney: The point that Mr Sheridan made amply demonstrates why Mr Gallie and his party are still trying to find the road to recovery from all that they did in the years 1979 to 1997. I must watch the time and move on, to keep on side with the Presiding Officer.

The second point that I will make is in relation to the intervention that I made to the minister. We must examine carefully the support that is given to exporting within the Scottish economy and within the Scottish Enterprise network. Exporting has always struck me as the poor relation of the economic development process within Scotland. It is never adequately resourced. I am glad that the Government is giving Scottish Trade International targets for the increase in the number of exports. I do not think that those targets are nearly ambitious enough. If they are going to be more ambitious, we must give that organisation the resources to deliver on our ambitions in exporting.

The third point that I want to cover is a problem that is at the heart of the Government's focus on this issue. I would like to hear the minister's response to this in the summing-up. Is the Government's strategy product focused or market focused? In Scotland we used to be leaders in the industrial revolution, but now we are far behind. I suspect that the minister is approaching the manufacturing strategy from that production focus, rather than a market focus. Surely we will be better able to identify the most dynamic new technologies by supporting the drive in Scotland of a number of market-focused companies delivering skilled, specialist research, engineering and technologies based on market needs. In recent years, we have been adept at invention, but not necessarily innovation and getting products to the marketplace as quickly as we can.

Research evidence shows that if the gap between the concept and the marketplace can be reduced—to a degree to which we have failed to reduce it in the Scottish economy to date—we might be able to tap into some of the increases in value in the way that other marketplaces have. I would like the minister to reflect on the points that he raised about his American visit and to tell us what new ideas on closing that gap will be added to the Government strategy.

My fourth point—here the minister has revealed a little more of what is in his thinking—relates to what the Government does to support the

transformation of the manufacturing sector from the current circumstances that we endure to more stable circumstances in future. In particular, I refer to the number of closure announcements that we have had over the summer—Continental Tyres and Levi Strauss, to name but two.

I welcomed the minister's announcement about the rapid response unit when he first made it, and I welcome it again now. It is, however, terribly reactive. It betrays a sense that we only get in there when there is a crisis. It is almost a signal to our enterprise networks that they do not need to get in there until such time as there is a crisis. That reflects the attitude that prevails in many companies in Scotland—they do not believe that the enterprise networks are on their side.

Dr Richard Simpson (Ochil) (Lab): Does Mr Swinney agree that one of the problems is that companies do not discuss matters with the enterprise groups, which limits their ability to act in an anticipatory way? In my constituency, Coats Viyella closed three plants over five months and did not warn me, the local council or Forth Valley Enterprise about those closures at all. They were simply announced. That behaviour, in this day and age, is unacceptable. No matter what planning there is, proactive response from the enterprise groups is very difficult.

Mr Swinney: I take Richard Simpson's point, but I am calling for the enterprise networks to see things coming, to be proactive and to be in a position where they can scan the local areas of the Scottish economy and ask where the strains are likely to appear. That way things are not just bolts out of the blue. I know that companies sometimes do not show their hand—for reasons of confidentiality and other matters—but there is a duty on our networks to ensure that they are looking for the trouble that lies ahead. I would like to hear more from the minister about what is to be put in place in terms of labour market and company intelligence to do more in peacetime to resolve the difficulties that companies may face.

I hope that the Government will support the amendment. I brought the "Programme for Government" document over with me—it was very handy as a shelter from the rain; it is so big that about five of us managed to get under it. It contains a commitment to develop a manufacturing strategy for Scotland and to start implementing that by early 2000. I support that. What matters—and this gets to the nub of the arguments that the Scottish National party put forward in the programme for government debate—is not whether the Government is successful in bringing forward a strategy. I am sure that the Government will bring forward a strategy—anyone could do that and call it a manufacturing strategy.

Henry McLeish: Tut, tut.

Mr Swinney: Not that I am accusing anyone of being in that situation. What matters is the result of that strategy, how successful it is and what it has delivered. What performance measures are in place to allow us to judge whether the Scottish economy has changed one iota for the better or the worse as a result of the strategy that the Government puts in place?

Mary Scanlon (Highlands and Islands) (Con) rose—

Mr Swinney: Forgive me, Ms Scanlon, I must draw my remarks to a close.

That question cannot be answered by giving an anodyne tick to the anodyne question in that anodyne document. That question can only be answered if we have a clear understanding of the current condition of the Scottish economy and are prepared to set hard targets that the Government must achieve.

The SNP argues that the Government should commit to the production of a quarterly "Benchmark Scotland", a reliable and authoritative publication that would give an anchor to the analysis of Government performance on the economy and the targets that are to be achieved. That kind of performance assessment would be part of the furniture of any effective and successful private sector organisation. An initiative such as "Benchmark Scotland" is strongly supported by the community of economic and business analysts in Scotland.

In conclusion, we wish the Government strategy well. But we must set ambitious targets for what we want to achieve, effectively and decisively, in this policy area. The Government must accept targets for achievement and Parliament must judge. That will deliver better policy making and real improvements to the lives of people in Scotland.

I move, as an amendment to motion S1M-171, in the name of Henry McLeish, to insert at end:

"but notes that a properly informed manufacturing strategy requires a greater understanding of Scotland's relative economic performance in comparison with our competitors and notes that the Executive do not currently provide this information; calls upon the Executive to bring forward, in consultation with the Parliament, business/industrial organisations and economic analysts, a full and regular benchmarking exercise assessing the performance of the Scottish economy across the widest possible range of indicators in comparison with our main competitors, and notes that in doing so the Executive's manufacturing and industrial strategy will be open to more effective scrutiny".

The Presiding Officer: Before I call the next speaker, I say to members that, with the best will in the world, my deputy will not be able to call everybody who wants to speak. We are about a

quarter of an hour adrift from the timetable already.

15:15

Miss Annabel Goldie (West of Scotland) (Con): I welcome both this motion and the minister's constructively articulated comments. They are in character with the minister, and we endorse much of what he said. As a prophet observed, minister, for every thing there is a season, and a time to every purpose under heaven. The purpose of this debate, on our part, is bluntness—bluntness that the minister will understand is not directed at him.

We support the motion. Indeed, it is a good motion that represents fine words. It suggests that everything in the garden is rosy; all is tickety-boo. However, just as a garden is not created by reading three pages of horticultural specification followed by fencing off an area, flinging some plants in and erecting a sign marked "Garden", so a vibrant manufacturing sector is not created by pulling out a map of Scotland, marking off some areas with a red pen and a few asterisks, adding some cheery comments and then tucking it away in a filing cabinet marked "Scotland's vibrant manufacturing and industrial sector".

Industry needs a congenial climate; it needs fertile conditions; it needs protection from its own form of bugs and leaf rot. It also needs a gardener, in the form of a Government that is sensitive to its needs. We must examine whether the words of this motion are matched by the acts of new Labour. The first signs were encouraging.

Phil Gallie: Will Miss Goldie give way?

Miss Goldie: You will understand, Ms Ferguson, if I say that I feel nervous. I shall give way.

Phil Gallie: I thank Miss Goldie. The minister talked about the leverage of private sector funds, and about linking that to public expenditure. He talked about the modern apprenticeships that our party introduced. He talked about the principle of skillseekers and individuals carrying training cash with them. He talked about getting rid of red tape and regulations. Surely those are all good Tory policies, and Miss Goldie is right in supporting the motion.

Miss Goldie: Thank you, Mr Gallie. I am beginning to feel redundant already.

Mr Swinney: Please stay on. [*Laughter.*]

Miss Goldie: I observe that, in the creation of the circumstances that are congenial to a vibrant manufacturing and industrial sector, certain conditions must apply. In fairness, the first signs were encouraging. Tony Blair said:

"I would say that the new and right direction for Europe is investing in people, skills and technology rather than regulation and constant burdens on employers. For the first time, this signals a different direction, saying that we want to reduce costs and reduce burdens."

That was said by Mr Blair in 1997.

The story since then has not been quite so encouraging. We have had a series of directives: the minimum wage, the working time directive, the works council directive, the part-time workers directive and the parental leave directive. No matter how meritorious those are regarded as being in certain quarters, and no matter what virtues they may have—and, no doubt, they do have them—it must be understood that, for manufacturing and industry, directives of that nature are not good news.

In fairness, those regulations do not stem solely from Labour's decision to sign up to the European social chapter. The British Chambers of Commerce has observed that Labour has implemented more than 2,600 of its own regulations since May 1997, and that it has repealed only 20. I am not making a cheap point. All I am observing is that, if there is to be the vibrant sector that all of us here want, certain essential criteria must be in place and must apply. I could list a catalogue of other new burdens on business that have been introduced since May 1997, with which members would be familiar.

The Centre for Policy Studies has warned that Labour's new burdens could lead to as many as 800,000 job losses UK-wide. Some may scoff at that; some may consider it excessive; some may seek to dismiss it. I think that there has to be an element of substance in it.

What does our industrial garden make of all of that? Not a particularly positive interpretation. Only in February, the chair of the Federation of Small Businesses, Brian Prime, said:

"Small firms are now being over-regulated to such a degree that it is too costly and too risky to employ staff".

That concerns me. It strikes at the heart of being able to sustain the sort of sector that the Minister for Enterprise and Lifelong Learning has in mind. Mr Prime's views are supported by the Confederation of British Industry, which has called for a moratorium on new business burdens, such as its concern over current policies.

In short, I think that the gardener in this area has been found wanting. I would like to see the secateurs chopping through the red tape. Every bit of red tape which unfurls from a civil servant's desk sets off on a deadly mission which will end in the extermination, to a greater or lesser extent, of jobs.

What else can cause wither and blight to our manufacturing base? Taxation, obviously. Mr

Sweeney has already alluded to this. What did our horticultural supremo have to say about taxation? I quote Mr Blair again:

"I vow that the promises we make on tax, we will keep. This is my covenant with the British people. Judge me on it. The buck stops with me."

He said that in 1996.

That does not tie in with the words of today's motion; the reality is slightly different. Only in March, the director general of the British Chambers of Commerce, said:

"Business today is more heavily taxed, more heavily regulated than we were two years ago."

Fergus Ewing (Inverness East, Nairn and Lochaber) (SNP): I am loth to interrupt this lesson in gardening. I feel that I am learning a great deal. However, to use gardening parlance, is it not the case that Miss Goldie's party planted a giant hogweed in the Scottish economy, when, for the first five years of this decade, under Conservative rule, business rates were levied that, according to the Scottish Council Development and Industry, were one fifth higher each year—from 1990 to 1995? Instead of imposing that higher tax on Scotland, the Conservatives should surely have been applying weedkiller.

Miss Goldie: I think that that is what we did. We introduced the uniform business rate. I remember why that happened. I was looking with horror at a rates notice that had come to my own business, following a revaluation. I took the view that control of business rates and taxation in that form had reached a vicious and oppressive extent. I am very glad that the Conservatives intervened to put the brakes on that. I wish that that lesson would transmit to the current Government and to the Executive.

Taxation is not good news for business. Significant taxes have been applied; significant new taxes are threatened. Even in loose talk, when there is reference to the potential higher business rates, new parking taxes, tolls on trunk roads, tolls on urban roads, bed taxes or whatever forms new taxes may come in, they have to be seen in the context of what they are doing to existing business and what they threaten to do to potential investors.

From the point of view of manufacturing and industry, a transport policy that seems, frankly, to have hit the buffers, is certainly uncongenial. I listened with interest to what the minister was saying, but the reality is that we have the highest fuel prices in Europe. Those of us who were invited to go to Arran learned that the highest of the high prices are there, where the poor souls are wondering what they have done to be so victimised.

Andrew Wilson: Does Miss Goldie regret the fact that it was her party's Government which introduced the fuel price escalator in the first place?

Miss Goldie: We have been perfectly frank: we introduced the fuel escalator in good faith, as did other powers who were party to the Kyoto conference. At that time—a significant number of years ago—it was a well-intended environmental measure. The passage of time has shown that the fuel escalator has had no impact on the environment whatsoever. Gordon Brown is using it to elicit from people the equivalent of 9p in income tax. I do not call that fair or honest.

On transport, in the absence of specific proposals for our existing road system—albeit that the minister's remarks indicate that proposals may be forthcoming—there is little comfort for manufacturing and industry. We have a public transport system that, at the moment, is inadequate. I think everyone is agreed on that.

Mr Keith Raffan (Mid Scotland and Fife) (LD): I am grateful to Miss Goldie for giving way. She really cannot get away with that, after the Conservative party's total lack of investment in public transport over the past 18 years. That is one of the main reasons why I left the party—it never put anything into public transport.

Miss Goldie: Mr Raffan, it is always a joy to be reminded why you are no longer with us. [*Laughter.*]

As recently as within the past 24 hours I delighted in the transport offered now by ScotRail on its improved route from Glasgow to Edinburgh, which was made possible, I suspect, by the privatisation of the system by the last Conservative Government.

If such difficulties confront our manufacturing and industrial base—and I make no apology for continuing the horticultural analogy—what has proved to be the Dutch elm disease of that sector? There is no question that Labour's high pound has been the death knell for much of our export business. I was particularly interested in a recent Scottish Council Development and Industry survey, which identified that the high value of the sterling in Scotland has adversely affected 87 per cent of all businesses, resulting in 69 per cent losing export orders. The chilling factor was that it created 31 per cent of redundancies. To me, that is a factor that cannot be disregarded. The strength of the pound, caused by current high interest rates, is actively deterring what that sector can do. The Executive should use all influence available to it to consult colleagues down south as to when a reduction in interest rates might be considered.

Mr Swinney: When the minister responded to

Phil Gallie's intervention on the issue of the climate change levy, he indicated that representations were being made to the Treasury about the seriousness of the impact of that levy on the Scottish economy. Does Annabel Goldie think that it would be appropriate for the minister to make representations to the Treasury and to the monetary policy committee about the impact of high interest rates and the high value of sterling on the Scottish economy?

The Deputy Presiding Officer (Ms Patricia Ferguson): Miss Goldie, please begin to wind up.

Miss Goldie: I have no hesitation in supporting Mr Swinney's view. If this Parliament has established anything, it has established its merit as an effective way of transmitting opinion to the Government at Westminster. He will have his own solution to that dilemma, which I would not share; none the less, I accept the spirit of his intervention.

In relation to this motion, all in the garden is not rosy, because the gardener has been absent without leave. If we can cut the red tape and taxation, find a transport policy and make the pound the asset, rather than the enemy, of business, the Conservatives will not just support this motion in spirit, as they do, but will feel that it means a lot more than mere words.

The Deputy Presiding Officer: We now move to the open part of the debate. As the Presiding Officer indicated, it is very unlikely that all members who wish to speak will be able to do so. However, I intend to indicate to members when they have only one minute left of their four-minute allocation.

15:29

Allan Wilson (Cunninghame North) (Lab): In the spirit of the speeches that we have just heard, I believe that there is political consensus across the chamber and throughout the committee structure. That consensus is that Parliament believes, in the words of the motion,

"that a vibrant manufacturing sector will continue to play an important part in Scotland's knowledge driven economy."

Members of the Enterprise and Lifelong Learning Committee, under the convenership of John Swinney, have taken a consensual approach to the common objective of realising a modern, diverse, competitive knowledge-based economy for Scotland. We can compete in European and wider world markets for business to sustain the economic growth that we all desire.

That demands skill levels and further and higher educational throughput on a par with, if not superior to, those prevailing in continental Europe and north America. It demands that financial assistance to industry and business is targeted not

only to maximise opportunity, but to address need. It also demands that the manufacturing sector, on which we are concentrating today, plays a full and vital part in building and sustaining the knowledge-based economy that we seek. Indeed, there is some evidence to demonstrate—it has already been touched on by the minister—that we are already succeeding significantly in doing that.

Only this morning, the Enterprise and Lifelong Learning Committee commenced its initial inquiry into the effectiveness of what is known as the enterprise network and its success, or otherwise, in promoting various strategies, including the strategy for sustaining and promoting a vibrant manufacturing sector within our knowledge economy.

The inquiry's remit includes an investigation into economic development, into post-school and vocational education and training and into business support services at a local level. It encompasses an examination of the performance of the organisations that provide those services, such as local enterprise companies, local authorities, chambers of commerce, enterprise trusts and the whole range of ad hoc agencies. The inquiry will focus on the co-ordination of the services that are provided by those agencies and it will consider the degree of overlap and whether there is any disparity or duplication between the organisations. The objective of all that is to identify ways in which the effectiveness of those services can be improved.

In the short time available, I will concentrate on the effectiveness of our enterprise network in delivering the strategy and the targets set by the Executive. I would argue that the Scottish Executive and Scottish Enterprise have been successful in delivering on part of the agenda. As we have heard, exports from Scotland grew in the past year. The value of all manufactured goods sold overseas rose from £18.4 billion to £19.2 billion—a substantial increase of £800 million. Scottish Enterprise helped more than 1,700 export companies during the past year to realise an increase in sales of £436 million, an outstanding example of which was the £4.4 million Russian franchise that A G Barr, the soft drinks manufacturer, secured with the help of Scottish Trade International.

I am sure that we would all agree that we could do, and would wish to do, much better. The strategy that was outlined by the minister can achieve that, but it is vital that the strategic objectives and targets are taken up by those within the enterprise network who are charged with supporting manufacturing industry at a local level. There is some evidence—perhaps anecdotal—that, despite the manufacturing presence in all our constituencies, not all local enterprise companies

give the necessary emphasis or impetus to the manufacturing sector in their deliberations.

That failing in the network will need to be addressed before our strategic objectives for the sector as a whole can be realised. I hope that this Parliament, the minister and the Enterprise and Lifelong Learning Committee will take that on board.

15:34

George Lyon (Argyll and Bute) (LD): I welcome this debate on the manufacturing strategy. It is important to underline the Executive's determination to strengthen Scotland's manufacturing base. We must remember that, although the manufacturing base has declined over the past 18 years, it still represents 22 per cent of Scotland's gross domestic product. Indeed, the combined manufacturing and construction sector accounts for a greater proportion of Scotland's GDP than in it does for the GDP of any other part of the UK—it is a very important player.

Although the manufacturing sector has shrunk over the past years—much of that shrinkage was a result of the policies implemented by the previous Administration—it is important that we recognise that many manufacturing firms have outsourced many of their activities. That has meant a transfer from the manufacturing sector to the service sector. For our economy to survive and flourish, it is vital that we have a strong manufacturing base and that we take steps to rebuild that base after the many years of shrinkage. It is quite clear that Scotland's economy cannot rely exclusively on the service sector.

As the minister said, the future of Scotland's manufacturing base does not lie in competing with the emerging economies of eastern Europe or in low-skill jobs. The possibility of our competing head to head in that market is long gone. We must raise our sights. Our manufacturing strategy must be about creating high-quality jobs in high-skill industries.

I recently spent an interesting day at Glasgow University examining with staff the commercialisation of on-going research and enterprise projects. I was impressed by the fact that Scotland has world-beating knowledge in its university system. The challenge to the Scottish Executive, the Scottish Parliament and the Enterprise and Lifelong Learning Committee is to translate that knowledge into commercially viable products. We have a golden opportunity to create new jobs and new companies at the top end of the marketplace. That is where our future lies.

There are barriers to translating knowledge into commercial projects. I welcome, therefore, the

announcement by Scottish Enterprise that an extra £11 million will be made available to higher education establishments and research institutes to help them to translate ideas into products.

My final point, which was raised by previous speakers, concerns the exchange rate. In the latest "TSB Business Monitor", concerns about the exchange rate were again expressed. In production businesses, such concerns have grown year on year. The exchange rate is the fundamental problem facing the primary sector—agriculture, fishing and timber—which features prominently in my constituency. Those businesses will return to commercial viability only when we have a more realistic exchange rate. The pound is still over-valued by 15 to 17 per cent.

There is only one way in which to achieve a more realistic exchange rate. The three political parties in Scotland who favour the UK's joining the euro must confront the Tory Eurosceptics head on and put forward clear arguments in support of joining when the exchange rate is at the appropriate level.

Alex Johnstone (North-East Scotland) (Con): Will the member give way?

George Lyon: I am about to finish. There are real benefits in joining—lower interest rates, greater stability and a more realistic exchange rate, which would all hugely benefit the agriculture, fishing and timber industries. It is high time that the Labour Government at Westminster came off the fence and took on the little-Englander, Eurosceptic attitudes that are so prevalent in the Tory party, whose objective seems to be to take us out of Europe, rather than to put us at its heart.

15:38

Andrew Wilson (Central Scotland) (SNP): The tautology in the Executive's motion, which states that manufacturing is a good thing, belies a severe problem in the economy and in the Government's strategy. Any proper growth strategy requires both macro-economic and supply-side measures. In this Scottish Parliament, only supply-side measures are available to us. However, if we are to target properly the limited powers that we have, we need to understand the thrust of UK and wider macro-economic policy and the impact that that has on the Scottish economy, so that we can mitigate or take advantage of it.

All parties—and certainly the entire Scottish business community—agree that the high interest rate and exchange rate strategy that this Government has pursued since it came to power has severely damaged the Scottish manufacturing and export base. In August, at a meeting in Inverness of the Scottish Council Development and Industry in the Highlands and Islands, one

company—which must remain unnamed—claimed that an increase in interest rates would have a serious impact on its business. Interest rates did increase. The company said that 75 per cent of its business was abroad and that that was failing dramatically. It added that the level of the currency was having a devastating effect.

The argument is unassailable: the period of sustained damage that has been done to our manufacturing sector has led to cuts in jobs and—critically—in investment. Investment has been hammered during the past 18 months and, as a result, our competitiveness in the long term is in dire straits.

Another problem for sustainability is the fact that we have a crying need to diversify our export sector, although Mr McLeish did not mention that in his opening remarks. About a third of all our exports are in one sector—electronics—where about two thirds of the inputs that are used are imported. The effect is that companies are cushioned from the effects of the high value of sterling, because their inputs are cheaper. That exacerbates the problem of concentration in one or two sectors.

Nothing that we have heard here today or from Gordon Brown's monetary policy committee addresses that problem. That is regrettable, because the situation was entirely unnecessary. Supposed inflationary pressures in the south of England meant that Mr Brown faced a dilemma. He had to take the sting out of the economy but, having accepted the fiscal policies of the Conservative Administration, he was left with only one tool—interest rates.

Mary Scanlon: Does Andrew Wilson acknowledge the fact that, in the last four years of the Conservative Government, inflation and unemployment were lower—and falling—than at any time since records began in 1847? Does he also acknowledge that the time is not right for us to join the euro, because our economies are not in any way convergent? He expresses concern about interest rates in the south of England but, given that unemployment in the rest of the European Union is at an average of 11 per cent, how can joining the euro and having interest rates set according to the diverse needs of 15 economies benefit this country in any way?

Andrew Wilson: As an anorak, I must point out that inflation records began in 1919. The reason that we want to join the euro is that the prospects for stability in the euro area are far greater than those in the UK monetary union. The reality is that, in the euro area, interest rates are lower and the exchange rates are more sustainable. That is what we want to achieve; we do not want to be in the position that we are in.

Tommy Sheridan: Will the member give way?

Andrew Wilson: If I may develop this point, I will let Tommy in in a wee second.

The problem is that Labour used interest rates alone to take the sting out of inflation in the south-east. That led Eddie George, the governor of the Bank of England, to comment, in response to a question from a northern journalist, that unemployment in the north was a price worth paying for low inflation in the south. That is a harsh statement from the man who is in charge of the nation's finances.

Allan Wilson: Will the member give way?

Andrew Wilson: In a moment.

Winston Churchill once said:

"they called me the worst Chancellor in history and looking back I am inclined to agree".

I wonder whether Gordon Brown would be so humble, given the past 18 months? We wonder whether, in the dead of night, Gordon Brown suffers the occasional unquiet dream, with a voice telling him that his economic approach bears a frightening resemblance to the ordeal that Lady Thatcher inflicted on the manufacturing sector in the early 1980s.

Professor Wynne Godley, a former Treasury wise man, said:

"I still have difficulty believing that I heard Gordon Brown, who once seemed so reasonable and humane, regurgitate Thatcherite platitudes at the Labour Party Conference. With my own ears I heard him say that there would be no soft options, no easy solutions and no u-turns".

Why is it that Gordon Brown's priority is not to loosen fiscal policy through income tax when he is tightening monetary policy, the damage from which is so palpable? Why bother doing either?

We have sought in this debate to express not only vigorous criticism of the macro-economic context, but visionary, positive ideas—as outlined by John Swinney—about what we can contribute to the wider debate. We do not know enough about what is happening in the economy. As Allan Wilson showed, the statistics can be made to say whatever one likes. The reality is that no minister can tell me what the added value of exports to the economy is. We know nothing about trade, imports or productivity. No comprehensive information about what is happening in the Scottish economy is available. That is a gap that needs to be filled.

I quote from the excellent text "An Illustrated Guide to the Scottish Economy" from that fine institution, the Royal Bank of Scotland. We all got a copy of it earlier in the year. It says:

"As the Parliament embarks on its historic journey, it is in danger of developing economic policy shrouded in a veil of ignorance . . . Better information enhances analysis. That,

in turn, should enable the Parliament to achieve and deliver on what it was established to provide: better choices for Scotland."

The fact is that the Executive has no plans to present more information about what is going on in the Scottish economy, which this amendment would allow them to do. The amendment is a test for members. By backing it, they can ensure that they are contributing positively to a more inclusive Scottish politics, where Opposition ideas can be taken on board. Members must vote for the amendment. That will be the real measure of just how constructive members of the Scottish Parliament are being.

15:45

Cathy Jamieson (Carrick, Cumnock and Doon Valley) (Lab): The history of Ayrshire is almost like the history of the manufacturing industry. Murray Tosh may also have some comments to make about Ayrshire but, when I was younger—like anyone who was brought up there—I was conscious of the importance of manufacturing industry.

Everything was made locally: from the bricks in the local buildings to the locomotives that were exported worldwide; from the engineering products for the marine and automotive industries to the carpets and textiles that furnished our homes; and from the clothes that we wore and the shoes on our feet to the whisky—which some of us drank—and the red cola of Curries' Soft Drinks Ltd of Auchinleck, on which I was brought up. All those were manufactured by Scottish firms that were at the cutting edge of their markets.

I recognise the impact of the global market on local economies. Current estimates suggest that less than a third of the jobs in the Scottish manufacturing sector are with Scottish-owned firms and that the majority of those are in the small business sector. I also recognise that globalisation has meant that decisions on investment, research and development, marketing strategies and so on are increasingly being taken by parent companies, with locally based management and trade unions often having little real say. Local communities, as Richard Simpson said, have even less say.

I welcome today's important debate because there is no doubt in my mind that a successful manufacturing strategy is the key to economic prosperity and that further success and expansion in the service sector cannot happen without a sound manufacturing base. Henry McLeish said that we should not concentrate on localised problems, but look at the bigger picture. I would be failing in my duty if I did not concentrate to some extent on the problems that my constituency faces—I have a very keen interest in the future of the manufacturing sector in Ayrshire and

particularly in my constituency.

There have been some success stories in Ayrshire and I am sure that some of my colleagues would like to comment on them. The Ayrshire economic information group recently published a pamphlet on the Ayrshire labour market and skill trends. That pamphlet clearly identifies important issues. It says that the

"unemployment gap is a deeply embedded challenge for Ayrshire. The unemployment rate is roughly 50% higher in Ayrshire than in Scotland."

I am not suggesting that we seek devolution for Ayrshire yet, or that it is not part of Scotland. However, as the pamphlet says, the Girvan travel-to-work area, which is wholly in my constituency, has the highest unemployment rate of all 308 travel-to-work areas in the UK. Moreover, East Ayrshire Council, which is partly within my constituency, has the fourth highest unemployment rate—centred predominantly on former coalfields—of all the 32 local authority areas in Scotland.

I am very aware of the difficulties faced by local firms in my area. Textiles firms in Cumnock and firms in Girvan in the south of my constituency are constantly undertaking balancing acts to try to keep jobs in the area. I want to see the implementation of a strategy that addresses the needs of those firms. We will have to look at the infrastructure. I do not really want to mention the A77 and its impact on south Ayrshire, but I would be remiss in my duties if I did not.

I want progress in research and development, and I would like us to give some thought to areas that we have not yet explored. Examples would include practical defence diversification projects and the possibility of further research and development into the technologies relating to renewable energy sources. Those are areas in which Scotland can once again produce research and development and—increasingly—the products that can be aimed at a worldwide market.

I want my constituency to get a share of the jobs and investment, and I want support for the local companies that have been there through the difficult times. I am sure that the strategy will address those points.

15:49

Mr Murray Tosh (South of Scotland) (Con): I would like to support Henry McLeish's motion and I would also like to agree with much of what Cathy Jamieson said in her thoughtful contribution—although she might be in some difficulty with her comrades for acknowledging that people had shoes to wear when the Tories were in power.

I will inject a second note of realism by

commenting on the representations that businesses have made to me about their viability, their future and their competitiveness. Like, I suspect, everyone else, I find that virtually all the organisations and lobbies that have approached me have talked about transport.

We can manufacture, improve our productivity, find new products and attempt to develop them, but none of that will count for anything unless we can move what we make. There is only so much that we can sell to ourselves. Our markets are south of the border, in Europe and overseas and, if we are to have a vibrant manufacturing industry, we need to examine our strategic transport links.

I want to pick up on Cathy Jamieson's comments about Girvan's serious difficulties. The same difficulties apply equally to Newton Stewart, to Hawick and to other places in the south of Scotland. That is largely because of the relative isolation of those centres of population. We should also appreciate the fact that Scotland is having the same difficulties in the European Community and in the wider global markets. If we cannot transport our goods, we will not survive and flourish as a nation.

I was grateful to Mr McLeish for suggesting, in response to my intervention, that some good news might be coming. I hope that that is true. I welcome the recent good news of fifth freedom rights for Prestwick airport. Air transport will be an important part of our future, not least for the many new manufacturing industries that were established and flourished in the 18 years under the Conservative Government.

We also have to examine our road, rail and sea links. We do not talk about our sea links very often, but we have to if we are talking about Europe. There is a degree to which we can move more goods by rail and I have already welcomed the Government's recent initiatives to put more freight on rail. However, as most of our exports will require travel to market by road and/or by ferry, we must examine our roads network and ferry strategies.

The reason why I adopted what Mr McLeish called a rather gloomy view about road improvements is that the Government strategy—as far as it can be understood—envisages an injection of capital into road development only in the context of income flows generated by tolls. The Government's transport white paper appears to be based on the notion that that income will come on stream by about 2004-05. Frankly, that is not good enough.

When the previous Government left office, the contract for upgrading the A8 to the M8 was measured and tendered and required only a signature. We have lost two years and the impetus

of a considerable investment in roads in central Scotland to create a strategic motorway network and allow us to communicate with our English market. We need a guarantee from the minister that real money will be behind the strategic roads review. If we do not get such a guarantee, the review will be only a paper exercise. The time that we have wasted will rebound on us to our long-term disadvantage.

Before I finish, I want to mention sea transport. A recent Scottish Enterprise publication indicates the organisation's expectation and concern that, as traffic builds on the English motorway network, it will become more difficult for Scottish companies to send their goods through England to the continent. Scottish Enterprise wants to develop port facilities on the east coast of Scotland to avoid the congestion south of the border. That has to be very important for our economy and it would be useful for the Executive to guarantee that it was considering promoting those transport links and developing that infrastructure.

I found a huge amount to agree with in Mr McLeish's speech. All MSPs are broadly on the same side in recognising the importance of manufacturing. However, in the development of a comprehensive industrial strategy, the minister should consider the extreme importance of the transport links that will be the necessary delivery mechanism for our successful industrial future.

15:54

Mr Michael McMahon (Hamilton North and Bellshill) (Lab): As a member who represents a constituency whose electorate has seen dramatic changes in the industrial landscape over the past few decades—and as a former welder—I am all too aware of the impact of those changes on the individual, the families and the communities that I serve. Scotland's manufacturing base has declined from employing 611,000 in 1978 to employing 303,000 today. The sector now accounts for only a sixth of all jobs in Scotland.

Manufacturing jobs are still essential to the success of our diverse international economy, however. In many areas, manufacturing is still the base for economic activity. Indeed, it is linked with many other sectors.

The growth of service sector jobs in particular is most welcome and its importance cannot be underestimated. Scottish Enterprise statistics show that 60 per cent of all service sector jobs in Scotland depend on manufacturing. As the sector's main market remains the rest of the UK, I am determined to ensure that those jobs will not be put at risk by the isolationist policies pursued by the Scottish National party. However, I recognise that the downward trend experienced by

the manufacturing industry is worrying. That is why I am in favour of a comprehensive strategy to support manufacturing industry.

In my native Lanarkshire, 38 per cent of all industrial output is manufacturing based, with engineering accounting for 23 per cent of that figure. We have seen the arrival of a large number of electronics firms, such as Chunghwa Picture Tubes, Orange and Cellnet. However, it is predicted that manufacturing growth will weaken as growth in the electronics sector slows—we need look no further than the example of Lite-On to illustrate that point.

Service sector growth is anticipated to be headed by a growth in hotels and the catering and distribution sectors, which are expected to experience high growth in the Lanarkshire economy in the next few years. We can also expect growth in the transport and communications sector, with the proliferation of call centres bringing firms such as Kwik-Fit Insurance Services and Cable and Wireless Communications to Lanarkshire. Sixty per cent of all production in the North Lanarkshire economy is non-manufacturing based. Employment overall is expected to rise on the back of non-manufacturing jobs, while manufacturing employment is expected to decline. That is not only my view; it is the view of Lanarkshire Development Agency, as expressed in a constituency audit for Hamilton North and Bellshill earlier this year.

With that in mind, I urge the Scottish Executive to advance manufacturing strategy in two ways. First, it should seek to defend and expand the existing manufacturing base. Secondly, it should continue to promote the growth of new industries. It is important that incentives are available to our existing manufacturing industries to encourage them to invest in new technologies and new methods of production. Our industries must be able to accommodate the challenges ahead in what are ever-changing markets.

I envisage that the new industries of the future will result from organic growth. It is essential that erstwhile entrepreneurs are not stifled at the idea stage because of a lack of funds or good advice. I commend Lanarkshire Development Agency for its work in that area but I encourage additional focus on it. Allied to the creation of an investment bank to provide funds for new—primarily manufacturing-based—business projects, that will provide a strong platform for growth and replacements for industries that are in natural decline.

The extension of enterprise zone status or its equivalent for manufacturing industries could go a long way to easing Lanarkshire's fears about 2003, when enterprise zone status is phased out. The world's strongest and most durable economies are those with a good history of

sustained growth, particularly in the manufacturing sector. The best guarantee for improving employment prospects in Lanarkshire—and in Scotland—is to strengthen our manufacturing base. If that can be achieved at a time when industrial growth is expected, I would have great confidence in the enduring stability of the Scottish economy.

15:58

Robin Harper (Lothians) (Green): In their speeches, the minister and Mr Swinney hardly mentioned the encouragement of environmental excellence in manufacturing. Perhaps they believe that the subject is so big that it merits a separate debate. It will not surprise the chamber to know that I take a different view; I would like to have heard at least a passing reference to environmental concerns.

Two firms, Motorola and East of Scotland Water, have won environmental awards to business. Those awards encourage environmental excellence, which those firms and many others are taking seriously. When he challenged the minister on performance criteria, John Swinney asked what performance criteria there should be. From the many examples put forward by Motorola and East of Scotland Water, waste minimisation and energy efficiency should be at the top of any list.

In the early 1980s, several British firms were making wind turbines and a Scottish company installed a number of machines in California. At that time, British firms were competing on equal terms with their Danish rivals. Since then, as a result of a very modest amount of Government help, the Danish industry has flourished. It employs 12,000 people and exports its machines all over the world. Lacking any apparent interest or encouragement from our Government, the British industry has almost ceased to exist.

Christine Grahame (South of Scotland) (SNP): Will Mr Harper take an intervention?

Robin Harper: A very brief one.

Christine Grahame: Does Mr Harper think that the reason for Denmark's success might be because it is an independent country?

Robin Harper: I will not comment on that just yet.

In its recent report, "Electricity from Renewables", the House of Lords European Communities Committee pointed out that, under the 1997 Kyoto protocol on climate change, the UK is committed to providing 5 per cent of its electricity supply from renewable resources by 2003 and 10 per cent of its electricity from renewable resources by 2010—I do not want to hear people including nuclear power in the

category of renewable resources. It is probably already too late to meet the 2003 deadline, but the UK could still make the 2010 deadline if we make sufficient effort, although that will require a major engineering effort.

As the best sites for wind, water and wave power installations in the UK are in Scotland, a large proportion of the installations will need to be sited in Scotland if the target is to be achieved in the most economical way. We have a great engineering tradition and it would be a national disgrace if virtually all the machinery for renewable energy installations had to be imported.

The direct subsidising of manufacture would be against EU rules, but there is nothing to prevent the Government from awarding development contracts for renewable technology to suitable organisations. It is still not too late to do that.

Another crucial point made by the House of Lords committee was that the present administrative arrangements for the development of renewable energy are incapable of achieving sufficient momentum. A major programme of public education will be required to forestall contentious objections and to provide local planning committees with the necessary background information.

There is a window of opportunity for us to rejuvenate Scottish engineering and, at the same time, to help ameliorate the worst impacts of climate change. It is a win-win opportunity. We have a world expert on wave energy, whose work was spectacularly undervalued by the previous UK Government. The present Government has given him some support, and I would be happy to receive assurance that the Scottish Executive will adequately fund him and his department for the foreseeable future.

I am sure that the chamber will concur in pressing the Executive to take prompt and effective action for a rapid expansion of the renewable energy industry in Scotland.

16:03

Mr John McAllion (Dundee East) (Lab): With one or two honourable exceptions, such as Murray Tosh, I have profoundly disagreed with the comments from the Tories. Members might think that there is nothing new in that. In particular I took exception to their complaint about there being too many regulations affecting business in Scotland and throughout the UK.

The extra regulations on business in recent years, of which I am aware, are the national minimum wage, the working families tax credit, health and safety legislation and trade union rights in the workplace. I think that those regulations do

not go far enough; I do not think that they do too much. I am sure that the majority of the Parliament takes the view that the regulations do not go far enough. A major plank of the Tories' argument in the debate is not supported by the majority of the Parliament or, I suspect, by the majority of the Scottish people—which explains why the Tories form a relatively small group in the Parliament.

Miss Goldie: I remind Mr McAllion that when I specifically referred to directives—many more than Mr McAllion mentioned—I made it clear that I did not dispute the fact that they would be regarded in certain quarters as having virtue and merit. However, I felt that it was my job to point out that, in the context of the debate on manufacturing and industry, those regulations have had an effect.

Mr McAllion: Of course the regulations have had an effect—a good one for the workers, which is why they have been introduced. That is the point that most members who have spoken in the debate are making.

I welcome the strong support that the minister's motion gives manufacturing and industry. As Henry McLeish will be aware, there are a few free-market dogmatists around who have a far too narrow ideological perspective and who are in danger of disappearing up their own twisted theories.

Those people argue that the current laws of economics have been suspended and that we are now being subjected to some kind of massive revolution, mainly through information technology and communications and globalisation, which is killing off manufacturing as we have known it for most of the century. They argue that inflation is dead for ever, that the business cycle has been abolished and that we will get painless and unending economic growth. They say that we are now in a weightless economy in which we do not make anything that is bulky or solid, and in which ideas and innovations are bought and sold.

I am not knocking that; I am not opposed to knowledge-based economies, e-commerce or weightless enterprises. They are good things, but they are not everything. There is still an important manufacturing sector, which matters in this country and throughout the UK. I was delighted to hear the minister say that the manufacturing sector is vibrant and that he thinks that it will continue to play a big role in the Scottish economy—not least because many workers in Dundee continue to work in manufacturing. The minister mentioned that there are many world-class manufacturers in Scotland. We have them in Dundee. NCR, which leads the world in automatic telling machines, has announced a new £20 million investment—

Shona Robison (North-East Scotland) (SNP): Will the member give way?

Mr McAllion: I do not have time to take an intervention; I have only four minutes. This is good news about Dundee—Shona should sit back and hear it. NCR will invest £20 million in a new research and development centre in Dundee, because it sees a future for manufacturing in Dundee and the rest of Scotland.

One of the most significant plants of Michelin Tyre, which is one of the leading tyre makers in Europe, is in Dundee—it has been there for 25 years and we hope that it will be there for another 25. Despite the problems that Levi Strauss faces in Scotland, it continues to operate successfully out of Dundee.

It is excellent that the Government recognises the importance of supporting such manufacturing industry. I am conscious that the Government, particularly the UK Government, has to be aware of the big picture—Gordon Brown never forgets to tell us that. It has to be concerned about inflation, the levels of unemployment—indeed, of employment—the growth rate and the amount of slack in the economy. It must be worried about the danger of inflation in the future.

The Deputy Presiding Officer: Please wind up.

Mr McAllion: It is because of the big picture that, on 8 September, the monetary policy committee set interest rates even higher than they had been, with all the implications that that had for the exchange rate and manufacturing industry. We have to remember that the big picture is made up of a lot of smaller pictures.

Dundee has had many successes but, like other parts of the country, it has also had problems—the most recent case was that of Agritay, in which more than 100 jobs were lost in the city. The minister was right to point out that such problems occur partly because companies operate in the global marketplace and are competing with Turkish and east European manufacturers that pay workers a fraction of what workers in Scotland are paid and partly because of interest and exchange rate levels, which are hurting manufacturing badly. The Scottish Executive and the Westminster Government must take that on board.

The Deputy Presiding Officer: Please close.

Mr McAllion: I take the view that, if there is an elephant in the living room, we should at least recognise that it is there and try to do something about it. I hope that the Scottish Executive will do the same with interest rates and the exchange rate.

16:08

Christine Grahame (South of Scotland) (SNP): Mr McLeish's motion contains fine words, but I want to put them to a factual test. I will resist his invitation not to refer to a geographical area and take him back to that most fragile economy, the Borders. The cashmere industry and electronics are two key areas in which the test of those fine words will be applied.

As Mr McLeish knows—he has visited often enough—there are very high levels of employment, and therefore a high proportion of skills, in textiles, which is a declining industry. He is also familiar with the background to the electronics industry. A very good company, Exacta, was bought over by Viasystems, which was a predatory investment company. Viasystems closed the plant down when it was profitable, moved on and left a thousand people out of work. However, there is a very good indigenous company in the Borders that requires to expand. I will ask Mr McLeish about those areas to establish whether his report card will pass at the end of the year.

The Borders has the lowest level of industrial investment per employee in Scotland—that is a fact. I hope that the Borders press will also note the fact that neither of the MSPs for the Borders, nor any other Liberal Democrat MSP, is present.

A haulier told me that 4 to 5 per cent is added to his costs because of the fuel escalator and that he cannot recover it from the suppliers he transports for. That is another burden that the Borders does not need—people there do not need green measures, they need work.

There is a need for information technologies to be modernised in the Borders. Until I spoke to Scottish Borders Enterprise, I had not appreciated that it is because there is no competition for Scottish Telecom from other suppliers that there is great difficulty upgrading the networks. Young people leaving the Borders influences the Borders economy. I wonder why they are leaving. The area has the highest proportions of people over 65 and over 75 in Scotland.

Specific examples that I would like Mr McLeish to take note of are Viasystems and Signum Circuits. Mr McLeish sighs when I come back to that.

Henry McLeish *indicated disagreement.*

Christine Grahame: I am glad he does not. I understand that negotiations for the lease of the Dunsdale site in Selkirk are still under way. I thought that they had been concluded. They must be, and regional selective assistance must be given to Signum Circuits to take on additional Viasystems workers. Thirty have already been

taken on; Signum Circuits has 210 employees and could double that. That would be investing in manufacturing.

I understand that Viasystems is holding up the sale of the Gala site, which Scottish Borders Enterprise wants to purchase. I am told that the price is quite inflated. I do not know what is behind that and I hope Mr McLeish can do something about it and that Viasystems will be realistic and not hold recovery in the Borders to ransom. It has already done enough damage to the area.

As to textiles, there is a cashmere promotion in London at the moment, at Harrods. The industry is facing great problems. It wants to change from quantity to quality. That would involve a campus of Heriot-Watt University to develop research not just into design but in fibres and materials, creating a centre of excellence for textile development in Scotland.

Those are some of the things I want Mr McLeish to address: in summary, a cashmere task force; assistance to Signum Circuits; and a national transport strategy that includes a railway line to the Borders. SBE says that that is not an option but a necessity. In the meantime, at the very least an upgrading of the A68 and the A7, with more crawler lanes, is needed. Finally, just tell the people of the Borders that interest rates are overheating—it is getting down there.

16:12

Bristow Muldoon (Livingston) (Lab): I share John McAllion's astonishment at some of the speeches made by Conservative members today. Their concern about unemployment is rather touching, given the two major recessions that they presided over—and they should remember that before they comment on the manufacturing economy in Scotland. They should also remember the interest rates of 10, 12 and even 15 per cent in their period in government—and they have the gall to talk about high interest rates now.

On the broader economic question, I hope that we will move towards the single European currency. I warmly welcome Robin Cook's contribution to the Labour party conference. *[Interruption.]* I am being heckled for praising my Westminster colleague.

The Parliament's recognition of the role manufacturing continues to play in the Scottish economy is very welcome. As Henry McLeish said, manufacturing still represents a sixth of jobs in Scotland. Directly and indirectly, that means about 430,000 jobs. In Livingston, the importance of manufacturing is even greater in that about a third of the jobs in West Lothian—about 18,000 jobs—are in manufacturing. Some of the lessons from West Lothian can be learned by and adapted

to the Scottish economy as a whole—particularly the continuing need for us to develop our knowledge and skills base.

Among the examples of good practice that I want to mention are Project Alba and the Cadence development, which form an excellent example of the way in which quality, knowledge-based jobs can be attracted to Scotland. For companies such as Cadence Design Systems, a key part of the attraction is the quality, central belt universities that can provide the work force the company relies on. The interaction between Cadence and universities such as Heriot-Watt, Edinburgh, Glasgow and Strathclyde is a particular attraction.

Other encouraging examples in West Lothian are the recent announcement, by biotechnology company Quintiles, of 1,500 new jobs over the next four or five years and the role that the Scottish advanced manufacturing centre is playing in developing new skills for the new, higher technology, manufacturing industries.

The approach outlined by the Executive is correct; it gives priority to creating more higher education places for our young people and enhancing the number of modern apprenticeships. Between them, those measures will enhance the knowledge and skills base that is essential for us to continue to develop our manufacturing economy.

I have concentrated so far on recent manufacturing developments, but I wish to comment briefly on some of the downsides.

The Deputy Presiding Officer: Very briefly, please.

Bristow Muldoon: There have been problems recently at Kvaerner, Continental and Levi. It will not always be possible for the Executive, or the UK Government, to save a plant as was achieved at Kvaerner. However, it is essential that we always explore all possibilities in order to protect and maintain a manufacturing capacity. Where we cannot achieve that outcome, it is also essential that we bring to bear whatever pressure we can on companies to ensure that staff receive equitable settlements, such as those that we are moving towards with Continental. We must also continue to implement retraining and re-employment packages, such as those that the Continental staff are benefiting from.

In conclusion, I encourage members to support the Executive's motion and to remember the Conservatives' hypocrisy.

16:17

David Mundell (South of Scotland) (Con): I want to restate my registered interest in BT before I speak in this debate. I will also leave behind my

chronicled history of the past 20 years and try to avoid that pitfall in what has been a generally constructive debate.

I was pleased to hear about the minister's visit to the USA. In Scottish industry, particularly in the manufacturing sector, it is extremely important that we look outward and examine the practices that are being developed elsewhere. We must not be afraid to adopt the changes that others are developing in their industries. We must be prepared to be bold and radical.

I hope that Mr McLeish brought back from the USA the idea that many of the initiatives there are inspired by individuals; the same is true in parts of Europe. The contributions of the individuals behind many initiatives in silicon valley have driven those initiatives forward. A strategy is very important, and we must develop one, but the individuals who drive businesses with new ideas and approaches are particularly important.

It is important that the minister and the Executive engage individuals in Scotland. On the test so far, Mr McLeish's personal approach has been well received. However, on the basis of the debate today, he will be judged against other criteria such as whether we can cut regulation, whether his efforts in lobbying the UK Government on high pound and interest rate policies are effective and whether Mr Tosh's suggestions on roads are taken on board.

Mr McLeish was well received when he visited Dumfries after the closure of the Nestlé plant, but I agree with some of Mr Swinney's comments. The Dumfries and Galloway economic forum is to be established—that is welcome—but that was a reactive event. We must take a more proactive approach. Many members are aware of local difficulties—

Andrew Wilson *rose*—

David Mundell: I hope this is not a flag-waving exercise, Andrew.

Andrew Wilson: It has taken about two hours for the first lame gag, so I suppose I should be grateful.

Does Mr Mundell agree that we need proactive, before-the-fact measures? Will he back the amendment, which is just the tool required to deliver such measures?

David Mundell: No, we will not back the amendment, because it will not achieve what Mr Wilson thinks it will.

Returning to the situation in Dumfries and Galloway—

The Deputy Presiding Officer (Mr George Reid): And you have one minute.

David Mundell: All right, in view of the time, I will pass over Dumfries and Galloway for once; I will move on to e-commerce. I agree with John McAllion—e-commerce is not a substitute for manufacturing industry. It is also not a highway for it, although there are people working in research and development who are investigating methods of passing whisky and other goods down the internet—[*Laughter.*] If we pull that one off, we really will have done well.

However, there is an important point on research and development, Henry. Unless research and development is really happening here in Scotland, we will not have the manufacturing to follow through. We have to grasp the e-commerce issue, even in the manufacturing sector. It will completely change the dynamic in industry. There will not be the distributors that many of our manufacturers work with at the moment—suppliers will deal directly with customers, and if they do not do it electronically, the deal will not happen. Hewlett-Packard in the United States will not accept correspondence unless it comes via the internet. It will not accept suppliers who do not do business in that way. We have to take up the e-commerce challenge.

16:22

Ms Margo MacDonald (Lothians) (SNP): As John Swinney said, it is impossible to take issue with motherhood and apple pie, so I will take issue with what the motion leaves out, which is that the Parliament believes that a vibrant speech from Henry McLeish on a rapid response unit is a good enough excuse for filling, or half filling, the chamber. The fact that the chamber is half full indicates that a lot of us have more sense than I had given us credit for.

The minister missed out one thing, which we may get in his closing speech. He talked about the improved intelligence gathering that we will require if there is to be a strategy for the maintenance of the manufacturing sector and the growth of the Scottish economy in general. One thing that has emerged from this debate is that there are still a lot of shibboleths around, and not a lot of new thinking.

Normally John McAllion and I agree on just about everything, but I have to take issue with something that I think he was implying. Henry McLeish and Bristow Muldoon both alluded to it too, when they talked about the split—the demarcation line—between manufacturing and service industries. These days, there is practically no demarcation. The motion refers to manufacturing; is manufacturing about things made from girders, or is it about the software packages made by the Scottish Council for Educational Technology in partnership with

Microsoft? Those packages are manufactured products and export products. It is only fair that we should ask the Executive how it defines those sectors of the Scottish economy so that we can evaluate its strategy.

We should not talk ourselves down just because of the way in which things are now done. For example, someone working in the kitchens at Digital in Ayrshire 20 years ago would have been counted as part of the manufacturing sector. But there is now a lot of outsourcing—to use another jargon term—which means that a catering company will no doubt be supplying the food to the people who work in that manufacturing industry, and their employees will be counted as part of the service sector. We could do a lot more to give ourselves better statistics on which to dream our dreams and build our schemes.

We should all have regard for what Christine Grahame said. We have a centre of excellence in the Borders. It is still producing much better stuff to wear than most other places in the world, but it is supplying a niche market. Although I regret it, it is true that the big growth area will be in the newer technologies, in places such as the Dundee Centre for Medical Education; in Cadence Design Systems in Livingston for leading-edge software; or in Heriot-Watt University for laser technology. I could name an awful lot more.

We must not talk down the importance of what to those of us who did not grow up in this part of the century are rather airy-fairy sounding industries. We grew up with men pitting overalls on and going to their work and if they did not do that we wondered what they were doing with their time. [*Laughter.*] Members laugh? There are some folk out there who know that that is the truth.

We need much more of the new technology. We should replicate what happened in Austin, Texas. The city was going down the tubes so it turned itself into the brains capital of the United States of America. Why should Scotland not become the brains capital of Europe? We have the potential—it is there in our universities. One thing that is lacking from this strategy is a connection between the creation of the knowledge economy in our universities and our companies that are still involved with manufacturing. I hope that the minister will tell us that he will consider that.

Someone once said that it was education, education, education into the next millennium. I think it is also investment, investment, investment. Gordon Brown has saved up a big war chest. Can we get our share now, please, and can we invest it in our economy?

16:26

Mrs Mary Mulligan (Linlithgow) (Lab): We all

welcome the pledge of Scottish business and trade unions to work with the Scottish Executive to develop a Scottish manufacturing strategy. Although the manufacturing sector has been on a downward trend, that trend seems to be slowing. There are still more than 300,000 jobs in the sector. The preservation of those and the creation of others is essential to ensure that Scotland has a widespread economic base and does not become reliant on only one area.

The key to our strategy has to be continual forward planning. Most firms operate in a global market; they cannot sit back and assume that their market position will be there for ever.

The first point that we should look at is skills development. Training does not happen overnight; business must work with our education sector to develop potential. This week, I met representatives from Sun Microsystems in Linlithgow. It has a flourishing business and it told me that the local skills base was one of the reasons it sited in that area. Even so, it is having difficulty finding computer engineers. It said that to get young people on the right academic path can take up to five years, so we have to take a long-term view. Needless to say, I rushed home and told my 12-year-old son that that was where his future lay.

I must also make it clear that neither I nor the management of the firm are suggesting that we train school-age children for specific jobs. We have to keep their training and their education broadly based. We need to ensure that they have a basis of knowledge on which colleges and work places can build specific training programmes.

We should also consider changing demand. Last week, I met constituents who are employees of Levi Strauss in Whitburn. The market for that company's jeans has fallen drastically. An industrial strategy would enable firms that work in areas such as fashion, where demand is fickle, to plan ahead.

John Swinney said that the minister is not suggesting enough in the way of early intervention, particularly in relation to firms that are struggling. I agree with him, but he offered no suggestions as to how we should get into those firms at an early stage. If he wants to make a suggestion, I would be glad to hear it.

Mr Swinney: The point I was making is that our enterprise network has to work in conjunction with companies on their future development. I fear—I am prepared to be corrected on this by other members who have talked to businesses in Scotland—that businesses do not always feel that they have the enterprise network on their side.

Mrs Mulligan: I agree that we must work on that, but the difficulty is that firms often pull back

from initiating discussions, particularly when they are moving into difficult circumstances, because they know that it will affect their share price.

The other side of changing demand is more positive, because demand for technical development is likely to continue. Many firms in West Lothian are so-called high-tech industries, and companies such as Sun Microsystems and Quintiles are seeing demand for their products grow. However, they know that as technology advances, support for research and development through an industrial strategy will be essential.

The aim of an industrial strategy is to have a sound economic base for Scotland. Our aim should also be to ensure that fewer people are unemployed, and for shorter periods. Members of the Government cannot dictate demand, nor are they entrepreneurs, but they can forge an industrial strategy that encourages firms to plan ahead, to invest in the future and to work with their employees to achieve success.

16:31

Fiona Hyslop (Lothians) (SNP): The key phrase in the Executive's motion is "a vibrant manufacturing sector", but some of today's speeches raise questions as to whether we really have a vibrant manufacturing sector. John McAllion referred to a tyre manufacturer and a jeans maker, and members from West Lothian will be aware that those are the two industries that we have lost or are likely to lose because of closure. That leads me to ask whether we have a vibrant manufacturing sector.

In business, the saying goes that the only certainty is change, but to have change we must have flexibility. That means flexibility of thought rather than just flexibility of action, and that means the move to the knowledge economy. Education is key to the knowledge economy and anything that acts as a disincentive to young people going into further and higher education is a matter to which we must give attention. Saying that in business the only certainty is change is rather an obvious statement, but so is the motion. Stating the obvious does not in itself supply the solution to problems in the manufacturing sector or tell us how we can promote the knowledge economy.

I want to mention interest rates and the pound, because they are crucial to the debate. In the Lothians, Continental Tyres, a traditional manufacturer, had problems not only with exporting, but with investment. Many companies consider locating in Scotland, but the cost of investment can be a disincentive. I spoke to people from a high-tech company that is one of the major employers in West Lothian. That state-of-the-art high-tech company represents the other

side of the spectrum, but its representatives said that, although they wanted to make the step to the next generation of thinking in the knowledge economy, they had a problem with investment caused by the strength of the pound.

We should consider some of the practical proposals. The minister mentioned improvements to labour market intelligence, but there has to be company intelligence and that is a matter of attitude and approach. We should not be talking about them and us in discussing business and employment issues; we should have an on-going interactive dialogue, rather than rapid responses to crises. Rather than a rapid response review, I would prefer proactive planning units, so that there can be constant interaction.

On a practical note, we must ensure that training money can be allocated now, so that men in their 50s who are losing their jobs in traditional manufacturing are not left behind. In moving to a knowledge economy, we must all move together. By moving together, we can have a confident economy. Yes, let us move to a knowledge economy, but let us be realistic about whether we have a vibrant manufacturing base.

16:34

Trish Godman (West Renfrewshire) (Lab): I welcome the debate and the minister's statement on the strategy for manufacturing industry, but I want to concentrate on an industry that I literally grew up with: shipbuilding.

I was born and raised in Govan—in fact, I was born just across the road from Harland and Wolff—and I can remember the queues of trams waiting to take home the thousands of men who poured out of the yards along the Clyde. That once huge industry is, sadly, a faint shadow of its former self.

For all that sad decline, there are still some important employers of skilled personnel on the Clyde. There is Yarrow at Scotstoun, Kvaerner at Govan, which is to be renamed on Friday, Ferguson at Port Glasgow in my constituency and a small yard in Troon. Ferguson is a specialist yard, a first-class builder of Caledonian MacBrayne ferries and offshore supply vessels. It can compete with any yard, but as with all European yards, international competition must be fair and above board.

The First Minister and the secretary of state have important roles to play in London and Brussels in the fight for orders for those yards. Those ministers must ensure that our yards get a fair share of Ministry of Defence orders. Next year, the MOD will place an order for two or three vessels, a contract worth over £200 million, which will provide work for 1,500 skilled personnel for

three years and will mean that apprentices are taken on—that is the kind of thing that Henry McLeish talked about.

We must be at the forefront of the fight for the share of such contracts. That contract is the start of a long line of Royal Navy and Royal Fleet Auxiliary contracts, which must be placed to renew an aging fleet. As a member of this Parliament, I say that we should campaign for a substantial slice of those contracts, and the campaigning should start now.

On commercial shipbuilding, I believe that Cal Mac should remain in the public domain. That means that the First Minister would continue to play a key role in ensuring that Cal Mac ferries are built in Scotland. I would prefer Ferguson, but they should be built in Scotland.

Now that the chancellor has responded positively to the demands for an introduction of a tonnage tax, British ship-owners should honour their obligations to us, employ British crews and return their ships to the British flag. Does not Andrew Wilson want to say something about the British flag?

I would also expect British ship-owners to place their orders with British—preferably Scottish—yards. We must be building British ships.

The huge order for the MOD has the potential to employ thousands of skilled workers. Ministers and this Parliament must start work now to ensure that we get a substantial part of such orders.

With the introduction of a tonnage tax, we should insist that ship-owners build, crew and repair in the UK and sail under the British flag.

The Executive motion on manufacturing and industrial strategy for Scotland is a beginning. Shipbuilding must be part of that strategy and campaign.

The Deputy Presiding Officer: Nick Johnston has five minutes in which to wind up for the Scottish Conservatives.

16:38

Mr Nick Johnston (Mid Scotland and Fife) (Con): I have thoroughly enjoyed the debate. I enjoyed the minister's speech. We would like to support his motion. I am sure that when he finally attains his manufacturing strategy, we will be able to debate it and enjoy it again.

I even enjoyed John McAllion's speech—as one of the older members of the Parliament, it took me back to the dark days of the Labour party. Even the minister agrees that regulation must be cut; I think that he said that we should take it as a given. I enjoyed Bristow Muldoon's speech, because at least it proved that he can read his script. I

enjoyed listening to John Swinney because he talked of aspiration, and that is at the heart of Scottish nationalist policies. I hope that he remains disappointed for many years to come.

Most of all, I enjoyed Annabel Goldie's speech because I did not know that she was green-fingered. I thought that she was going to advise the Executive of the old gardening adage that when one is in a hole, just stop digging.

The cumulative effects of the high level of sterling combined with shocks to the global economy and slower growth are taking a painful toll. During 1999, Scottish manufacturing industry expects to face a combination of deterioration in domestic demand and lagging reaction to lost export business. Industry in Scotland needs a level playing field relative to its competitors. The Scottish Parliament must generate—as far as its powers permit—a climate conducive to wealth creation free from impediments to growth and investment, made possible by easing the burdens on business, applying only minimal, sensible regulation and removing disincentives, actual or perceived.

Those basic objectives are comparable with the Scottish Conservative aim of promoting prosperity. The pathfinder engineering group said that the Executive should see wealth and job creation as being at the kernel of the Scottish Parliament's activities. The number of jobs in the engineering industry has been contracting because of increasing productivity and a more efficient use of capital; it needs to secure high, sustainable employment. A switch is needed from subsidising the past to laying the foundations for the future.

Mr Swinney: Nick Johnston mentioned the pathfinder report. It is very interesting, and I support almost all of it. It asks for the establishment of a national benchmarking programme, to allow us to judge the Government's performance on developing the Scottish economy. If he is prepared to take that lesson from the pathfinder report, will he take another and support my amendment?

Mr Johnston: I am always prepared to take lessons from anyone. I shall address benchmarking later in my speech.

The Scottish Conservatives agree with much of what the minister said. Fundamental to the prosperity of the manufacturing industry is the achievement of a flexible skills base with scope for personal development. That would create better prospects for the growth of indigenous engineering businesses, which in turn would enhance the growth of established engineering companies and attract more inward investment.

Particular attention should be paid to the encouragement of business start-ups. We heard at

the Enterprise and Lifelong Learning Committee meeting this morning that Scottish Enterprise is involved in only 20 per cent of business start-ups. That is something for the minister to consider. The transfer of best practice must be stimulated by fostering business collaboration and partnerships and—again—the burden of regulation should be eased.

Certain manufacturing sectors, such as aerospace, require longer horizons for investment. Longer-term training plans can be founded only on dependable and collaborative relationships between higher education institutions, the engineering industry and its customers. Links forged between centres of higher education and industry should be associated not only with large manufacturing concerns but with small to medium enterprises. Just because a business is small does not mean that opportunities do not exist for innovation and for improvements in productivity. Margo MacDonald made that point well.

Initiatives such as the university for industry and individual learning accounts are welcome—initiatives, I might point out, started by the Conservative Government. The Executive must give young people opportunities to learn at first hand about modern manufacturing. Cultural barriers should be broken down, so that technical and vocational skills are held in the highest esteem, and mentoring should be used to enable successful engineers to pass on their skills. Most important of all, women must be encouraged to take up roles in engineering.

Financial support should be judged not simply by the crude measure of new jobs created—important though levels of employment are—but by the quality of employment opportunities provided. Assistance to the manufacturing industry is too often approached and evaluated from a short-term, minimal risk perspective. Incentive programmes based on creating employment can be sustained only by added value and wealth creation. We should focus on business starts, the management of change, business growth, upgrading to maintain competition and international development.

In constructing the manufacturing strategy for the future, is the Executive confident that the measures that it has adopted will not repeat the mistakes of the past? Is the beautiful rose garden bequeathed to the Government by the Conservatives to be allowed to wither on the vine as Labour leads us up the garden path?

16:44

Fergus Ewing (Inverness East, Nairn and Lochaber) (SNP): I congratulate everyone who has contributed to this debate. I particularly

enjoyed the minister's contributions and I was pleased that we are all learning lessons from the United States of America about the knowledge economy. I hope that when the minister was in the United States he noticed the price of petrol there—it is a minute fraction of the price here. That is one reason why they are doing well while many of our manufacturing businesses are not.

I found Annabel Goldie's horticultural metaphor absolutely fascinating, although as I reflect on the high tax and business rates that the Conservatives gave us in Scotland I cannot help thinking that she was viewing the garden from a conservatory. [MEMBERS: "Oh."] It gets worse.

Phil Gallie: Will Fergus Ewing give way?

Fergus Ewing: Not just yet—later on. Contain yourself, Phil.

The motion states:

"That the Parliament believes that a vibrant manufacturing sector will continue to play an important part in Scotland's knowledge driven economy."

Who could disagree with that? It would be rather like deciding that one should boycott Mothering Sunday—not something that I would ever dream of advocating. [*Laughter.*]

I am puzzled about two matters. First, why has the minister announced today that he is convening a group of business leaders that will produce a manufacturing strategy, although there is already a manufacturing strategy in the "Pathfinders to the Parliament" document? That strategy was produced in March, and was welcomed. The document contains a picture of Gus Macdonald, who used to be the Scottish Business and Industry Minister, and it comes up with a number of recommendations that I presume the Government may support, although it will not say so.

Will the minister, in his summing-up speech, say why some of the excellent ideas in that strategy have not been included in a bill? Why is there not a bill that includes some of those measures—and they are micro-measures, because the minister will not talk to Gordon Brown about the real problems—which could help business in Scotland? Those measures include allowing security to be created over movable property, so that businesses can borrow over the strength of their movable property, both corporeal and incorporeal. It is absolutely essential that the knowledge industry is able to borrow, create capital and invest.

Secondly, Cadence said that it came to Scotland partly because of the effectiveness and the speed with which it could obtain interim interdict in the Court of Session to protect intellectual property rights. I have asked about reform of the Court of Session, which would remove from the Court of

Session all the remedies that should be in the sheriff courts. The purpose of that suggestion is to make the Court of Session, our supreme court, even more efficient, so that the reason that Cadence came here can be built on and strengthened, and so that our courts can offer the very best attractions to inward investors.

Finally, why are we not reforming business rates now, before the revaluation? There are many recommendations to do so in "Pathfinders to the Parliament". On many occasions, representations of a serious and considered nature have been made to the minister. We have not heard the Executive's response to those.

We have heard many interesting contributions from speakers of all parties about problems in their constituencies. My constituency is no exception in experiencing many problems. One of the most successful engineering companies in Scotland is A I Welders. I spoke to its managing director, John Hunter, yesterday. He said that, over the past three years, the effect of the high pound has been to cut 35 per cent off his profit margins—35 per cent. The Executive can ignore the problem if it wants, but ignoring it will not make it go away.

The minister should not kid himself that there are people in manufacturing out there who are not listening carefully to hear him spell out what he will say to Gordon Brown about his disastrous economic policies. It seems to me that those policies are not designed even for England or for the south-east of England, but are designed entirely for the City of London, so that international capital flows into this country, attracted by the high interest rates.

The amendment that we offer, which suggests full and regular benchmarking, is one that should be approved. Whatever strategy we come up with, we must be able to assess how successful it is. That is what benchmarking means, and that is why benchmarking has been adopted as a method of ensuring success and effectiveness in business all over the world. It astonishes me that the Conservatives would reject such a proposal. It is unfortunate that we cannot accept good ideas regardless of their source. I hope that the amendment, which is put forward as a constructive suggestion of a way in which to improve and assess our manufacturing strategy, will be accepted by the Executive, so that, once the strategy is devised, we can ensure that it works for Scotland.

The Deputy Presiding Officer: I call Henry McLeish to wind up this debate for the Executive.

16:50

Henry McLeish: I thank Mr Reid for the chance to speak officially again. I think that that brings the

number of speakers to 20. I share the sentiments of everyone that this has been a constructive debate, and that marks the continuing evolution of the Parliament. This is a serious issue for us and for Scotland in an area where there is much consensus.

I wish to go through some of the points raised rather than give a long polemic at the start and again at the end of my contribution.

I take seriously the points that Robin Harper made. He can rest assured that both Sarah Boyack and I will be pursuing the matter of renewables. We will give him the opportunity at a later stage to discuss targets, what the Government is doing and how we are working with Westminster to ensure real progress.

In the spirit of charity for which I hope that I am renowned, I want to say to SNP members, on the central issue of their amendment, that it has already been done. My appeal to them is to acknowledge that I am embracing the spirit, sentiment and, nearly, the substance of it. I wish, however, to confirm that Scottish Enterprise and Highlands and Islands Enterprise are currently engaged in a project to develop improved systems to track the performance of the Scottish economy. These systems will enable Scotland's progress to be compared against a number of European and other countries and regions. A range of private, public and voluntary sector bodies are being consulted on the proposed approach. I am hopeful that details of that will be announced next week.

The Scottish Executive has been developing a programme for improving the coverage and timeliness of Scottish economic statistics. It has produced a new quarterly gross domestic product series, a new index of manufactured exports, more comprehensive information on the corporate sector in Scotland and improved data on the labour market. I agree that the SNP's proposals would enhance the ability not only to develop a manufacturing strategy, but to monitor its performance. I think that everyone in this chamber will agree that that is a laudable sentiment. I ask SNP members to accept my word on the fact that their proposals are already being carried out. The programme goes some way towards the criteria that they have set down.

To be helpful, rather than have a division, I would be grateful if the SNP would consider withdrawing its amendment, to see what transpires. They have, of course, the opportunity to return to the issue at a later stage.

Mr Swinney: I listened carefully to what the minister has said. If we are in the process of this Parliament's evolution—I warmly endorse that objective—why can we not have a little bit of spirit across the chamber: that when we put an idea

forward, the Executive might just say, "We accept your amendment"? That would be the simplest way of allowing that evolution of the Parliament to take place.

Henry McLeish: My charity does not extend so far when we have thought about the idea and are implementing it anyway. I am happy to accept, in the spirit of co-operation, that the SNP have come up with a laudable initiative. Where they go badly wrong is in the part of the amendment which combines, confuses and distorts the roles of Parliament and the Executive.

Without taking this matter further—I have many important points to respond to—if the SNP accept what I have said, we could proceed on the basis that the amendment could be withdrawn. If not, we will have a division.

Mr Swinney: Can the minister not understand the difficulty that I have? I have listened to him again, but the Conservative group tell me that they want to chuck out our amendment, because they do not think it is appropriate for the Scottish economy. I think that it is essential that the Scottish Parliament has the ability to assess effectively the progress on the Scottish economy and to raise the standard and analysis of debate in Scotland: it is vital that the minister takes that on board.

Henry McLeish: I see that someone else wishes to speak. I have made my points on the issue and have welcomed much of what is in the amendment, but I think that we should wait—[MEMBERS: "Accept it."] No. I have highlighted the key weakness.

We are setting off—this is a new Parliament with new politics—but our actions must technically be right. We can endorse the principle that we should track what is happening in the Scottish economy and deal effectively with strategy, but the SNP's amendment confuses the central issue of the role of Parliament and that of the Executive.

Miss Goldie: The Conservative party's position is quite simple. Like Mr McLeish, we are confused about the text of the amendment and concerned about the way in which it is phrased. We accept that much of our economy is integrated with the rest of the United Kingdom and are somewhat uneasy about the use of words like competitors. We also share Mr McLeish's expressed position.

Henry McLeish: I wish to progress to the question that has been raised about the rapid response initiative. The SNP should be realistic about that. This is not pre-Gorbachev Russia. We do not have a command economy. We do not have planning units littered around that can phone every company in Scotland every day of the week to find out whether redundancies or closures are being planned. In an ideal world, that might be the

way to go.

We have a system that operates on two levels. First, we pick up company and labour market intelligence, but the overwhelming majority of Scottish companies never come near Government—that might be a good thing. We are trying to encourage companies to approach us with difficulties, as we want to know about them. We get that intelligence through the local authorities, the local enterprise network, the Government, MSPs and MPs, and we need to improve that system.

Secondly, it is surely right that when we know what is happening, we intervene by trying to assist the work force to move on. Even at a late stage, we can discuss the options of investing and helping.

Dr Winnie Ewing (Highlands and Islands) (SNP) *rose—*

Henry McLeish: I will not give way, as I want to proceed on this issue. A lot of good points came up during the debate and I want to reply to them. [*Interruption.*] Members may think that that is humorous, but I will pursue those points, as that is the object of winding up.

The rapid response initiative is designed to be active prior to the announcement of closures and redundancies. It is also designed to try to deal with the distress and concerns that arise at that time. We have seen recently how the service can be of some assistance. Therefore, I appeal to the SNP to accept that we are being proactive, not reactive. We require a combination of prior and previous experience so that we can tackle those issues.

John Swinney raised the question about production or market focus—of course, it has to be both, because the value-added approach is the key. It must be present at all stages: research, production, marketing and customer care. That hits on the good point that Margo MacDonald made. I think that my definition of a manufacturing strategy would concur with her definition. There is a very thin dividing line between manufacturing and services.

For example, Motherwell Bridge is a company that is doing extraordinarily well, but it has support services that mirror and complement the manufacturing element. The two elements are linked—both are about prosperity in the workplace. IBM is another example. It sends brilliant products all over Europe and has a multilingual call centre, which employs 350 people, that services those products in Europe. Is that manufacturing or is it service? The real issue is that the distinctions are blurred. Margo MacDonald made a good point and, as far as we are concerned, that is the way to go.

We heard about the supply chain. I wish to raise an issue that is important for Kilmarnock. Cathy Jamieson mentioned it, I think. We visited a brilliant sandwich company in Ayrshire that makes 28,000 sandwiches, baguettes—it gets more complicated—and ciabattas every day. This is to do with supply chains—not nuclear science or even the knowledge economy—and the basic raw products that come into a very distinguished and impressive factory. Where does that company get its bread? Part of the supply comes from Paris and the other part comes from Cheshire. On supply chain economics, my appeal is for Scottish companies to think about what is happening.

Dorothy-Grace Elder (Glasgow) (SNP) *rose—*

Henry McLeish: I cannot give way as I want to speed onwards.

Dorothy-Grace Elder: Why does the bread not come from Scotland?

Henry McLeish: That was what I said.

Annabel Goldie raised the question of regulation, and she will know that we are to have a regulatory impact assessment for any piece of legislation. That is a step forward, which does not happen at Westminster. In the spirit of today's discussion I think that that will be accepted.

Christine Grahame quite rightly raised the issues in her area. I want Signum Circuits to be successful. Christine knows that regional selective assistance will not be available until 1 January. I hope that the European Commission will approve it. We are in discussions with the company and we want the company to work.

On the cashmere task force that she asked for, there is already a group of manufacturers in the Borders who meet to discuss relevant issues. It will draw up its own strategy, and Scottish Enterprise and the local enterprise companies have said that they are happy to assist. On the issues of railways in the Borders and a number of others that were raised, I am sure that my colleagues were listening and that they will address those matters.

Margo MacDonald raised the question of definitions. Hopefully, I have answered her point. The line is blurring, but it is in the best interests of companies not only to have products, but to have services that ensure that the products work in the marketplace.

Trish Godman raised the matter of shipbuilding. I could not agree with her more. Clearly, there are regulatory and competition issues in Europe, but we want to ensure that we are well placed to win contracts. We have the skills, the history and the sentiment, which is important.

Finally, Fergus Ewing raised some old

chestnuts, but also some good points; for example, his point about design. Fergus should visit Project Alba. If he is talking about copyright and intellectual property, he will find that we are already moving into that area because we want to have a market for intellectual property in Scotland. Alba is breaking new ground with Cadence. If Fergus leaves the Court of Session and visits Project Alba, he will find out at first hand that not only does Scotland want to lead the world, it does lead the world, with first-class activity that is being supported by Scottish Enterprise and the Government.

Sir David, it has been a good debate. I hope that we will approve motion S1M-171 and that, in the spirit of co-operation, the SNP will withdraw its amendment so that we can leave here today without a division being recorded.

The Presiding Officer (Sir David Steel): The next item of business on the bulletin is consideration of Parliamentary Bureau motions. I am glad to say that there is none, so we will move straight to decision time.

Decision Time

17:00

The Presiding Officer (Sir David Steel): There are two questions to be put as a result of today's business. The first is, that amendment S1M-171.2, in the name of Mr John Swinney, be agreed to. Are we all agreed?

Members: No.

The Presiding Officer: In that case, there will be a division. Those who wish to support Mr Swinney's amendment should vote yes.

For

Adam, Brian (North-East Scotland) (SNP)
 Canavan, Dennis (Falkirk West)
 Crawford, Bruce (Mid Scotland and Fife) (SNP)
 Cunningham, Roseanna (Perth) (SNP)
 Elder, Dorothy-Grace (Glasgow) (SNP)
 Ewing, Dr Winnie (Highlands and Islands) (SNP)
 Ewing, Fergus (Inverness East, Nairn and Lochaber) (SNP)
 Ewing, Mrs Margaret (Moray) (SNP)
 Fabiani, Linda (Central Scotland) (SNP)
 Grahame, Christine (South of Scotland) (SNP)
 Hamilton, Mr Duncan (Highlands and Islands) (SNP)
 Hyslop, Fiona (Lothians) (SNP)
 Ingram, Mr Adam (South of Scotland) (SNP)
 Lochhead, Richard (North-East Scotland) (SNP)
 MacAskill, Mr Kenny (Lothians) (SNP)
 MacDonald, Ms Margo (Lothians) (SNP)
 Marwick, Tricia (Mid Scotland and Fife) (SNP)
 Matheson, Michael (Central Scotland) (SNP)
 McGugan, Irene (North-East Scotland) (SNP)
 McLeod, Fiona (West of Scotland) (SNP)
 Neil, Alex (Central Scotland) (SNP)
 Paterson, Mr Gil (Central Scotland) (SNP)
 Quinan, Mr Lloyd (West of Scotland) (SNP)
 Reid, Mr George (Mid Scotland and Fife) (SNP)
 Robison, Shona (North-East Scotland) (SNP)
 Sturgeon, Nicola (Glasgow) (SNP)
 Swinney, Mr John (North Tayside) (SNP)
 Welsh, Mr Andrew (Angus) (SNP)
 Wilson, Andrew (Central Scotland) (SNP)

AGAINST

Aitken, Bill (Glasgow) (Con)
 Baillie, Jackie (Dumbarton) (Lab)
 Barrie, Scott (Dunfermline West) (Lab)
 Boyack, Sarah (Edinburgh Central) (Lab)
 Brankin, Rhona (Midlothian) (Lab)
 Brown, Robert (Glasgow) (LD)
 Chisholm, Malcolm (Edinburgh North and Leith) (Lab)
 Craigie, Cathie (Cumbernauld and Kilsyth) (Lab)
 Curran, Ms Margaret (Glasgow Baillieston) (Lab)
 Douglas-Hamilton, Lord James (Lothians) (Con)
 Ferguson, Ms Patricia (Glasgow Maryhill) (Lab)
 Fergusson, Alex (South of Scotland) (Con)
 Finnie, Ross (West of Scotland) (LD)
 Galbraith, Mr Sam (Strathkelvin and Bearsden) (Lab)
 Gallie, Phil (South of Scotland) (Con)
 Godman, Trish (West Renfrewshire) (Lab)
 Goldie, Miss Annabel (West of Scotland) (Con)
 Gorrie, Donald (Central Scotland) (LD)

Grant, Rhoda (Highlands and Islands) (Lab)
 Gray, Iain (Edinburgh Pentlands) (Lab)
 Harding, Mr Keith (Mid Scotland and Fife) (Con)
 Henry, Hugh (Paisley South) (Lab)
 Home Robertson, Mr John (East Lothian) (Lab)
 Jackson, Dr Sylvia (Stirling) (Lab)
 Jackson, Gordon (Glasgow Govan) (Lab)
 Jamieson, Cathy (Carrick, Cumnock and Doon Valley) (Lab)
 Johnston, Mr Nick (Mid Scotland and Fife) (Con)
 Johnstone, Alex (North-East Scotland) (Con)
 Kerr, Mr Andy (East Kilbride) (Lab)
 Lamont, Johann (Glasgow Pollok) (Lab)
 Lyon, George (Argyll and Bute) (LD)
 Macdonald, Lewis (Aberdeen Central) (Lab)
 Macintosh, Mr Kenneth (Eastwood) (Lab)
 MacKay, Angus (Edinburgh South) (Lab)
 MacLean, Kate (Dundee West) (Lab)
 Macmillan, Maureen (Highlands and Islands) (Lab)
 Martin, Paul (Glasgow Springburn) (Lab)
 McAllion, Mr John (Dundee East) (Lab)
 McAveety, Mr Frank (Glasgow Shettleston) (Lab)
 McCabe, Mr Tom (Hamilton South) (Lab)
 McConnell, Mr Jack (Motherwell and Wishaw) (Lab)
 McIntosh, Mrs Lyndsay (Central Scotland) (Con)
 McLeish, Henry (Central Fife) (Lab)
 McLetchie, David (Lothians) (Con)
 McMahon, Mr Michael (Hamilton North and Bellshill) (Lab)
 McNeil, Mr Duncan (Greenock and Inverclyde) (Lab)
 McNeill, Pauline (Glasgow Kelvin) (Lab)
 McNulty, Des (Clydebank and Milngavie) (Lab)
 Monteith, Mr Brian (Mid Scotland and Fife) (Con)
 Morrison, Mr Alasdair (Western Isles) (Lab)
 Muldoon, Bristow (Livingston) (Lab)
 Mulligan, Mrs Mary (Linlithgow) (Lab)
 Mundell, David (South of Scotland) (Con)
 Murray, Dr Elaine (Dumfries) (Lab)
 Oldfather, Ms Irene (Cunninghame South) (Lab)
 Peacock, Peter (Highlands and Islands) (Lab)
 Peattie, Cathy (Falkirk East) (Lab)
 Radcliffe, Nora (Gordon) (LD)
 Raffan, Mr Keith (Mid Scotland and Fife) (LD)
 Robson, Euan (Roxburgh and Berwickshire) (LD)
 Rumbles, Mr Mike (West Aberdeenshire and Kincardine) (LD)
 Scanlon, Mary (Highlands and Islands) (Con)
 Scott, Tavish (Shetland) (LD)
 Simpson, Dr Richard (Ochil) (Lab)
 Smith, Elaine (Coatbridge and Chryston) (Lab)
 Smith, Iain (North-East Fife) (LD)
 Smith, Margaret (Edinburgh West) (LD)
 Thomson, Elaine (Aberdeen North) (Lab)
 Tosh, Mr Murray (South of Scotland) (Con)
 Wallace, Ben (North-East Scotland) (Con)
 Wallace, Mr Jim (Orkney) (LD)
 Watson, Mike (Glasgow Cathcart) (Lab)
 Welsh, Ian (Ayr) (Lab)
 Whitefield, Karen (Airdrie and Shotts) (Lab)
 Wilson, Allan (Cunninghame North) (Lab)
 Young, John (West of Scotland) (Con)

ABSTENTIONS

Harper, Robin (Lothians) (Green)

The Presiding Officer: The next question is, that motion S1M-171, in the name of Henry McLeish, be agreed to.

Motion agreed to.

That the Parliament believes that a vibrant manufacturing sector will continue to play an important part in Scotland's knowledge driven economy.

The Presiding Officer: The result is as follows:
 For 29, Against 76, Abstentions 1.

Amendment disagreed to.

Football Clubs

The Presiding Officer (Sir David Steel): We move now to members' business. I ask those who are leaving the chamber to do so quickly and, more important, quietly.

The final item of business today is the members' business debate on motion S1M-153, in the name of Donald Gorrie. This debate will be concluded after 30 minutes without any question being put. Those who wish to speak in the debate should press the request-to-speak button as soon as possible. Again, I ask members to leave as quietly as possible.

Motion debated,

That the Parliament notes the financial difficulties faced by some clubs in the Scottish Football Leagues and supports the clubs having a greater role in youth and community development.

17:03

Donald Gorrie (Central Scotland) (LD): I will start with three concessions: first, many members know a lot more about football than I do; secondly, the Executive has made a start in one or two of the areas that we will discuss; thirdly, Clydebank did better against Hamilton Academical than we did. However, I hope that when people have got their one-liners out of their systems, we can have a profitable debate on the subject.

I was a prime sufferer from the excellent Hamilton Accies campaign in the Hamilton South by-election. *[Laughter.]* I am in a good position, therefore, to pay tribute to its excellent campaign. It hit on and harnessed the widespread rage in the community about the fact that its club had been stolen. It is a serious criticism of our society that, if a fan nicked £1,000 from the gate money, he would go to jail, whereas the owners of Hamilton Academical sold the ground for several million pounds and promised to build a new stadium, but many years later there still is no stadium and they are sitting on their ill-gotten millions. That is all legal, apparently, so we need to examine the system.

Hamilton provides only the most striking example of the problems that face many football clubs in Scotland. Scottish football in general is in a bad way. Our national team has problems against the Faeroes and Estonia. When Rangers play Celtic, there are rarely as many as five native Scottish players on the park at any time.

Apart from Rangers and Celtic, almost every Scottish professional football club is having or has recently had major problems over finance or its ground. Clubs have suffered from many recent changes. The Bosman ruling has prevented them

from selling good players every now and then to keep their finances going. The allocation of money from television rights is now less favourable to small clubs than it once was. Clubs are under pressure to modernise their grounds, but the money available in Scotland from the Football Trust has dwindled from £40 million to £6 million because of the impact of the lottery on the pools. Money from the lottery has also been cut. Clubs cannot survive without large private investors. Some are excellent, public-spirited people who do a great job for the community, but others are just asset strippers.

What are we to do? The Executive and the Parliament cannot interfere directly in the running of legitimate commercial organisations, but we can help and influence them and their local communities. Although my motion concentrates on youth, I hope that later speakers will address other issues.

I want to make three specific suggestions. First, those clubs that have a good youth development programme, for both players and spectators, should be rewarded with a discount on their rates. Already in many parts of the country other sports clubs that do not have bars receive a discount. Football clubs with a good youth programme could be treated in the same way.

Secondly, the Executive has started to encourage sport in schools. The football clubs could be tied in much more closely with that programme. Professionals could help to coach the kids and assist coaches in developing teams at all ages. The clubs could play an important part in that existing scheme and benefit from it.

Thirdly, we have to be bolder. Setting aside 0.2 per cent of the health, police and social work budgets would produce a fund of £10 million. If that money were spent on youth work and sport, it could make a huge difference. We would have a much healthier community, fewer young people would get into trouble with the police and young people would be able to enjoy themselves constructively. We ought to develop the preventive medicine argument—more investment in sport and youth will benefit the country and pay for itself.

We can develop a fine network of football teams, of all ages and both sexes, sustained by links with local professional teams. That could be copied in other sports. This Parliament has a great opportunity to air ideas and urge the Executive to take bolder steps. Let us have a constructive debate on how to start a revival in Scottish football.

The Deputy Presiding Officer (Ms Patricia Ferguson): Unusually for a debate at this time, a large number of members wish to take part. It may not be possible for all to participate, but if

speakers will be aware that many members wish to make contributions, that will help.

Looking round, I am minded to ask the Procedures Committee to come up with a policy on the wearing of colours in the chamber. However, that may just be my being sad—I am a Partick Thistle supporter.

17:10

Fiona McLeod (West of Scotland) (SNP): Thank you, fellow Jags supporter. We should all welcome youth and community sport development, especially when it involves young children in the league football clubs, with their connotations of prestige. However, we must approach such development as part of a strategic package. Today's motion mentions only the Scottish football leagues.

If we look abroad, especially to Norway and Sweden, we can find wonderful examples of indoor community football facilities, which are owned by the communities and have played a major role in enabling those countries to flourish as footballing nations. We need indoor football facilities in Scotland—we all had to walk across here in the rain this evening.

The Parliament must do more than note the current financial difficulties faced by our smaller clubs. We must also investigate how the situation at the national stadium at Hampden arose. In August, the *Sunday Herald* reported that the lottery sports fund had been slashed by a third and that just £7 million would be allocated for all the capital projects in Scotland. Could that sum be anywhere near the amount that it is alleged in the lobbygate transcript the Government pledged following a meeting organised by Beattie Media between Sam Galbraith and the Scottish Premier League at a Rangers game?

Given how long I have waited for answers on Hampden, I wonder how long it will be before we get answers on those current financial problems. We must ensure that our young footballers have access to suitable facilities in their communities and that such access is not provided at the whim of lobbyists.

17:12

Cathy Jamieson (Carrick, Cumnock and Doon Valley) (Lab): I start by declaring an interest. I am in the slightly odd position of being a long-time Kilmarnock supporter who now represents part of Ayr and who supports Ayr United's plans to build a new stadium. I wanted to get that in before Phil Gallie does.

I do not want to talk about Kilmarnock and whether the club can repeat its famous escape-to-

victory routine tomorrow night when it takes on Kaiserslautern. I am thinking back to many years ago when a famous Killie team came back from being 3-0 down against Eintracht Frankfurt to win 5-4.

I want to focus on one aspect of the debate—the financial position of many of the smaller Scottish football clubs. I also want to draw members' attention to a Co-operative party pamphlet, which I have passed to the minister, entitled, "New mutualism—Golden Goal". The publication examines in detail ways in which football clubs can genuinely be owned by their supporters and ways in which supporters can have a greater influence on the running of clubs. The ideas may be of interest not only to Hamilton Accies supporters, but to other clubs.

I want to spend a couple of minutes on the example of Barcelona, although I recognise that it is not often that Barça and Hamilton are talked about in the same context. FC Barcelona is, in effect, a mutual. It is owned and run by its members, who currently number in excess of 100,000. According to the club's statutes, it exists for the pursuit of sporting excellence. It can be dissolved only on the approval of the general assembly of its members. If that happened, the unmovable assets—the ground and so on—would be transferred to the local council, on whose ground the premises are located, and the movable assets would be donated to the Catalan Government after payment of the club's debts. That is an interesting thought.

The club is run by a body that is elected for a five-year term. Annual reports must be submitted to the general assembly of members of supporters, which—interestingly—also fixes entrance and subscription fees and must approve various other matters, such as television and media arrangements.

An alternative outlined in the pamphlet is the concept of supporters trusts. Northampton Town has used the model successfully in the English league—not something that I often cite. The advantage is that dividends are not paid out to individual shareholders, but reinvested in the club. The club has taken an active part in the campaign to kick racism out of football and was the first league football club to adopt an equal opportunities policy. The club operates a football-in-the community scheme, which has taken the lead in organising league football at an English national level for players with learning disabilities.

I am not suggesting that all clubs in Scotland will want to adopt completely the ideas contained in the pamphlet, but there are a number of lessons that are worth learning. If our goal is to develop football as an important part of our social, cultural and sporting life and to develop the links between

clubs and communities, we must remember that the supporters—the people who pay week in, week out to see the clubs play—are the clubs' life-blood and should have a greater say in their running.

Community involvement in football has the potential to play a part in our work to combat social exclusion. Community ownership might be a way of ensuring community involvement. I look forward to further debate on this matter and to a win for Kilmarnock tomorrow.

17:15

Mr Brian Monteith (Mid Scotland and Fife)

(Con): I thank Mr Gorrie for giving me this opportunity to speak on this subject. I apologise in advance if I have offended anybody by wearing my favours. A number of other members and I thought that we might bring some colour to a normally sober occasion.

I am conscious that time is, as always, at a premium, but I want to touch on a number of issues. First, however, I declare my interest as chairman of the Hibernian Football Club Shareholders Association. I am also vice-chairman of Hands on Hibs, a supporters body that was set up to campaign for the financial restructuring of the club with the particular aim of attracting new capital to deal with the debts that have been run up over the years.

Hibs is not—this season at least—considered a member of the lower leagues, but it is worth noting that, in the past two years, it has run up debts of some £3 million. The club has made a loss in six of the past nine years. It is very difficult for a club of that size to recover from having had debts for two years, never mind the cumulative debt. Even if the team was to do particularly well and, for example, win the Scottish cup as Hearts did a season ago, that would not be a guarantee of financial success.

Hearts, too, has a large debt even though it can welcome investment from the Scottish Media Group plc. Even clubs that do well in the Scottish league system find it difficult to get by, with the exception of the old firm.

In a recent survey, Greenock Morton was found to be the only club out of 30 in the lower leagues that has a net asset value. From that position, it is trying to rebuild its stadium so that, if it can get into the Scottish Premier League, it will be able to comply with the league's rules. A club such as that faces great difficulties.

A team in the English third division receives £250,000 every year through television rights. Clubs know in advance they will get that money and can budget accordingly. Scottish clubs, by

comparison, have no certainty of money coming in, which has been a great disadvantage to them.

Foreign players have been introduced at all levels, particularly in the premier league. It used to be only the old firm that had foreign players, but they are now in teams throughout the premier league. That ensures that money from transfers to Scottish teams does not trickle down—money is not transferring from the larger clubs to the smaller clubs. That is creating financial difficulties.

There is a growing gulf between not only the premier league and the lower leagues, but the old firm and the other premier league teams. It is difficult to see how that can be resolved without an overall review by the leagues, not just in Scotland but throughout Europe. We must allow greater openness in markets so that teams can start earning money from television rights and so that those rights can pass down through the leagues, which will also allow teams to aspire to move up through the leagues. I would argue that the Scottish league uses restrictive practices.

Some members may want to cast their minds back to the time when Cowdenbeath won promotion for the first time in its history. What did it do? It sacked its manager.

There is no doubt that a number of Scottish teams are happy to lie in the lower leagues. We must encourage them to move up and allow those that do not try to move up to move down. Similarly, we must allow clubs that are outside the Scottish league to aspire to be better and to move into the league. There are many teams that draw larger crowds and play more attractive football than teams in the Scottish leagues do—let them move into the Scottish leagues.

In closing, I say that, as Donald pointed out, youth programmes are important—they will be the salvation of teams. It is also important for local authorities to examine the difficulties that they can create with planning consents and for leagues to investigate issues such as how many times teams play each other. We should have an open pyramid structure in Scotland so that teams from the bottom can move up, as English teams such as Wimbledon and Watford have done. Aspirational teams will move up and people will invest in them.

17:20

Bruce Crawford (Mid Scotland and Fife)

(SNP): Any member who speaks in this debate will have a passion for football—I certainly have such a passion. I follow Dunfermline Athletic Football Club and, although we might not be in the premier league at the moment, I hope we will be there next season.

One of the most important issues affecting

football in Scotland is youth development. Unless we get that right, the game will go spiralling down. It is all very well for the Rangers and Celtics of this world to dip their hands into their transfer bags, pull out their money and buy a few players, but that ain't gonna happen with provincial clubs as it used to, so it is imperative that our smaller clubs find talent and hone the skills of local youngsters. Clubs are beginning to do that in a serious and meaningful way.

Dennis Canavan (Falkirk West): Will the member give way?

Bruce Crawford: Very briefly.

Dennis Canavan: Does Mr Crawford agree that the role of schools football is important to a youth policy? Unfortunately, schools football has never fully recovered from the major teachers' dispute during the lifetime of the previous Tory Government. Will Bruce join me in hoping that there will be a fair and early end to the current teachers' dispute and that the committee that has been set up by the Scottish Executive to examine the conditions and wages of teachers will also investigate this important matter to ensure that teachers get a fair remuneration or time off in lieu if they give their services to the development of football and other sports?

Bruce Crawford: Dennis's point is entirely fair. The previous dispute destroyed much of the national grass-roots work on football and, unfortunately, it has never recovered.

Donald's idea that we should top-slice areas such as social work and police in local government is frankly nonsensical and will never work. Football will never be a winner when it competes for resources with tourism, the voluntary sector and theatres. If we are to help Scottish football, we will need to find ways of taking money straight out of the Scottish block.

It is vital that provincial clubs are helped in the way that they are in Holland and Norway. Although Norway is a similar size to Scotland and has almost the same weather, it has 11 indoor football pitches while we have none. That tells a tale. We need facilities to help our local people and our young people to grow their talent locally and the country needs such facilities to produce a national team of which the fans can be proud.

Perhaps we could help the smaller clubs not by top-slicing local government but by reviewing the rates that are paid on football stadiums and by examining the high cost of policing football matches. Money sloshing around in FIFA and the Scottish Football Association should be invested in the game in a real and meaningful way.

Sitting at East End Park on a Saturday afternoon, I sometimes think about the

management's problem with training youngsters on its books. Its job would be impossible without the help and understanding of the naval base at Rosyth. Training facilities are required for a minimum of 80 youngsters, who make up teams of 13, 14, 15, and 16-year-olds. That difficult job is made more difficult when we add two regional league teams, the reserves and the first team. We can see where headaches multiply for provincial clubs in Scotland.

The only way we will do it is by opening up the SFA and FIFA coffers to enable the Executive to look more imaginatively at not just revenue funding, but how the lottery and sportscotland can help release the real vitality in the many youth football teams throughout the country that never seem to make it to the senior grades. Anyone here who supports Ayr United, Dunfermline Athletic beat them 2-1 on Saturday.

Phil Gallie (South of Scotland) (Con): On a point of order—

The Deputy Presiding Officer: I hope that it is a genuine point of order.

Phil Gallie: It is a genuine and serious point of order. This is the first occasion on which such a debate in the chamber has attracted a number of members who wish to speak and there has not been time for them to do so. With the agreement of members, can the debate be extended? It is an important debate and I suggest that it is extended for a further 20 minutes.

The Deputy Presiding Officer: The Presiding Officer made a ruling on that last week in a previous members' debate. It was agreed that that would not be allowed in future. The extension of the debate on domestic violence was considered to be a one-off. I call Rhona Brankin to close what has been a very good debate. Can Ms Brankin have the lectern, please.

17:26

The Deputy Minister for Culture and Sport (Rhona Brankin): Shall I start while I am waiting?

Mr Lloyd Quinan (West of Scotland) (SNP): On a point of order, are you extending the debate?

The Deputy Presiding Officer: No, the minister is now winding up.

Rhona Brankin: Thank you. I am afraid that I do not have a scarf that represents all the junior football teams in Midlothian.

I am delighted to have been given the opportunity to wind up a rather short but useful debate on football. It has been a good kick-off on the subject. I hope that we can debate the matter further because that is important in terms of developing football—which we concentrated on

today—and sport in general, as a means of rebuilding communities. I was delighted to be able to open some marvellous new synthetic pitches in Easterhouse recently. Football—and sport in general—are seen as playing an important part in urban regeneration.

I am well aware of the financial difficulties that a number of football clubs in Scotland face. Some of the difficulties are due in part to the requirements to carry out the essential safety works recommended by Lord Justice Taylor following the Hillsborough stadium disaster. Since 1990, the Football Trust has provided more than £168 million of grant aid for Taylor-related works throughout the UK, £39 million of which has been allocated to Scotland. If we take other related programmes into account, the total grant aid made available by the Football Trust for professional football clubs in Scotland is approximately £59 million.

Michael Matheson (Central Scotland) (SNP): I wrote to the minister on 3 September, having had representations on the issue of the Football Trust in London about the weighting mechanism that still works to the advantage of premier league teams and to the disadvantage of first and second division teams.

I received representations from a number of Falkirk Football Club fans about the weighting mechanism that works against clubs such as Falkirk, which is thinking about building a new stadium. Can the minister tell me when she will respond to my letter, which she received more than 23 days ago, on this important issue—if she gives it such importance?

Rhona Brankin: Yes, I do attach importance to it and I shall find out when we will respond to that letter when I return to Victoria Quay. I will respond to it at an early stage. I thank Mr Matheson for raising that matter.

Clubs in Scotland have had more than nine years to carry out any safety works or to relocate and the Taylor changes and developments in Scotland have been largely completed.

Phil Gallie: I take it that the minister supports the Taylor report. One of its recommendations was that landlocked town-centre stadiums should be moved out into greenfield sites. Ayr United is one such case. The Scottish Executive has called in that planning application, after it had been unanimously approved by the local authority. Will the minister give the matter her best attention and see what she can do to give Ayr United's stadium consent?

Rhona Brankin: Mr Gallie can rest assured that the Scottish Executive will give the matter its best consideration.

The football authorities in England are contributing to outstanding works, but the football authorities in Scotland are not contributing. The Football Trust has agreed with the Department for Culture, Media and Sport that future income resulting from the reduction in pools betting duty should be allocated towards grass-roots schemes in England and Wales. The money will be allocated on a per capita basis and 8.9 per cent will be available to Scotland. The Football Trust is currently considering projects of a similar nature in Scotland, which will include help for the development of soccer academies. We believe that although it is important to put money in at the level of the elite, we must also invest in grass-roots football.

Sportscotland has made awards for safety-related projects from the lottery sports fund totalling more than £2 million over two years. Sportscotland and the Football Trust will consider further applications soon. About £800,000 remains available in the current financial year. Sportscotland's lottery distribution strategy includes provision for the Taylor recommendations and other essential safety works.

I want to move on to talk about the football partnership. The Scottish Executive plans to contribute £1 million towards the development of a network of football academies. That is not £10 million, as was recently reported in the press. We have said that we will contribute £1 million, and the Scottish Premier League is hoping to contribute £10 million.

Mr Kenny MacAskill (Lothians) (SNP): Will the minister give way?

Rhona Brankin: Not at the moment; I have a lot to get through.

Additional funding is also being considered by the Scottish football partnership, which includes representatives from the SFA, the Scottish Premier League, the Scottish Football League, the Scottish Professional Footballers Association, sportscotland, the Scottish Institute of Sport, the Football Trust and the Convention of Scottish Local Authorities. That partnership agreed that a task force should draw up proposals for consideration before the end of this year.

With other members of the partnership, I undertook a fact-finding visit to a number of soccer academies in England on 6 and 7 September. One of the key points that was made to us was the quality of indoor provision. I accept what Fiona McLeod said: when we are looking at future provision for the development of soccer in Scotland, we need to be able to consider indoor facilities.

One of the key tasks for the partnership is to identify potential sources of funding for the football

academies. As I have said, the SPL is expected to be the major financial contributor to the academies. As a result, the academies are likely to be based around SPL clubs. However, that is a matter that the partnership must consider, because at the moment there is no SPL club in the north of Scotland, for example.

Proposals will come out by the end of the year and will help to build on the significant youth development work that is already being carried out by the football authorities in Scotland's communities. Community access to the facilities will be a condition attached to any contribution from public funds.

I believe that the prospects for developing Scottish talent have never been greater. The proposed academies will provide opportunities to ensure that, in future, our clubs will compete at the highest level of the sport. The Scottish Executive aims to continue its support of our clubs as they strive to achieve that goal.

The Scottish Executive strongly supports football at a grass-roots level. Programmes such as team sport Scotland are already in place, in which a team sport co-ordinator works with SFA development officers to develop youth football. I welcome the recent developments in women's and girls' football in Scotland.

Through sportscotland, we also support the national coach support programme. In addition, money is available for a talented athletes programme. Football is one of the key sports in the Scottish institute of sport. We support football at all levels, but the development of youth football has been highlighted this evening. It is something to which the Scottish Executive is committed.

I will answer some of the points that were raised in the debate. Donald Gorrie talked mainly about youth football—I have covered that.

Fiona McLeod mentioned Hampden. She will have read in the press that there have been meetings to identify solutions to the financial problems surrounding the national stadium. Funders have met representatives of National Stadium and Queen's Park Football Club and made a number of proposals about further financial involvement and positive developments to National Stadium's business plan. Some further work will be needed over the next few weeks, but all parties are hopeful that a resolution will be achieved.

Fiona also mentioned the need for indoor facilities. I think that I have covered that, too. We agree that indoor facilities will be vital and we will consider developing them through the network of football academies.

Cathy Jamieson talked about new ways of

involving supporters and new forms of ownership of sports clubs. Those proposals are interesting and I will be happy to discuss them with her.

Brian Monteith mentioned the possible restructuring of football leagues; that is a matter for the football authorities.

I reiterate that we regard the development of football at all levels as very important. We are keen to support the development of youth football, as Donald Gorrie moved. I thank Donald for introducing this debate. It has been very short, and I hope that we will get more time in future for this important matter.

The Deputy Presiding Officer: I thank members for their participation and now close the meeting.

Meeting closed at 17:37.

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

Members who would like a copy of the bound volume should also give notice at the Document Supply Centre.

No proofs of the *Official Report* can be supplied. Members who want to suggest corrections for the bound volume should mark them clearly in the daily edition, and send it to the Official Report, Parliamentary Headquarters, George IV Bridge, Edinburgh EH99 1SP. Suggested corrections in any other form cannot be accepted.

The deadline for corrections to this edition is:

Wednesday 6 October 1999

Members who want reprints of their speeches (within one month of the date of publication) may obtain request forms and further details from the Central Distribution Office, the Document Supply Centre or the Official Report.

PRICES AND SUBSCRIPTION RATES

DAILY EDITIONS

Single copies: £5

Annual subscriptions: £640

BOUND VOLUMES OF DEBATES are issued periodically during the session.

Single copies: £70

Standing orders will be accepted at the Document Supply Centre.

WHAT'S HAPPENING IN THE SCOTTISH PARLIAMENT, compiled by the Scottish Parliament Information Centre, contains details of past and forthcoming business and of the work of committees and gives general information on legislation and other parliamentary activity.

Single copies: £2.50

Special issue price: £5

Annual subscriptions: £82.50

WRITTEN ANSWERS TO PARLIAMENTARY QUESTIONS weekly compilation

Single copies: £2.50

Annual subscriptions: £80

Published in Edinburgh by The Stationery Office Limited and available from:

The Stationery Office Bookshop
71 Lothian Road
Edinburgh EH3 9AZ
0131 228 4181 Fax 0131 622 7017

The Stationery Office Bookshops at:
123 Kingsway, London WC2B 6PQ
Tel 0171 242 6393 Fax 0171 242 6394
68-69 Bull Street, Birmingham B4 6AD
Tel 0121 236 9696 Fax 0121 236 9699
33 Wine Street, Bristol BS1 2BQ
Tel 01179 264306 Fax 01179 294515
9-21 Princess Street, Manchester M60 8AS
Tel 0161 834 7201 Fax 0161 833 0634
16 Arthur Street, Belfast BT1 4GD
Tel 01232 238451 Fax 01232 235401
The Stationery Office Oriol Bookshop,
18-19 High Street, Cardiff CF12BZ
Tel 01222 395548 Fax 01222 384347

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

Telephone orders and inquiries
0870 606 5566

Fax orders
0870 606 5588

The Scottish Parliament Shop
George IV Bridge
EH99 1SP
Telephone orders 0131 348 5412

sp.info@scottish.parliament.uk

www.scottish.parliament.uk

Accredited Agents
(see Yellow Pages)

and through good booksellers