

MEETING OF THE PARLIAMENT
COMMITTEE OF THE WHOLE PARLIAMENT
MEETING OF THE PARLIAMENT

Thursday 1 November 2001

Session 1

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Scottish Parliament

Thursday 1 November 2001

[THE DEPUTY PRESIDING OFFICER opened the meeting at 09:30]

Teaching and Research Funding (Scottish Higher Education Funding Council Review)

The Deputy Presiding Officer (Mr George Reid): Good morning. The first item of business is an Enterprise and Lifelong Learning Committee debate on motion S1M-2380, in the name of Alex Neil, on the committee's inquiry into the Scottish Higher Education Funding Council reviews of teaching and research funding. I ask members who wish to contribute to the debate to press their request-to-speak buttons now. I call Alex Neil to speak to and move the motion on behalf of the Enterprise and Lifelong Learning Committee.

09:30

Alex Neil (Central Scotland) (SNP): I begin by saying thank you to all those who participated in the preparation of the Enterprise and Lifelong Learning Committee's report. My thanks go first to Simon Watkins and the committee's clerking team, who have done their usual excellent job. I thank the Scottish Parliament information centre for its support, and I thank all those who gave evidence to the committee during its inquiry. My special thanks go to Professor Sir John Arbuthnott, who acted as adviser to the committee in the preparation of its report and worked with the committee throughout the summer, as the report progressed through various drafts. I welcome him to the VIP gallery this morning.

I also thank the Minister for Enterprise and Lifelong Learning for her co-operation in responding to the report within such a short time frame. Normally the time frame for responding to reports is about eight weeks. This report was published about 10 days ago and we expect a fairly detailed response from the minister later in the debate.

I thank SHEFC for its co-operation. We have criticised aspects of SHEFC's work, particularly in relation to teaching funding, but we recognise that it had a difficult job and that it made an effort to bring the teaching funding system up to date, even though we believe that that needs further thought.

I have been quite astounded by the reception that has been given to the report in the 10 days or so since it was published. I will offer members a

selection of quotes. The first is from Professor Sir Bernard King, the principal of the University of Abertay Dundee, whom I also welcome to the gallery this morning. The day after the report was published, he wrote in *The Scotsman*:

"The enterprise and lifelong learning committee's report into SHEFC's recent funding reviews is to be warmly welcomed on many grounds, not least for its clear and far-sighted view of how university teaching and research should integrate with the wider economic, cultural and social life of the nation."

I will quote also from an e-mail that I received from Gordon Millan, chair of the University Council of Modern Languages. He congratulated the committee on the profound way

"in which you 'handled' your Enquiry".

He said that he was

"delighted that our message on modern languages was listened to",

and that all the evidence that was given by the UCML was incorporated into the committee's report.

My final quote is from a letter that I received from Universities Scotland, which states:

"Universities Scotland warmly welcomes the Committee's report, and congratulates the Committee on the thoroughness of its analysis. It believes that the main findings are sound, and that the principal recommendations form a good basis for addressing a number of vital issues in connection with the funding of both teaching and research."

However, the report has not been welcomed universally. At a meeting yesterday of the senate of the University of Strathclyde, a comment was made about "Alex Neil's committee rampaging" through the universities of Scotland. First, our purpose is not to rampage. Secondly, I do not think that other members of the Enterprise and Lifelong Learning Committee would be happy with its being described as "Alex Neil's committee". Thirdly, the kind of stuffy attitude that the comment that I quoted reflects is for the days before devolution, when there was practically no scrutiny of these matters. The purpose, remit and responsibility of the Parliament is to bring the funding of public bodies under proper scrutiny and to ensure that taxpayers are getting a fair return on their investment in higher education.

The debates that have taken place since the publication of the report have tended to focus on teaching funding, rather than on research funding. I want to rebalance the debate by highlighting the key issues that relate to research funding. I remind members that in Scotland's universities about £370 million a year is spent on basic and applied research. Roughly one third of the funding for that comes through the Scottish Higher Education Funding Council. Research is absolutely vital to both the economic and the social and cultural life

of Scotland.

Scotland has an excellent record in academic and scientific research. I could quote examples from many universities in Scotland: the work that is being done on cancer at the University of Dundee; the work that is being done at the University of Abertay Dundee; the work that is being done on lasers at Heriot-Watt University; and work that is being done at the University of St Andrews and other universities. However, traditionally we have been poor at translating research into commercial opportunities that can be of wider benefit to the Scottish economy. In this inquiry the committee—its remit is enterprise and lifelong learning—was naturally very interested in how we can improve commercialisation of Scotland's research for the benefit of the nation as a whole. This is the country that produced the telephone and the television, only for those products to be produced, by and large, furth of Scotland, with minimal direct economic benefit to Scotland.

Our report makes three fundamental points. First, we say that the current formula that is used to determine research funding requires to be refined and improved to make it more relevant to the need for the development of research into downstream economic activity. Although over the past 10 years the research assessment exercise has improved markedly, it still has some way to go toward serving the nation's needs. When an academic has a paper published in a prestigious magazine, he or she is given a substantial number of brownie points in the research assessment exercise. Somebody who patents a new product is given substantially fewer points in the research assessment exercise and somebody who sets up a spin-off company that is of benefit to the wider community by creating jobs gets no points at all. We need to change that, so that somebody who sets up a spin-off company is regarded as a national hero, rather than as somebody who is undeserving of reward. The irony of that situation, which was pointed out by a number of witnesses in the inquiry, is that the publication of papers in prestigious journals sometimes results in people in other countries taking out patents for the products of which we have revealed the secrets in those papers. That is an absurd position that needs to be rectified.

The second major point that the committee made about the research assessment exercise concerned the recommendation by SHEFC—which the committee rejects totally—that funding for level 3-rated departments should not be included in research assessment exercise funding. If that recommendation were implemented, it would have a number of detrimental effects. First, it would be particularly detrimental to our new universities. Secondly, much level-3 rated

research will become the level 4 and level 5-rated research of tomorrow. If we cut off funding to the seedcorn research, which is often level 3-rated research, we will not be able to enhance our excellence in future years.

We also found in evidence that level 3-rated departments are often the most innovative in terms of subject areas. Examples of that are in music and—if I may refer again to the University of Abertay Dundee, given that Bernard King is in the gallery—games technology. Abertay started from virtually nothing and people laughed at the idea of a university undertaking games technology as a serious subject. Now, however, Abertay is a world-renowned centre of excellence in games technology, which is one of the fastest-growing industries in the global economy.

Technology Ventures Scotland, which was set up to promote commercialisation in Scotland, told the committee that

"three star research departments are currently better aligned to the needs of business",

particularly to small and medium-sized enterprises. The committee's members therefore believe—unanimously, I think—that funding for such departments should be included in the research assessment exercise funding.

That presents a problem, however. Our excellence is growing at an almost exponential pace while the available funding is growing at an arithmetic pace. I am not criticising the Executive—as the committee convener, I would never do that—but there is a fundamental policy issue that needs to be addressed. If we are fully to realise our potential and ensure that the nursing of research at levels 3 and above on the research assessment exercise scale is properly funded, in order to ensure that those ratings are improved, there will have to be substantial new funding from the private and public sectors in the years ahead.

The three key issues that the committee identified in relation to the research assessment exercise are: the need to fund level 3 research; the need to ensure that spin-offs and patents are rewarded at least to the same extent as academic papers; and the need to ensure that the seedcorn funding exists to provide for the excellence of tomorrow.

On research, the committee addressed the scale of funding. I believe that the committee and the minister agree that there must be exponential growth in funding for research. If I were asked to summarise what the national economic development strategy for Scotland should be in the 21st century, I would say that we should make ourselves the scientific research capital of Europe. That is the area in which we have outstanding ability and can compete on a more than equal

footing, and from where we will generate the wealth of tomorrow. In order to do that, we need the private and public sectors to invest significantly more in long-term research in our universities and in our industrial base. Often, the debate concerns only public funding; however, my message to the private sector is that it, too, has failed. The percentage of funding that is spent in the private sector in Scotland on research and development is about one third of the European average for the private sector. One company in Finland—Nokia—spends more on research and development than does the whole of Scotland. That is not a healthy situation for us and we need to address it seriously.

Richard Lochhead (North-East Scotland) (SNP): Does Alex Neil agree that it is unacceptable that all the tens of millions of pounds that are spent on research by a company such as BP are spent south of the border, because our universities cannot get the seedcorn funding that they need to build up a track record that will attract private sector research and development?

Alex Neil: There are two issues. One is about attracting companies of the calibre of BP to do more research in Scotland and the other—which we cannot dodge—is about the poor record of our indigenous companies in research and development. If our key strategy is to build up indigenous research, we need to get those companies to spend three or four times as much as they spend now on research and development.

The committee's recommendations concentrate on the need for additional investment, the need for more money for patenting—we are losing a significant number of commercial opportunities through lack of funding in that regard—and the need to improve the commercialisation process between business and universities and within the university sector.

An example of the best model for the future is the Institute for System Level Integration in Livingston, which brings together business and academia and exploits research to full commercial advantage. Scottish Enterprise and other organisations are planning the establishment of another three such institutes and the committee is wholly supportive of those plans.

Another key recommendation is that the science strategy should be fully developed into a research and development strategy that brings together science, technology, research and development and the commercialisation of that scientific work.

Substantial amounts of public money are also involved in teaching funding. We should send a memorandum to the University of Strathclyde's senate to remind it of that fact. Some 60 per cent of all university funding comes from taxpayers,

who are therefore entitled to examine how that money is being spent. Rightly, £440 million a year of public money is spent on the higher education sector in Scotland. I remind members that we are talking not only about the 14 universities, but about the future of the other institutes of higher education, such as the art colleges.

The committee decided to hold the inquiry because of members' concerns about the SHEFC proposals. We are concerned about the reduction in the number of subject areas from 22 to six. We are also concerned about the changes to subject funding that led to an 8.3 per cent increase in funding for clinical and veterinary subjects and an average 1 per cent reduction in funding for all other subjects. What impact will that have on the new universities, the art colleges and on particular subject areas, such as modern languages?

We urge SHEFC to go ahead with the important measures to widen access for people from lower income families and to help disabled students and part-time students more.

We were also concerned about the process that was employed by SHEFC as it went about the review of teaching funding. It seemed to get off to a good start, but it went downhill from there. It brought in consultants then, in effect, sacked them. It set out to try to obtain evidence to justify the future funding formula: it then abandoned that effort. No assessment was made of the impact of the proposals on individual institutions. There was a lack of clear guidelines on implementation. There was no proper justification for the favourable treatment of the medical subjects or the perceived adverse effects on other subjects.

Our main conclusion was that SHEFC mishandled the review of teaching funding. We acknowledge the difficulties that were involved and the fact that SHEFC set itself an ambitious target—it is right that we encourage quangos to do that. Unfortunately, the review was mishandled to the extent that SHEFC's credibility was damaged.

That is why the committee believes that the way forward is to set up an independent inquiry to consider the long-term funding formula for teaching in our higher education institutions. The inquiry will carry no baggage and will base its evidence on the facts; it will examine the proposals of Universities Scotland and SHEFC and the wider picture of what the people of Scotland need from teaching in our universities. The inquiry will not be a cosy arrangement between SHEFC and the teaching institutions.

The report makes a number of recommendations on the inquiry and suggests that in the meantime there is no reason for delay on the consensually accepted aspects of SHEFC's proposals on helping the socially excluded, the

disabled and part-time students. We should proceed with implementing those proposals.

All in all, we believe that the committee has come up with a fair assessment of the problem and a reasonable set of recommendations. We hope that the minister will agree with the bulk of the recommendations when she makes her statement later in the debate. Scotland's university sector and its other higher education institutions are essential elements of our national life. They are essential not only to the economic life of the nation, but to its social life and cultural development. The simple objective of the committee, the minister and the Parliament is to ensure that we have one of the best higher education sectors, not only in the United Kingdom or Europe, but in the world. If the committee's recommendations are implemented—on top of what the minister has announced—we will travel a long distance toward achieving that objective.

I move,

That the Parliament welcomes the 12th Report 2001 of the Enterprise and Lifelong Learning Committee on the inquiry into the Scottish Higher Education Funding Council reviews of teaching and research funding (SP Paper 423).

09:52

Marilyn Livingstone (Kirkcaldy) (Lab): I thank the convener of the Enterprise and Lifelong Learning Committee for his speech on behalf of the committee. He covered many points that are pertinent to the report. The committee's members believe that the debate and the minister's response are immensely significant not only for the higher education sector but, as Alex Neil said, for the economic, cultural and social well-being of Scottish society. It has long been recognised that Scotland's economic prosperity requires a highly skilled and motivated work force; we believe that the higher education institutions, further education colleges and private sector training providers have a fundamental role in that agenda.

The committee's decision to interrupt its programme of work to conduct the inquiry came about because of the considerable concerns that were expressed by higher education institutions and other agencies over SHEFC's proposed changes. I will concentrate on the "Teaching Funding" section of the report. Other members of the committee will cover in depth the research element.

The committee agreed with SHEFC that a review of teaching funding was required and none of the committee members or the stakeholders who were involved disagreed with that. The system that was in place resulted from the history of the sector and was overdue for a change. There was considerable support in the sector for a

system that would simplify structures and make them more transparent. One big issue that was raised time and again was the transparency of what happened in the teaching debate.

In its evidence, SHEFC informed the committee that the review of higher education funding was a response to the changing landscape and included issues such as the funding model—which, as I said, had not changed for 10 years, despite massive changes in the sector—the rapid expansion of the sector during the early 1990s, the marked slow-down in 1997 and the changes in the institutional landscape. The Government's agenda is firmly and rightly aimed at widening access for under-represented groups of learners. The committee is concerned about matters such as the lack of women in technology training and we are pleased to see initiatives by the Executive to try to redress the balance. We feel that that is something that should be at the heart of any funding model.

The main thrust of SHEFC's proposals included the reduction in the number of subject groups from 22 to six. Clinical and veterinary subjects would benefit by an 8.3 per cent rise in funding. Other subjects would receive an average 1 per cent reduction in funding. Incorporation of fees-only students within the funding envelope became a highly debated issue.

An additional 5 per cent was to be provided to help widen access, which the committee accepted. Additional funding was allocated for disabled students and the allocation of a 10 per cent cost supplement for part-time students was to be continued.

Some of the proposals, particularly the teaching allocation, caused disquiet within the sector. We must understand that, for universities, the teaching grant is the single most important element of their funding. As the convener of the Enterprise and Lifelong Learning Committee said, £440 million of public money goes into the sector.

The higher education sector welcomed a reduction in the number of subject areas because that would simplify the system, improve transparency and take account of today's education system. However, the lack of an evidence base for the proposed reduction, and the proposed structure of the subject groups have caused great concern. The Scottish Higher Education Funding Council made much of the principle that the review would be evidence based, but that was where things started to go wrong. The parts of the review that were carried out prior to the part that we are considering had been carried out well and the sector was on board. However, SHEFC lost the confidence of the sector at that point.

In the later stages of the review, SHEFC abandoned the evidence-based approach for what seemed to be a mathematical exercise, averaging out existing funding levels in a way that seemed to have no basis. Neither the committee nor the sector could understand where and how SHEFC arrived at the group of six subject areas.

The committee concurred that SHEFC had mishandled the teaching review and, more important, that it had underestimated the difficulties of developing an evidence base. The committee realised the difficulties of that, but SHEFC set that expectation, so it should have carried it through; the sector expected that. Additionally, SHEFC underestimated the sector's reaction to its course of action.

The committee concluded that the lack of a system to establish the cost of teaching is a fundamental issue for higher education, however difficult it is to find a formula. The long-term solution is to find a proper pricing system for higher education in Scotland.

The committee agrees with the higher education sector that SHEFC's proposals do not represent a comprehensive analysis of the costs that are involved. The effect of the proposed changes would be the allocation of significantly more resources to clinical and medical subjects and the introduction of a weighted averaging system that could not be substantiated or justified. The Scottish Higher Education Funding Council provided no evidence to back its proposals.

The Scottish Higher Education Funding Council has acknowledged the impact that the proposals would have on small specialist colleges—the arts colleges will welcome that, however belated it might be. However, to date, SHEFC has not recognised the funding difficulties that the review would mean for courses such as technology, languages and the arts. Committee members have received correspondence from people who are delivering intensive courses in narrow subject areas to small tutorial groups, such as in technology. Time and again, the committee has heard evidence about the need to increase the number of engineers and the technology base in the student population. The Scottish Higher Education Funding Council's proposals could harm the economic success of that sector, so we want it to consider subject areas such as technology, languages and the arts.

The committee has made some recommendations. First, the funding council should go back to the drawing board on the resourcing of teaching. However, the committee also recommends that, in the short term and where there is general agreement, positive aspects of the proposals should be developed. We want to allow those issues that are important to

the sector to be progressed.

The committee has no intention of inhibiting progress, and the positive aspects of the inquiry, such as proposed additional support for widening access for students with disabilities and part-time students—which have universal support—must go ahead. We are aware that SHEFC has met Universities Scotland and that discussions continue. The committee would have no problem with improvements that could be implemented immediately or with advances being made.

Although the committee accepts that situation for the short term, it recommends that the Minister for Enterprise and Lifelong Learning establish an independent review body to examine the costs of teaching. For the long-term success and sustainability of the sector, we need a review of the medium and long-term costs of teaching. If the minister agrees with the committee's findings, I hope that the review will have a far-reaching remit, that it will be transparent and that it will provide a funding system that is fit for the 21st century. It should celebrate diversity and equality and embrace access as its driving principle.

I will talk briefly about research, because my time is limited. It is fundamental that level 3 funding is provided via the RAE. That was the committee's wish. As Alex Neil said, we must fund level 3-rated departments. Spin-offs from such departments must be rewarded. We must develop seedcorn funding for excellence for future generations. No one wants to inhibit progress or wants levels 4 and 5 departments to have their funding stopped or to be discriminated against, but all committee members felt that funding for level 3 departments was important to Scotland's future economic development.

The debate is the beginning of the process of modernising Scotland's lifelong learning provision. The committee's lifelong learning inquiry is focusing on the wider strategic issues that impact on the sector and will cover the resourcing of higher education teaching and research. The committee looks forward to reporting its findings to the Parliament in spring next year.

The Deputy Presiding Officer: Kenny MacAskill will open for the Scottish National Party. He has 12 minutes.

10:02

Mr Kenny MacAskill (Lothians) (SNP): I agree with everything that Alex Neil and Marilyn Livingstone said and I adopt their position. The report was produced by a cross-party committee. By definition, all parties were represented by committee members, who included me and my colleague Duncan Hamilton. We accept the motion and the report that is its basis. Accordingly, my

comments will not follow a party line, because the SNP supports the motion and the report. Therefore, I may not take up all my allocated time, but allow SNP members and others who have a constituency interest or who wish to raise other matters to speak.

The situation is a bit of a guddle. The report is to be commended, but some aspects of it have been dated by actions that SHEFC has taken. Nevertheless, we must take cognisance of aspects that emanate from the report and follow its recommendations. A difficulty could be that too many reports exist. There is no clarity or strategy. The sector needs stability and strategic direction. As well as taking on board the report and its recommendations, we could argue for the Cubie committee to be reconvened and have its remit extended into higher education funding, then tell Andrew Cubie to get on with it. However, matters may have passed that point.

Like others, I will give SHEFC some brickbats, but it would be remiss of me not to say that I have some sympathy for SHEFC for two reasons. First, if an organisation's remit is unclear and its instructors do not set parameters, that organisation may go off at a tangent, in a direction that is unacceptable to those who chose the remit and everyone else. SHEFC needed clear directions and a clear remit but did not have them. The second and fundamental point is that if the cake is too small, there will be hunger no matter how it is divided. The higher education funding cake is too small. No matter how we divide it, someone will squeal that their piece is inadequate, not because they overeat, but because the available amount is insufficient.

It is fair to say that SHEFC handled the matter in a cack-handed way. Given the nature of the beast, there should have been more transparency and SHEFC should have consulted Universities Scotland and individual universities more. It should have realised that to say that its proposal was part of a discussion document was insufficient. The fact is that SHEFC sent hares running. I think that every member in the chamber received e-mails, mail or other communications from academics who were worried that their departments would go belly up. That caused instability in faculties and I do not doubt that it worried those who were considering applying to study in some faculties or universities. That situation should have been expected. As lawyers would say, SHEFC knew or ought to have known that the way in which it presented the report would send hares running and that worry would follow.

As I said, aspects of the report have been superseded. We must consider whether we want to go back to the drawing board on those aspects. The report recommends the establishment of a

review body into SHEFC. Those comments have been affected by SHEFC's subsequent actions. A UK-wide transparency review is being conducted. The committee's report suggests that a review body should be established, but the Parliament should not reinvent the wheel. If the best knowledge and the great and the good are in SHEFC, reviewing how that body operates internally in Scotland and how it interacts with other bodies in the UK, rather than establishing another tier of bureaucracy and setting us off at a tangent, might be the best way of reaching the best solution.

Comments have been made about research funding, RAE and level 3 particularly. I subscribe fully to Marilyn Livingstone's and Alex Neil's comments. We must accept that SHEFC intends to pursue excellence. That is a laudable aim that is fundamental not only for the benefit of academic institutions per se, but for our nation's economy. There is great danger in allowing SHEFC to end funding for level 3 departments when that is not happening south of the border. That would cause considerable difficulties for new universities. As Alex Neil said, the great danger for new universities is that ending level 3 would ossify the situation and that we would be caught in a time warp. Those who sought to get up to speed but were late off the starting blocks because of the period in which they started would have difficulty reaching levels 4 and 5. Many universities would be caught by that situation, be unable to progress and have to remain as teaching universities.

Scotland should not work against those who seek to improve themselves, whether they are individuals, universities or their faculties. As Alex Neil correctly said, that situation would have affected not only new universities, but ancient universities with departments that wished to move up a gear and reach a higher level. We must take that on board.

The critical point in the report relates to research funding. The report makes points about the requirement to consider how we provide funding and the level at which we provide it. I agree with the committee convener's remarks about how to progress.

I am extremely grateful that the minister has been converted into a Finnophile. I have been mocked in the chamber—by Mr Mundell particularly—for my support for Finland as a country that Scotland should aspire to follow. I make no apologies for saying that. There are aspects of Finland that are laudable. Finland has resolved its economy and its health service and, as I have also pointed out, has managed to turn around the fortunes of its national football team. Over the past few years, in each of those three aspects, Finland has outdone Scotland

considerably. I am grateful that the minister now subscribes to that theory.

The minister should also take on board the levels of teaching and research funding that nations, in particular Finland, provide. The Organisation for Economic Co-operation and Development funding figures show that, in 1993, Finland contributed 2.17 per cent of its gross domestic product to research and development. The United Kingdom lagged behind at 2.12 per cent. In 1998, by which time the white-hot hope had landed at No 10, Finland had increased its level of expenditure of GDP on research and development to 2.9 per cent. The UK's, by contrast, had declined and decreased to a miserly 1.83 per cent of GDP. I put the blame just as much on Westminster as on the minister and her colleagues.

That brings me back to the point that I made earlier: if the cake is too small, no matter how it is divided we will not be able to progress. If we wish to emulate Finland, and that would be an admirable idea for Scotland, we have to recognise, as other speakers did, the hard choices that have to be made. A small nation does not have the economies of scale that come with the critical mass of larger ones, whether they be our southern cousins or elsewhere. Small nations have to make a conscious effort to recognise that, to a greater extent, because they do not have the same ability to generate funding as do the larger countries, they have to front-load research and development. As we look at where we are going in the 21st century, we need to recognise the importance of research and development.

One important aspect of commercialisation is the benefit that it brings to ensuring that ideas that are springing forth and spewing out of our universities are generated economically. Part of the issue has to be addressed culturally, but we have to ensure that entrepreneurs who have business acumen and an idea but who do not have the scientific or technical knowledge are able to access the universities. One of the spin-offs of growing commercialisation would be for Scottish universities to move towards that goal.

We need to create a conduit between commercialisation and the ideas that emanate out of the universities with a scientific and technical base. At the same time, we have to allow our entrepreneurs and business community access to the universities. It is a two-way process. It is not about allowing universities to become more commercial—although they should—it is about allowing entrepreneurs who do not have the benefits that university faculties have, or the equipment that goes with that, access to the universities. The process is one of mutual co-operation.

The SNP commends the Enterprise and Lifelong Learning Committee report. As I said earlier, some aspects of it have been superseded, but I hope that it acts as a base for the Executive to progress matters. I hope that the minister will take from the debate some of the same matters that she has taken from her trip to Finland. That would see us push our research and development funding towards the level that is taken as a norm in Helsinki.

10:13

David Mundell (South of Scotland) (Con):

Kenny MacAskill will be pleased to hear that I intend to make a fleeting reference to Finland in my contribution to the debate.

For once, I am disappointed in the minister and her commitment to research and development. Last week, when she came to Dumfries to deliver the inaugural Crichton Foundation lecture at the Crichton campus—I assured the campus that I would mention it in my contribution—she told us that, while in Finland with the First Minister on a visit to the Nokia facility, she came across a remarkable innovation that would be the pride of any research department of a university in Scotland. The innovation was a dress that had in-built telephones and which converted itself into a desk and keyboard. I was under the impression that the minister had given an assurance that she would wear such a dress to the chamber. To date, she has not done so, but we live in expectation.

We live in a time of miracles. This morning, we even had a contribution to the debate from the SNP. Those of us who served on the Enterprise and Lifelong Learning Committee while the report was being formulated have not always been familiar with such an occurrence. I would have preferred Kenny MacAskill to have made his contribution during the course of the formulation of the report.

The convener of the Enterprise and Lifelong Learning Committee, whom I exclude from those remarks, referred to Professor Bernard King. The professor indicated that the committee's report was indeed proof of miracles. I would not go quite as far as that, but there is no doubt that the report has made an important contribution to the funding of further and higher education in Scotland. That is a subject to which the committee must return in its current lifelong learning inquiry. The inquiry is an enormous piece of work and I am sure that we will have the same support from the clerks and clear guidance from the convener that we enjoyed during the preparation of the report we are debating today.

I joined the Enterprise and Lifelong Learning Committee after it had begun the inquiry into

research funding. As has been alluded to, the inquiry began as a result of the substantial concerns that were expressed by higher education institutions and others regarding SHEFC's proposed changes in relative allocations, which was intended as a consultation exercise. As became clear during the committee's inquiry, considerable support existed in the sector for a reduction in the number of subject areas and for other measures that would simplify the system and make it more transparent. However, SHEFC lacked an evidence base to back up the proposed reduction in the number of subject areas, from 22 down to six.

As the convener of the Enterprise and Lifelong Learning Committee pointed out in the committee press release when the report was launched, SHEFC underestimated the difficulty of developing an evidence base to underpin its new formula. What was worse was that SHEFC failed completely to appreciate that any major change in the funding allocation must be founded upon a strong evidence base. As the committee pointed out, at the very least, evidence should have been the starting point for SHEFC's review. It should also have been discussed openly.

SHEFC responded somewhat defensively to the initial criticisms. However, as our inquiry progressed, it was clear that SHEFC was able to enter a dialogue with Universities Scotland. I was pleased to receive a copy of the letter in which Professor Graeme Davies, convener of the Universities Scotland policy funding group, said that there had been a renewed and productive dialogue between SHEFC and Universities Scotland. Professor Davies also highlighted the real importance of the issue when he wrote:

"There is relatively little I want to add about the review of research funding other than to reiterate the importance of increasing the resource available to support research activity within the Higher Education sector since this activity is so critical to Scotland's international competitiveness and its future economic success. It represents a crucial and high return investment and we should be thinking less about mechanisms and formula for dividing up the cake and more about how we can increase the size of the cake so that our country can prosper."

My colleagues will return to that point during the course of the debate. While it is important to review the conclusions of the report—I will come to those in a moment—we must also discuss how to grow the funds that are available to universities in Scotland for research and, in particular, how to open the door for private funding, which evidence-taking sessions suggest is out there, and from which international institutions have benefited.

I turn to the substantive recommendations in the report. It is clear that the committee believes that SHEFC profoundly mishandled the teaching review and that it should go back to the drawing

board. I look forward to hearing what the minister has to say on the specifics of the recommendations. Without going through each of them as other members have done, I would like to pick up on one or two.

Members have already highlighted SHEFC's proposal to exclude level 3-rated departments from receipt of RAE funds. Anyone who attended SPIKE, the cross-party group in the Scottish Parliament on information, knowledge and enlightenment, when Chris van der Kuyl of VIS Entertainments spoke about the future of the games industry—Dr Richard Simpson was one—would understand the enormous contribution that the games industry has made. That industry is not a traditional industry and many of us know little of the detail of it. However—if we can move our children from their PlayStations—we sometimes get to share in the output, and we understand the incredible importance and growth of that industry. The University of Abertay Dundee is to be congratulated on the work that it has done to develop the games industry. The approach that SHEFC adopted initially would have been detrimental to such work.

The other recommendation that I highlight is the need for business and academia to work more closely. We took quite a bit of evidence on that, and it was clear that the existing mechanisms for funding research in higher education do not necessarily reinforce the links between academia and industry. Those ties need to be strengthened if we want Scotland to become a true competitor in the global market. It has become evident, for example, that patents and commercial spin-outs are not always as highly valued as papers published in academic journals. As Des McNulty, among others, was keen to point out, both have their place, but that culture must be altered if we are to reap the benefits of the most recent findings of academics.

In evidence to the committee, we were told:

"Without question, academic staff members who are good at conducting first-class research in science and engineering are also the people who are most likely to create technologies with a commercial future and to be interested in participating in the commercialisation of those technologies."—[*Official Report, Enterprise and Lifelong Learning Committee*, 8 May 2001; c 1777.]

It was clear from the evidence that, over the past 10 years, university staff have become much more aware of the commercial value of their research and have formed good and valuable ideas.

However, ideas on their own are not enough. Greater parity is needed between an academic approach and that of industry. Industry is constantly open to using the latest research findings to move its technology forward, and we must find the mechanisms that enable us to do

that. That may require universities and other institutions to examine some of their internal structures to determine whether they militate against effective commercialisation of research. Evidence we heard on the length of time it takes to get a response from university courts in relation to a proposal made the Scottish Executive look good in its turnaround time for correspondence. There has to be a better way for academics to consider proposals from business—Professor Beaumont highlighted that in his evidence. It is not just an issue of funding; cultural change must come about in the institutions themselves.

On an international scale, it is possible that Scottish universities can lead the way in international marketing and development of their ideas abroad. However, another important point that emerged from the evidence was that there must be closer co-operation and collaboration between universities. We have all seen examples of less than co-operative attitudes between institutions. That must change. One of the major, globally significant projects that was used as an example of what can be achieved with collaboration was the human genome project.

I am pleased that SHEFC, in its response to the report, welcomed the report's thoroughness. SHEFC indicated that such reviews always arouse some controversy—and rightly so, it said. However, I am sure that the review raised far more controversy than SHEFC anticipated. That gives an insight into how SHEFC thinks and shows that the concerns—and the inquiry—were justified.

I agree with Professor Bernard King in the conclusion of his article in *The Scotsman* on 24 October that the public could quite rightly ask why it required far-sighted intervention from the Enterprise and Lifelong Learning Committee to get SHEFC to listen. It is clear that mistakes were made and a flawed process was embarked upon. However, what has resulted is an important report that, during the course of its preparation, touched on many other issues of equal importance that need to be debated if we are to produce the enterprising economy and effective lifelong learning that we need in Scotland. I am hopeful that, when we return to the Parliament to debate the committee's report on lifelong learning as a whole, that too will be heralded by Professor King and others as miraculous.

10:26

Mr Jamie Stone (Caithness, Sutherland and Easter Ross) (LD): It will come as a surprise to the members present that I am on my feet at all in the debate. What has happened is that Mr George Lyon has been closely involved in the purchase of Gigha, by which I do not mean leather trousers or a stud in his lug but an island. Unfortunately, he

missed his ferry. It is an object lesson in the advantages of not being around the chamber before a debate about which one knows precisely nothing. However, I was caught by the enforcers and told that I had to lead for the Liberal Democrats.

I accidentally put on this tie, from my old academic institution, this morning. The University of St Andrews would fall about with laughter if it heard me talking about higher education. I had occasion to meet my second-year tutor, Professor Crawford, in later life. Twenty years on, he did not recognise me and said, "Funny you're a Stone. I had a student called Stone once who was among the worst I've ever had." I disabused him of that notion when I said, "That was me, Professor Crawford."

It would be wrong of me not to mention the UHI in the debate. It is an innovative move. By bringing people together through distance learning and by keeping young people in their homes or their home areas, it makes a huge contribution. I was talking to Alasdair Morrison earlier about a conference that was held recently in Stornoway, where representatives of no fewer than 16 nations gathered to share and exchange ideas. It was a two-way process. I encourage the minister to do everything she can to build on the good work that has already been done.

Research has been mentioned. The ability to carry out research is a great resource in our universities. While it is all fine and dandy to translate the diaries of Charles I or consider the subatomic structure of atoms, it would be good if higher education institutions could conduct research into some of the things that we already have. In renewables, for instance, useful work has been done that could be built on, which would help Government. We could harness the energy from the whole heap of ability out there. Such ability could work with the Scottish Executive and help many of us in what we are trying to do in our constituencies. For example, useful work is being done in Shetland on fisheries, but that could be built on further. That would be of assistance to ministers in the Scottish Executive.

One thinks of agriculture and crofting. Further work could be carried out on ways to diversify and make those industries more profitable and more likely to survive—that would help Ross Finnie. One thinks of genealogy. How often do we in the Highlands meet people who have come from the United States or Canada and wish to know who their forebears were? If work could be done on establishing databases, and on new ways of researching genealogy and getting into parish records, there would be something there. In the wider sense, it is about our heritage.

Research can be used to measure what we

have and the means by which we can represent ourselves abroad. We can build up a resource out of that research that can be used to sell Scotland the product and get tourists to come to Scotland. I make no apologies for the mercenary point I am making. The research, if directed into such constructive attitudes—and indeed into the diversity of Scotland—can be used to our economic good.

It has been rightly said that the linkage between the private sector and research is not what it should be. David Mundell referred to that. Many years ago, I worked for Wimpey, whose research was lamentable. I then moved to an American corporation, Bechtel, which was significantly further ahead.

Mr Brian Monteith (Mid Scotland and Fife) (Con): Will Mr Stone accept an intervention?

Mr Stone: Gladly. I have to use up some time.

Mr Monteith: I thought that he might appreciate an intervention. He said that he worked for Wimpey. Was that the burger firm or the builders?

Mr Stone: It is interesting that Mr Monteith should probe me on that one. It was the building firm, I can assure him.

My point is that there is a suspicion of academia in industry. If I were to ask a middle-sized Scottish firm why it does not get together with the University of Dundee, for example, on some project or other, people would say as soon as I was out of the door, "Stone is barking mad to suggest that." We need to get beyond that mindset. However, as has been pointed out, the problem also lies with university courts and with the academics themselves. In some ways, it is considered not quite on to get one's fingers dirty by talking to people who actually make nuts and bolts. We need to get out of that mindset. I know not how, but the report refers to that strongly.

I am not really a replacement for George Lyon—members may ask whether I would seek to be—but I shall conclude my remarks now. I would be pleased to hear the minister's comments about the UHI.

10:31

Mr Kenneth Macintosh (Eastwood) (Lab): As members know, the inquiry was launched following concerns expressed about the SHEFC review of teaching and research funding. The committee was already committed to holding a substantial inquiry into the whole area of lifelong learning. It was against that backdrop that we agreed to examine this more immediate and specific concern about the funding of higher education.

The inquiry has illuminated several areas of concern and I hope that it has addressed and resolved some specific problems. It has also revealed the extent to which there are issues of strategic importance in higher and further education to which the Parliament must turn its attention. It is those issues that I want to address this morning.

I do not want to talk at length about the committee's findings on research funding, other than to observe that our higher education institutions and their departments spend far too much of their time trying to get their submissions to the research assessment exercise right. The process by which research is evaluated and funded is reliable and proceeds from a sound empirical basis. Unlike the evaluation of teaching funding, it has credibility within the sector, but it is also overly complex and expensive. The committee commended the thoroughness of the RAE, but it is fair to say that many of us had reservations about its cost.

Teaching funding, on the other hand, seems to be built on shakier foundations. The current division of the spoils has evolved from historical precedent. It does not seem to take into account or accurately reflect the costs of teaching or the needs of different sectors, nor are there any overarching policy initiatives. Furthermore, the committee found that the process of evaluating the teaching funding formula is prone to influence from the more powerful higher education sectors or institutions. The colleges and universities themselves jealously guard their independence, their territory and their share of the cake, but it is far from clear that their best interests match the demands of the Scottish economy or the needs of individual learners.

Brian Adam (North-East Scotland) (SNP): The report, naturally enough, concentrated on the outcome of the research assessment exercise, with money going to the departments that were rated appropriately at 3a, 4, 5 or whatever. Does Mr Macintosh agree that perhaps the whole RAE and the weighting given to various factors lead to the conclusion that more money should be given to blue-sky research? Does he agree that the funding councils, which are significant drivers of public sector financing of research, also give too heavy a rating to blue-sky research as opposed to applied research?

Mr Macintosh: I have not yet reached that part of my speech, but I am glad that Brian Adam has predicted what I was going to say. I agree with much of what he says and I shall return to that point, but I shall return to the teaching funding formula for the moment.

The current situation does not inspire confidence. Whether or not deals are indeed done

behind closed doors, there is no transparency, little accountability and, most worryingly of all, there appears to be no strategy whatever.

Given that structure for the funding of teaching, it is little wonder that, despite the huge expansion in student numbers in recent years, we have failed to do enough to tackle the age-old problems of privilege in and exclusion from higher education. Despite the fact that half our school leavers will now enjoy the opportunity to go on to further learning, the system does not yet do enough to offer or support opportunity for all.

There have been improvements. We have made progress in widening access and we continue to do so. Despite asking SHEFC to go back to the drawing board on the funding of teaching, the committee also recognised that a number of positive developments should be taken forward. Specifically, but not exclusively, we supported the 5 per cent additional funding for wider access students and the additional funding for disabled students and for part-time learners. The committee agreed that it did not want to turn back the clock on the interim arrangements where consensus exists in the sector.

The committee has flagged up some strategic issues that will need to be addressed in our ongoing inquiry into lifelong learning. Hundreds of millions of pounds of public money are spent through the teaching and research funding formulae, but neither the current allocation nor the funding structure itself addresses the strategic direction that we would wish higher education to take. Potential learners have to chase the funding round the system rather than the funding following the student. Despite the fact that many people find themselves on courses that are not entirely tailored to their needs, there is little evidence that the system is tailoring skills and training to meet the needs of the marketplace.

We are aware that Scotland's future prosperity lies in increasing our productivity and creating a knowledge-based economy. Yet we still suffer from acute shortages of graduates in several sectors, particularly engineering, and far too many people are unable to access any learning provision at all. As well as recognising that we could do more to stimulate the supply of skills and training, the committee concluded that the economic impact of research spending in the higher education sector could be greater than it is. Not only did we identify the need to increase the total amount spent on research, we recognised that that money could be more strategically deployed.

Unfortunately, what we were not able to do, given the limited remit of the inquiry, was to consider the proportional amounts spent on applied and commercial research compared to

pure academic study. That is the point that Brian Adam made in his intervention.

I would never suggest that higher education or lifelong learning should ever just be about addressing the needs of the marketplace or the Scottish economy. Education is an empowering force for the individual. It is the key to unlocking the door to social exclusion. It can help to build good citizens. It can also help our economy to prosper. However, I do not believe that the current structure for the funding of higher education achieves, or is sufficiently focused on those goals. We must assess whether we have the balance right between the different funding streams. That is a subject to which I hope we will return in our lifelong learning inquiry.

None of us should underestimate the task. Our Parliament has been around for three years. Some of our institutions of higher learning have been around for hundreds and have a record that they can be proud of, but they need to be made more accountable. If we are to spend millions of pounds of public money, we need to get the best return on our investment. Today's debate is the beginning of that process. I commend the committee's report.

10:38

Mr Duncan Hamilton (Highlands and Islands) (SNP): It is a great pleasure to contribute to what has turned out to be a rather sleepy debate. I am sorry that Jamie Stone has left the chamber. I was about to defend him. Some of my colleagues suggested that he rambled throughout his speech. That may or may not be true, but I would take Jamie's amiable rambling over the discordant roar of Mr Lyon any day of the week. In fact, if Mr Stone were to stand in Argyll and Bute, that might raise the level of debate somewhat.

I shall begin my substantive comments where David Mundell left off. He put his finger on the nub of the matter when he said that the report, short and focused as it was, revealed areas of unresolved tension where further research and work needs to be done. That is clear not only in the specific proposals in the report, but also in some of its themes. I shall try to identify two of those themes, which may be helpful.

In the teaching funding debate, there is a question about the correct role of national guidelines and input as opposed to the autonomy of institutions. Ken Macintosh referred to that just a moment ago. There is also unresolved tension about the relative value of research—something that members of Parliament and other interested players must come to a view on.

I do not want to go over the discussion on the process that the funding council went through. We agree that the funding council was right to find a

new basis, but the process was flawed and the results—certainly in the shorter term—were unacceptable. It is a matter of praise that the funding council is now fully cognisant of the fact that evidence-based research is needed. We should simply leave the council to get on with its work and come back with proposals.

There are two sides to the argument on whether there should be national or university responsibility for the allocation of funding. On the one hand, it is correct that the move from 22 funding bands to six is a decision that should have been taken at national level. There was almost total agreement that a greater degree of simplicity was needed. Members may ask why there are six rather than five or seven funding bands. The committee did not get to the heart of that issue—we do not know. There is an absence of rationale for six bands—I see Tavish Scott agreeing with that. Equally, if the committee emphasises over-reliance on historical funding positions, that should be tackled on a national basis.

On the other hand, the Royal Society of Edinburgh argued strongly for a greater degree of autonomy for vice-chancellors in dispersing funds. I emphasise that the committee did not agree with that. We rejected it because we wanted

“to ensure continuity of accountable development”.

I am not absolutely sure what that phrase means, but I hope that it means that the committee has a commitment to ensuring that allocation within universities is transparent, fair and understandable. The tension will continue to run.

An issue that runs through the report is the relative value of research. Two particular issues arose. Members have touched upon the argument over level 3 funding. I want to add my voice to those who support the maintenance of funding for departments that are rated at level 3. The report points out that we are, in a sense, victims of our own success. Many departments that used to be rated at level 3 have moved up to level 4, 5 or even 5*. If we want to support departments on the basis of international excellence, that will lead to a strain further down the academic food chain, if you like. Level 3 departments should not be starved. There is almost total agreement on that and not just because of the effect that starving would have on retarding the development of new institutions. The criteria by which we judge the ranking of departments will be under review and it would therefore seem an odd time to starve departments of funds. The value of such research should be recognised and the total size of the funding package increased. I draw the minister's attention to the fact that that was a cross-party recommendation—it was reiterated by Ken Macintosh.

On commercial and non-commercial research, it is not a matter of great debate that everybody wants a closer tie-up between universities and industry. Nobody thinks that the current rate of economic growth in Scotland is adequate. We can consider international examples of how to improve Scottish economic performance and Scotland's skill base. However, a number of matters have not been touched upon. One is the position of intellectual property rights. A debate is raging as to whether the benefit of research should accrue to the state as the ultimate funder of research or to institutions. I would put a case for the universities being the recipients of the benefits of research. The funding is state funding, but if universities are to be imaginative and are to seize incentives, there must be a return on their partial risk. If we want the cultural change in universities that we say we want, we must make things easier for universities and ensure that they can benefit from intellectual property rights.

I want to say something about areas that are not easily commercialised. I associate entirely with what Mr Macintosh said about education and research not just being about advancing the economy. Members often talk about the need for cultural renewal and a view of the Scottish economy and nation that is wider than that based simply upon commercial success. Parity of esteem throughout research departments is critical to the culture of universities.

I hope that the report and the call for greater commercialisation in areas where it is appropriate are not taken as reasons to reduce funding to many areas—whether in arts faculties or elsewhere—in which research is ongoing, vital and as much a part of the new Scottish nation as commercialisation.

10:45

Mr Brian Monteith (Mid Scotland and Fife) (Con): I applaud the committee for its report, which augurs well for its inquiry into lifelong learning. Alex Neil has an enquiring mind and he should not resist the temptation to rampage through our universities. To some, doing so might not be a bad thing.

I agree with the committee on many points, but I want to mention my support for funding for level 3-rated research departments in particular.

I want to talk about two areas—independence and widening access. Both topics are dealt with in the committee's report. Universities are private and independent institutions. They cannot be privatised—they are already private and independent, albeit they receive public funds. An acceptance of that will, of necessity, constrain the public policy that we shape in Edinburgh and that

is shaped in London.

The committee talked about devolving powers to universities, but it did not recommend devolving further powers to safeguard public funds. A further debate is to be had on that.

I want to draw colleagues' attention to a book published by the Institute of Economic Affairs called "Buckingham at 25", which deals with the experience of public funding in British universities, particularly in respect of the University of Buckingham. The book says:

"Adam Smith was teaching at Glasgow University 250 years ago, and students then paid teachers whose lectures they attended directly. When the University offered him a salary to recognise his fame and success, he declined the offer, so strong was his belief in market principles. He had seen how inferior Oxford and Cambridge had become at that time, compared to the Scottish universities, and he attributed this to the fact that their academics enjoyed guaranteed salaries, which the Scottish universities could not afford; in Scotland they had to respond to their 'market'."

Lecturers listening to or reading about the debate will be relieved to know that I am not suggesting that we return to such a directly funded system for lecturing—that might be a disappointment to my colleagues. However, there is an analogy in that universities are more or less on a guaranteed income. We debate in the committee, at SHEFC and using other opportunities the fine tuning of planning that income. Our universities must not be monolithic. Lecturers and students must have academic freedom and there must be management freedom to develop new courses and markets. The scope for devolution within public funding will be revisited by the Conservative party, if not by Parliament.

The Conservative party endorses the principle of widening access, but that principle is not new. It has existed since the inception of universities and is one to which we must rededicate ourselves time and again to ensure that it is applied in today's context. We must continually review the social, economic and cultural context in which universities operate. We endorse the widening of access, but we will question the Scottish Government's approach to reaching its goals.

I want to give an example. The University of Edinburgh is regularly criticised in news reports for not having enough Scottish students and for being relatively elitist—the same is often said of the University of St Andrews. There is criticism of the socioeconomic base of their undergraduates. However, we know that there is a bias on the west coast of Scotland against attending universities on the east coast—that is evidenced by the University of Glasgow's historically being that with the most home-based students.

The bias ensures that Edinburgh and St

Andrews always draw from a smaller pool of Scottish talent than is available, making it highly likely that English students form a higher proportion of undergraduates than might be expected. That skews the debate about widening access at those universities. However, there is no short-term answer for that cultural attitude—no task force can immediately resolve it.

If we want truly to widen access, we must examine secondary, primary and nursery school education. Only this week I visited Smithycroft Secondary School in Glasgow, which is part of that city's pilot programme for community learning. The programme gives greater devolved management to pre-school centres and primary schools that are clustered around a secondary school. They share a common educational approach and have a bursar who takes the administrative load from the head teacher. They can and do take their own educational initiatives and, crucially, are able to work right from the early years, at pre-school level, with early intervention programmes.

That is how we must first approach widening access. By equipping pupils with the ability to gain entrance to higher education in the first place, we will surely widen access far more completely and openly than at the moment. Without opening access in schools, all initiatives to change cultural attitudes—such as special schemes to recruit undergraduates and better financial packages for students—will come to nought.

The Deputy Presiding Officer: I ask members to keep speeches to a maximum of five minutes.

10:51

Bill Butler (Glasgow Anniesland) (Lab): I hope that the Parliament will welcome the report of the Enterprise and Lifelong Learning Committee on the inquiry into the SHEFC review of teaching and research funding. The inquiry is important and timely and its findings and recommendations—which were agreed by all members of the committee—deserve to be listened to and acted on.

The committee was right to initiate the inquiry in March 2001, given the disquiet that was being expressed about SHEFC's proposals. Much of the concern centred on the proposed changes to teaching funding and I will confine my remarks to that aspect of the review.

There has been a good deal of press coverage of and interest in the area of the committee's inquiry. The committee employs robust and unmistakably critical language. Such vigorous expression is used for a purpose—not to attract newspaper headlines, although it has undoubtedly done that, but to emphasise the gravity of

members' concern.

The committee's worry is not that SHEFC's proposals were radical and controversial, but that deep-rooted change—if it is to win the support of the institutions that are to be the subject of that change—requires a serious, evidence-based approach. The higher education sector was dismayed at SHEFC's proposals, which envisaged reducing 22 subject groupings to six.

The general view of the higher education sector was that the earlier stages of SHEFC's review of the methodology for funding teaching were broadly acceptable and transparent. The final stage provoked alarm when it became apparent that SHEFC had abandoned its evidence-based approach in favour of a crude, unsubstantiated exercise, which merely averaged out existing funding levels for 22 subject groups into six groups. SHEFC's radical departure from its earlier approach was widely regarded as inexplicable or, at best, lacking sufficient justification.

The evidence taken by the committee mirrored the higher education sector's puzzlement. Although there was considerable support within the sector for a reduction in the number of subject areas—to simplify the system and make it more transparent—the lack of a proper analysis in support of the proposed reduction was a recurrent complaint.

The committee has found that SHEFC “profoundly mishandled” the teaching review and did not appreciate that any fundamental change to the allocation of funding must be evidence based. I believe that that finding is correct, because it reflects the evidence that the committee took. The committee believes that, without a thorough analysis of the costs involved in teaching a higher education course, SHEFC's proposal is gravely deficient.

SHEFC has £440 million of teaching grant to distribute among 18 universities and other institutions. The distribution of such a large sum of public money must be seen to be carried out using a set of agreed, objective criteria and must be open to proper scrutiny.

I acknowledge—as does the committee—the fact that since we conducted the inquiry, the proposed distribution of funds has been modified and the Executive has made extra funds available to mitigate the problem. Nevertheless, I hope that the minister takes on board the essence of the committee's recommendation that an independent review body outwith SHEFC be established. I hope that she will give us comfort on that when she speaks later in the debate. I hope that she takes on board the recommendation that such a review be carried out so that its findings can be implemented in academic year 2003-04.

The committee accepts that the present arrangements should apply in the interim. Of course a number of positive aspects of the proposals that Ken Macintosh and Alex Neil mentioned, such as the additional funding for disabled students within the main teaching grant, should be acted on.

A generally acceptable long-term solution will be possible only if a satisfactory degree of independence is injected into the process. I commend the committee's inquiry to the chamber.

10:56

Mr Andrew Welsh (Angus) (SNP): I declare that my daughter is a student at the University of Abertay Dundee. I am not sure whether that is a declarable interest, but it certainly helps in refreshing my long-in-the-tooth memories.

I welcome the debate and the committee's report. The committee has done our Parliament and the people of Scotland a great service. Although I appreciate the difficulties of working within fixed and limited budgets, it is clear from the report that there are many flaws in the funding council's proposals.

I will focus on the proposed exclusion of level 3-rated research institutions from the receipt of research assessment exercise funds. Removing virtually all funding for research from the modern universities and university colleges could set research on the wrong track. It could recreate the pre-1992 binary divide in Scotland. Destroying the research base in those institutions would undermine the whole Scottish research base and be detrimental to the education of 35 per cent of Scotland's higher education students.

The funding council proposal will have direct consequences for nursing and professions that are allied to medicine, tourism, media and financial services. All those areas are essential to the life and work of Scotland.

Current and proposed funding models are based primarily on the research assessment exercise, which is a measure of past performance, principally in terms of the output of articles in academic journals. Such a mechanism alone cannot respond adequately to the need for funds in new and emerging research areas that are relevant to our national economy.

Long-term Scottish research capability depends absolutely on maintaining a diverse research base and responding to new opportunities whenever and wherever they arise. The removal of funding from level 3-rated departments is likely to have the opposite effect by overconcentrating core research funding in a limited number of traditional academic disciplines and in a smaller number of institutions.

In eight years of research funding, the new universities have a good track record in high-quality research that is of direct benefit to Scottish industry and society. The University of Abertay Dundee, for example, has opened the international centre for computer games and virtual entertainment, supporting a new and important part of the Scottish economy. The university has launched, and secured venture funding for Securivox, a spin-out company specialising in voice-recognition software that is developed at the university. The university's scientists have become the first in the world to successfully breed an eagle using cryopreserved sperm. That is a breakthrough for endangered birds of prey worldwide. Proposals for a centre of tourism research are also under development. What we see there is typical of a wide range of activity, which the Parliament should encourage at every opportunity.

It is impossible to see the logic of cutting core research funding from institutions with such obvious research potential. Recognising that it would be detrimental to the research base in England, its funding council dropped that idea. The Royal Society supported that decision and indicated that middle-ranking departments have a vital role to play in sustaining a vibrant research base. If modern universities in Scotland were disadvantaged in comparison with similar institutions in England, it would be damaging for individual institutions and for the Scottish sector as a whole. The RAE's definition of a 3a quality rating is:

"Quality that equates to attainable levels of national excellence in over two thirds of the research activity submitted, possibly showing evidence of international excellence."

It makes no sense for a nation the size of Scotland to turn its back on research rated at that quality and with such economic and social potential. I congratulate the committee on drawing these crucial matters to the attention of Parliament and the Scottish people. I expect the funding council and the Executive to take action.

Westminster could not cope with a debate on this kind of issue, which is fundamental to Scotland. It is a great pleasure to see our Parliament seriously, conscientiously and properly addressing such crucial issues. I was a member of the Scottish select committee that looked into these problems. We made recommendations to the Westminster Government, which did nothing about them. It is time that the Scottish Government did something about these issues.

In evidence given to the committee, we were told that there was no lack of finance and ideas, but a major lack of business acumen to bring the ideas and finance together. That issue should be

close to the heart of the Minister for Enterprise and Lifelong Learning. I would like more energy to be put into the improvement of the quality and output of business schools in Scotland. We must produce Scottish entrepreneurs who can give our nation a cutting edge. We have the means of turning Scotland into one of the intellectual and entrepreneurial powerhouses of Europe. If we have the wisdom to invest in the spectacular array of training and research institutions—ancient and new—which exist within our borders, we will never die by the intellectual skills of our people. We have those institutions. What we need now is action to turn the potential to the actual and give Scotland that future. I wait for that action from the Government.

11:02

Miss Annabel Goldie (West of Scotland) (Con): I declare an interest, in that I am a member of the court of the University of Strathclyde—at least I am at the moment. I make this speech as deputy convener of the Enterprise and Lifelong Learning Committee.

Every cloud has a silver lining. The inquiry was brought about by, if not a crisis, certainly an attack of chronic indigestion in the higher education sector.

This has perhaps been the first opportunity in more than a decade for a parliament to consider closely the future direction and funding of higher education in Scotland. It was interesting and challenging to be a member of the committee involved in this inquiry.

I emphasise two points to the minister about teaching funding. First, paragraph 100 of the committee's report recommends

"that the Minister establish an independent review body from outwith SHEFC with a remit to examine the costs of teaching, taking into account UK comparators across all subjects".

That may sound like an unremarkable paragraph, but the tang—for some I expect it will be the sting—is in the independence element and also the recommendation that the review of teaching costs take place on a UK-wide scale. In my judgment, it would be unacceptable for SHEFC to undertake that review, as such a review would have no credibility. Examining teaching costs is sensitive, but it is vital. The sector deserves a reassurance of independence and objectivity in such a review. If one were to keep it in-house within the higher education sector, I envisage difficulties emerging. I have read the response from Universities Scotland to the inquiry report; it is clearly shy about an independent inquiry. It thinks that that would be an unfortunate slap in the face to SHEFC. Finer feelings on this issue are not

of particular significance. What matters is that we are talking about significant sums of public money and the need for reassurance that they are being effectively and properly distributed. I see from the response from the University Council of Modern Languages that Professor Millan applauds the idea of an independent review. Those two responses show the conflict that exists and the need to take this review outside the sector.

If I get a tang from that part of the report, what really whets my appetite is the issue of research funding. Research activity is the lifeblood of universities. It brings staff of high calibre to our institutions and maintains them there. That in turn is what attracts good students and helps our universities to maintain the highest academic performance.

It is worth considering current funding sources for research income in Scotland. It has been made clear in the debate that SHEFC accounts for approximately a third of that. The rest comes in varying proportions from research councils, UK-based charities, UK Government bodies, UK industry, the European Union, overseas and other sources. It is significant to pay attention to where those funds come from. Doing so allows one to make a great deal of sense of paragraph 135 of the report, which is the recommendation on how we might approach funding of research in Scotland in the future.

One of the most constructive suggestions by the committee is that the minister should establish a research and development strategy for Scotland, not only because that seems to marry well with the science strategy that she announced in August, but because it offers the opportunity for a focused and well-informed approach to the concept of research in Scotland. Research should not be viewed piecemeal according to what institutions are trying to do. We should take a strategic overview and focus on the areas in which funding should be sought.

I emphasise to the minister that if the strategy is devised and is good, sound and has credibility it is vital that the funding issue be sensibly addressed. What I like about paragraph 135 is that it is a sensible effort to devise a structure whereby funding may be properly and adequately considered.

I am not by nature diffident, but on this matter I have an overweening desire to be bold. I call on the Minister for Enterprise and Lifelong Learning to be bold with me. I am putting my committee hat to the back of my head and donning my Goldie bunnet. The report is a good architect's plan for the future; it lays the foundations. However, we must be ambitious for the future, not for reasons of introspective self-indulgence—not a charge that I would care to have levelled at me or that I would

care to see levelled at any university senate. We must have ambitions and aspirations for our universities, for our economy and for Scotland.

When we consider what is happening elsewhere, there are reasons for concern and disquiet. As has been said, it is clear that in Europe certain countries are making significant increases in research funding. In the United States some individual university departments enjoy funding at a level that would make some of our institutions salivate.

I urge the minister to pay close attention to the recommendations in paragraphs 100 and 135. Dangers are lurking if we do not do so. One of the dangers is that our universities will face academic impoverishment. The other is less visible and far more insidious. It is that south of the border many people have no understanding of devolution and many people in the academic community are frightened to entrust their professional careers to a system that is unknown to them. The way to rebut that is to make a clarion call for the best possible approach to research in Scotland that the Parliament is capable of devising. I make no apology for being the siren to make that clarion call.

11:09

Des McNulty (Clydebank and Milngavie) (Lab): SHEFC has come in for a bit of a battering in this debate. However, it is important to put on record two things that the funding council got right. First, it was right to simplify the funding model. There are anomalies within that hopelessly overcomplex system, which has 22 different price lists for different kinds of courses. Furthermore, the council was right to try to establish a new system that was properly evidence based. However, it could be criticised for abandoning the process halfway through to adopt what might be called a quick and dirty solution. Although the council responded to the issue of the pricing of clinical medicine, it did not respond to a number of equally valid cases. We need a review of teaching funding. The Enterprise and Lifelong Learning Committee is right to argue for that.

However, we should not underestimate the technical complexity of any such review. We will have to reconstruct a system that forms the core of the way in which universities in Scotland are funded. Whatever is done will be very closely examined throughout the university system and there will be many debates and arguments—not just at the margins—about how to develop the process. For example, it is not easy to establish the price of a course in accountancy against the price of courses in particular engineering specialisms.

Secondly, the outcome will have a huge

organisational impact on universities in Scotland. The letters that members might have received from people up to now will be nothing compared to the letters that they will receive once the new system is proposed and seems likely to be introduced. There can be no half-measures in this kind of exercise; it needs to be done well, with a proper evidence base and the involvement of everyone concerned.

I very much support the arguments in favour of the retention of formula funding for level 3 research outputs. Instead of being forward-looking, the RAE is retrospective; it is based on the past four years of a department's research outputs rather than on its potential outputs. Obviously such a system will privilege established figures and areas of inquiry. Furthermore, the system is not a very proactive means of identifying promising new research; it disadvantages cross-discipline research because it is discipline-focused; and it makes it very difficult for new departments with new areas of inquiry to get established. Level 3 funding needs to be supported because of arguments of that kind.

However, Andrew Welsh gave the most important reason why level 3 funding should be retained. SHEFC's proposals would seriously disadvantage the new universities. Perhaps at this point I should declare that I am a former member of staff of Glasgow Caledonian University. The new universities have been working very hard to establish their research base. Research is vital not just for the commercial and business reasons that Alex Neil strongly highlighted but because many universities define themselves by how they advance knowledge. That process critically underpins university teaching. Without research, there are no universities.

As Annabel Goldie pointed out, RAE funding accounts for 34 per cent of university funding. As opposed to other types of funding, it provides the research infrastructure within universities. We must really bear in mind that such funding is geared not just towards commercial advantage or scientific development, but towards the teaching process.

However, we must also bear it in mind that the RAE is wholly based on a system of research selectivity. Although an examination of the outcomes of the past three exercises shows that the number of papers submitted and meritorious outcomes has increased every time, there has been no corresponding increase in funding. As a result, people in universities feel that although a higher gearing has been placed on those institutions, there has not been a significant increase in funding. The committee has identified that danger as a priority for the universities and for Scotland and, on that basis, I very much welcome

the committee's recommendations.

The Deputy Presiding Officer (Patricia Ferguson): Although we started this debate with extra time, we have managed to catch up with our schedule. I must therefore ask members from here on in to stick to a five-minute time limit.

11:15

Pauline McNeill (Glasgow Kelvin) (Lab): Uniquely, my constituency has within its boundary three Scottish universities—one ancient, one modern and one new. As I also represent Glasgow School of Art and the Royal Scottish Academy of Music and Drama, I take a strong interest in higher education. I am therefore grateful to the Enterprise and Lifelong Learning Committee for the very high quality of research in its report.

I particularly support the analysis by Des McNulty and Annabel Goldie of the importance of research to universities. I will concentrate my remarks on the measuring of research that informs funding decisions and on sharing it with all universities either where the performance merits such an approach or where it directly benefits the country.

We know that research funding is a highly competitive environment. Research is essential to the development of Scotland's knowledge economy, and universities are overwhelmingly the main source of research output. Overall the Scottish universities have been strikingly successful with research grants and indeed received £368.5 million in 1999-2000. Furthermore, universities regard research performance as a vital indicator and a key component in attracting research stars.

However, the new universities believe that the current mechanisms favour the ancient universities. As research work confers status on either a department or an academic, it in turn increases a university's reputation, and subjects that attract a lot of research benefit as the work itself becomes better informed. As a result, the universities that are successful in securing research funding are also successful in attracting greater student numbers and in creating a better learning environment.

With the new universities trying to build their reputations and to fit in with the eight established universities as a result of their new-found status and role within the education sector, SHEFC's proposals to remove research funding from level 3-rated departments could not have come at a worse time. The situation concerns me greatly. As Glasgow Caledonian University in my constituency admits a much higher percentage of students from low-income backgrounds, it might be undermined by this decision in the longer run.

The abolition of the two-tier degree system in the early 1990s was a most welcome change to Scottish education and expanded the number of universities in the sector from eight to 12. We should protect the aim of achieving a single sector for the awarding of degrees. If SHEFC's proposals are not reversed, in effect we will return to the binary divide. The results could not be clearer. The current allocation of research distribution puts the older universities at the top of the list and the new universities at the bottom.

Some subjects such as nursing, midwifery and professions allied to medicine will not have the opportunity to develop. Research on those subjects is still in its infancy and removing support from level 3-rated departments will affect the quality of disciplines such as radiography. We need only consider the importance of diagnostic treatment in the advancement of medicine to appreciate the direct advantage of funding research at institutions such as Glasgow Caledonian University. As members have already pointed out, that type of applied research receives less support than pure research. For example, applied research is required in tourism to support the fact that it is a priority of the Executive and the Parliament.

Although many more aspects of the committee's report are very important, I will mention only two more. The development of centres of excellence in our higher education sector must be driven forward with greater speed. It is important to introduce the right mechanisms and systems that will establish the location of such centres around the country. Secondly, I am pleased that the minister recently decided to award Glasgow School of Art small specialist institution status. The institution would suffer a dramatic 14 per cent reduction in its teaching funding if the SHEFC proposals were accepted.

In conclusion, I urge the Parliament to reject the SHEFC proposal to remove level 3 research funding. We must support the new universities, as they are crucial to access and participation, to which the Parliament is committed. Let us have more applied research.

11:20

Richard Lochhead (North-East Scotland) (SNP): This is an important debate, focusing not only on the SHEFC report, but on many of the general issues surrounding it. Our new universities have been making their mark over the past few years and the Scottish economy is at a crossroads. It is very important that we get the funding, role and priorities for our universities right.

Higher education has three roles. First, it must equip Scotland for the 21st century. Secondly, it

has to maintain Scotland's reputation in those areas in which we excel. Thirdly, it has to provide all people with the opportunity for self-development. We cannot consider higher education in isolation; we must also consider further education and the role of our schools. We must ensure that they all have a clear role and that there is a link between all the institutions, taking a holistic view of education at this important time.

I am concerned by the blurring at the edges that has been taking place in recent years. Schools are competing with colleges for the same students; colleges are competing with universities for the same students; and universities are now offering access courses, which it has traditionally been the role of colleges to do. Universities sometimes seem to offer those courses as an incentive to get people in to fill the seats. There is a sense that it is dog eat dog out there and that too many of our institutions have adopted a bums-on-seats strategy. I am concerned that many of our young people do not find themselves in the right lecture theatres. We must ensure that what is done is done for the benefit of the young people in Scotland, not for the institutions.

There has been an upward trend in the presence of accountants and financial executives in the higher education sector over the past few years. Many of our higher education institutions are now indulging in a lot of advertising. Bernard King, the principal of the University of Abertay Dundee, who is sitting in the public gallery, has received a lot of praise today, and I join in that praise. I visited the university recently and was highly impressed by initiatives such as the international centre for computer games and virtual entertainment. It is an outstanding university. Nevertheless, when I was watching television last night, I saw an advert for the university on the ITV network that said simply:

"University of Abertay Dundee: It's a real education!"

and gave a telephone number. Why are universities spending so much money on advertising and public relations? Why is that money not being put to better use? Is it because something somewhere is out of sync and the universities have too many places to fill? That problem must be addressed by the minister.

I hope that all higher and further education institutions find their own niche and role in Scottish education, and I would like there to be more collaboration. At the moment, an initiative is being undertaken by the University of Aberdeen and the Robert Gordon University to ensure that they do not compete for the same students. They are speaking to each other to ensure that they have individual and distinctive roles.

I shall address a couple of the recommendations in the report. The first concerns the role of the new universities. Many members have referred to the need for level 3 research funding. That funding is extremely important. There is no point in creating new universities and then discriminating against them; they must receive their fair share of research funding. The philosophy and theology department of the University of Edinburgh receives the same amount of research funding through the funding councils as most of Scotland's new universities receive in total. For example, that department receives the same amount of research funding as the whole of RGU. Is that right at this crossroads for the Scottish economy? We must address that.

Level 3 research bids must be addressed, as we must give the new universities seedcorn funding. Europe's oil and gas industry is based in the north-east of Scotland, yet BP is spending tens of millions of pounds on research and development in universities south of the border. Surely, we should encourage the funding for such research to be allocated to areas of expertise, where it makes sense, such as the north-east of Scotland. Our universities want to bid for that research funding but have not received the seedcorn funding that would enable them to build up a track record and attract private sector funding.

Elaine Thomson (Aberdeen North) (Lab): BP is a global company and operates on that basis. It seeks research that is of value at a global level and will invest its money in the best research wherever it is—anywhere in the world. It is not just investing south of the border; it invests wherever the best research is being undertaken. We must concentrate on the areas in which we have the expertise.

Richard Lochhead: The member has hit the nail on the head. The key is to encourage our institutions to become the best in the world, so that the academic research for the oil and gas industry will also be based in Scotland. That is what the universities in the north-east want to achieve, but they need support from the Government to get there.

My final point concerns commercialisation. Scotland has the second-highest rate of publication of research papers in the world—only Israel beats Scotland—yet Scotland's economy is lagging behind while the Irish and Finnish economies are racing ahead. Surely, there should be a link between our academic expertise and the Scottish economy, to allow it to make inroads. Only half of the 14 per cent of UK graduates who are educated in Scotland stay here. I hope that commercialisation can play a role in providing jobs for our people.

There are many issues to consider. I hope that

the minister, the committee and the Parliament treat them with a great deal of urgency.

11:26

Elaine Thomson (Aberdeen North) (Lab): As many members have said, education and research are becoming ever more important to Scotland and its economy. It is vital that the organisation and funding of teaching and research are responsive to the needs of today and tomorrow and that, in its plans, SHEFC is able to demonstrate clear support for the review. However, that has not been the case.

Scotland has a good international track record in research. For example, the University of Aberdeen undertakes groundbreaking work in telemedicine and RGU does so in renewable energies and oil and gas engineering technologies. The situation is similar in many institutions throughout Scotland. Scotland receives more research funding than might be expected—some 11 per cent of UK funding, rather than the 9 per cent that would be expected per capita. That demonstrates the excellence of a lot of Scottish research. It is right that bidding for research funding should be competitive. Scottish science needs to compete on UK and international levels.

The committee has therefore largely supported the current RAE system for the assessment of research. However, as we develop our knowledge economy, we will need research that supports that development. Commercialisation is a key part of Scotland's future. It is right to question whether the number of published papers should be the main or only criterion for the assessment of research, and whether we should not give equal weight to such things as the numbers of patents that are registered and the creation of spin-off companies. A clearer focus is required from the universities on the needs of the economy. We have said that, when universities benefit from RAE funding, they should also demonstrate the benefits of that research to the economy.

Scotland's new universities are often focused more on applied research and areas that support industries such as the oil and gas industry, which was discussed earlier. We must ensure that those universities receive adequate funding for that research, even though that research is at level 3. I find it encouraging that the quality of research is constantly improving, as universities produce more and better research. That puts pressure on funding. We must ensure that all sources of funding—whether private or public—are identified and that we grow the total research and development pot.

Some partnerships to develop innovative research have been established in areas of

commercialisation, such as the Alba Centre and the Institute of System Level Integration. Other areas, such as the oil and gas industry and biotechnology, would benefit from that approach. The oil and gas industry is a major industry in Scotland and it is extremely important. Its future in the UK depends on several factors, the first of which is having skilled people. Another critical factor is constant technological innovation, whether in reservoir management or sub-sea engineering.

Brian Adam: Will the member give way?

Elaine Thomson: If Brian Adam does not mind, I would like to continue.

The establishment of an energy centre of excellence that focuses on applied research, which could be used in the North sea and exported to other oil and gas sectors, would give a major boost to maintaining Scotland's lead in some of the technologies associated with oil and gas. I strongly support the committee's recommendation that consideration should be given to the establishment of intermediary research bodies. However, I make the point that we cannot be the best at everything and we must be clear and focused about where we can be world leaders.

11:30

Murdo Fraser (Mid Scotland and Fife) (Con): I welcome the Enterprise and Lifelong Learning Committee's report and commend the committee for its thorough research.

I would like to widen the debate a little and examine the future of higher education funding. The difficulties that are identified in the committee's report will continue to arise as long as the present system for allocating resources to universities and colleges exists. Whatever formulae are devised, it will always be argued that they are unfair to one institution or another. There will always be winners and losers.

In the long term, we should consider a wholesale review of higher education funding. We should free our universities from the dead hand of state control. Universities must be able to make long-term plans for the future, but the existing funding arrangements do not permit that. The Scottish Conservatives want the Government to endow our universities, giving them financial security and the ability to plan ahead. Endowed universities would be provided with a lump sum from the Treasury from which they would generate their own income streams. The necessary funds could come from securitising the student loan books and selling future student loans or from the proceeds of future privatisations or asset sales, such as third-generation licences.

Reducing the burden on the taxpayer would be a more efficient use of resources than simply repaying debt. The great advantage of endowment is that it would give universities back their independence. They would have the chance to compete and excel in an increasingly global higher education market. The unnecessary rules that hold them back would be replaced by variety and competition.

Richard Lochhead: I want to clarify where the member is coming from. What does he think should be the highest priority for our higher education sector: generating income or teaching future generations?

Murdo Fraser: Of course the highest priority should be teaching future generations, but what is the best mechanism for achieving that objective and delivering higher standards of education? By removing the uncertainties in the present system and moving towards endowed universities, we could aim for that objective.

We want universities to forge new relationships with business and enterprise, as happens in the US. Endowment would mean an end to the annual readjustments in funding that create redundancies and uncertainty for university staff as student numbers fluctuate. Universities would be freed from political control. They would be free to determine staff salary structures and the number of student admissions. They would be free to run high-quality courses that reflect the demand for skills from the public and private sectors. They would be free to grow as centres of excellence and establish themselves as world leaders. All parties in the chamber should support those aspirations and I am sure that if they were to lay dogma aside, they would see that it is the way forward for higher education.

It is clear that endowing universities would not be an inexpensive business, nor would it happen overnight. It would be a staged process and could take place over a time scale of several years. As the level of endowment increased over the years, our universities would move from being dependent on the state for funding and would start to enjoy the benefits of greater freedom.

As my colleague Brian Monteith said, universities are already private bodies. Therefore, my proposal is not about the privatisation of higher education; rather it is about leaving the institutions to set their own priorities and to decide how their money should be spent.

Pauline McNeill: I welcome a real Tory to the chamber—it is nice to have them back. Murdo Fraser's proposal is the sort of nonsense about the way forward for higher education that we have had to listen to for the past 15 years.

Will Murdo Fraser explain how universities

would be accountable to the public if they were given the new freedom that he proposes? What is the sense in setting Government priorities, which even the Conservative party sometimes supports, if that freedom does not match those priorities? The member owes the chamber an explanation.

Murdo Fraser: I do not think that Pauline McNeill should describe my proposal as nonsense. It has been interesting to see the number of Conservative policies that were once described by the Labour party as nonsense that Labour has adopted over the past four years.

On responsiveness, we should look back to the glory days of Scottish education. During the 18th and 19th centuries, Scottish universities led the world. They did not need state control to dictate how they should set their courses or how they should be run. Let us look at the examples of the past.

Universities that are endowed by a future Conservative Government would have to give a guarantee that they would not charge top-up fees, so that they did not restrict access for those from less well-off backgrounds. Other than that, they would enjoy the freedom of not being dependent on the drip-feed of Government money. The result would be universities that provide a better service to students, employers and the nation.

Scottish universities built an international reputation in the 19th century, when they educated the doctors, clergymen and lawyers of the day. We want to regain that pre-eminent position. We will achieve that if we endow our universities and let them break free from the system of state funding.

Mr Stone *rose—*

The Deputy Presiding Officer: Mr Stone, the member has finished his speech.

Mr Stone: Nice one, Murdo.

11:36

Brian Fitzpatrick (Strathkelvin and Bearsden) (Lab): I had not realised that the previous speaker was going to develop our interest in modern history. That was a useful trek down a road that, thankfully, the great majority of Scots have always rejected—more recently, the great majority of people in the United Kingdom resoundingly rejected it yet again.

I am conscious of being the new boy on the Enterprise and Lifelong Learning Committee and come to this debate with both alacrity and anxiety. I was not a member of the committee when it took evidence so my speech depends on the documents and the *Official Report* of the evidence. I thank my fellow committee members, the convener, the advisers and the staff for their

welcome and for what was a pretty rigorous induction. Bodies outwith the Parliament could learn from that induction process.

My bedtime reading was immediately supplanted by quite a volume of evidence through which I waded. I pay tribute to the work of Des McNulty, who is my comrade, my colleague and my neighbour, in the chamber and in my constituency. As I went through the *Official Report* and the documents, it became clear that he played a significant role in the work of the Enterprise and Lifelong Learning Committee and that he leaves a space to be filled. Despite his many talents and skills, he does not have the power of bilocation. As a result, our sad loss is the Transport and the Environment Committee's gain. All members of the Enterprise and Lifelong Learning Committee will join me in acknowledging the work that he did. It is no mistake that he is sitting beside me today. I intend to have him beside me—metaphorically, at least—as we go through other inquiries.

Like many members, it has been later on in life that I have paused and tried to reflect on what took me to university for a law degree and postgraduate work. If Frank McAveety were present, he might remind me of the lyrics of a certain song, but when I think of whatever it was that I learned at law school, I can genuinely say that I am not sure of the relevance of much of it, particularly what I learned in the first two years. I mean no disrespect to the great regius professor, Professor Walker, but I am convinced that I learned nothing of relevance in later life about contracts at the University of Glasgow.

I am proud to say—

Miss Goldie *rose—*

Brian Fitzpatrick: Here is someone who learned something.

Miss Goldie: In defence of Professor Walker, I ask whether the problem could have been the student.

Brian Fitzpatrick: It may well have been, but I count myself among hundreds of students at the University of Glasgow who eventually managed to persuade the university to think again about some of its practices in running the faculty of law.

I am conscious of some of the more difficult tasks that will flow from the committee's work, as I suspect that, for good or for bad, much of my professional life was dominated by what I learned in the following three years at university. My studies were dominated by curiously diffuse subjects. As a practising lawyer, I benefited more from my courses on jurisprudence than from the allegedly directly applicable subjects. The law of delict, as taught at the University of Glasgow some time ago, bears no resemblance to the work

undertaken by individuals who work in private practice. However, what I learned in relation to items as diverse as—dare one say it—Hofeldian analysis, played a role later in my life.

I turn now to today's debate. Marilyn Livingstone struck the correct note, given that the Enterprise and Lifelong Learning Committee's report was produced following a short and intensive set of hearings. She said that the report was sufficiently important to merit the interruption of the committee's programme, but that it must be seen as a beginning.

David Mundell mentioned the role of funding outwith the funding council's structures. I am sure that, were he here, he would welcome Scotland's performance in attracting UK-based charitable funding. We have a good story to tell about our record of success. His recognition of the impact of funding points us to the fact that, as far as research is concerned, we are dealing with a larger issue than simply SHEFC distribution. The Enterprise and Lifelong Learning Committee heard evidence of 28 years of underfunding. Because we work with David Mundell in the committee, I am sure that we will be able to establish with him the essential ingredients for a full act of contrition for those 28 years.

I took seriously Annabel Goldie's points about the independent inquiry. I am not sure that I disagree with her that the independent inquiry should be outwith the sector. I want to see independence and we want to ensure that the contributors to any inquiry are devoid of institutional interest. I mean no disrespect to some of those who gave evidence, but it seems evident that there was an institutional interest on the part of some of the contributors. Annabel Goldie will have a better sense of the flavour of that evidence. We want to ensure that there is independence from institutional interests, but we should not be of light heart about that. South of the border we have four or five Scottish chancellors and vice-chancellors. We also have people who are experienced in resource allocation. The evidence to the Enterprise and Lifelong Learning Committee shows that we have a keen contribution from the business sector. We have the ingredients for an independent inquiry and I encourage the committee to continue to consider the matter.

11:42

Iain Smith (North-East Fife) (LD): First, I apologise for missing part of the debate. I was attending an educational visit by my old school, Bell Baxter High School. I am pleased to see that the visitors are still in the gallery, although they are probably about to make a beeline for the exit now that I have got up to speak.

I welcome the opportunity to participate in the debate. I was a bit concerned that because I was not a member of the Enterprise and Lifelong Learning Committee my contribution might not be entirely relevant, but having heard Murdo Fraser's contribution and the first three and a half minutes of Brian Fitzpatrick's perhaps I need not worry too much.

I want to address mainly the funding of teaching. The key recommendation of the committee's report is in paragraph 100 on page 27. It reads:

"The Committee recommends that the Minister establish an independent review body from outwith SHEFC with a remit to examine the costs of teaching."

It seems surprising—and I think that the committee shared my view—that SHEFC reviewed funding, but did not review the costs of teaching. That is rather bizarre. The costs of teaching have to be examined in some detail, because we need to look at the implications of two decades of increases in student numbers that have not been matched by increases in financial and teaching resources. That has led to a much poorer teaching and learning environment in our universities. We have larger tutorial groups, larger lecture classes, pressure on laboratory and information technology facilities and fewer library books per head.

Another key issue that must be addressed in the near future is lecturers' pay, which is falling badly behind that of other sectors. Combined with issues such as student debt, which is discouraging people from doing postgraduate research, that will lead to problems in finding university teachers.

A review of teaching costs is essential if we are to ensure the long-term future and quality of higher education in Scotland. I welcome the real growth in higher education funding that is a result of the efforts of the Liberal Democrat and Labour partnership Executive, but we have a lot of catching up to do to make up for the problems of the past two decades.

Above all, universities need secure, long-term funding to plan ahead for the provision of their courses. I am a little concerned that SHEFC's report might have more to do with balancing its books to meet the costs of clinical medicine than it has to do with meeting the long-term needs of higher education as a whole. We need to consider more imaginatively the way in which we fund medical training to ensure that we have the future supply of medical professionals that we need, although not at the expense of other higher education funding.

I want to offer some words of caution about paragraph 108 of the committee report on the proposed 5 per cent additional costs for providing education to wider access students. My key concern is that that would reward retrospectively

rather than encourage change. The additional 5 per cent will be based on the number of students who come from areas that are currently under-represented in higher education. That does not guarantee any improvement in access. Some higher education institutions would get additional resources because they have people from those areas but would not necessarily have to do anything to encourage even more people from such backgrounds to take up higher education. Brian Monteith made some important points on cultural attitudes in that respect.

We need to encourage change in our universities so that institutions can go out and recruit people from under-represented areas. That means building up links with schools and further education colleges. We have to change the culture in many schools. I am concerned that in many secondary schools in parts of Fife—outside my constituency—the culture is not one of going on to higher education. We need to change that culture and universities need to be given support to help them to go out and make that change. They need to be able to consider transport and other issues.

I want to raise access for the disabled in relation to the University of St Andrews. Perhaps it is easier for newer universities to deal with such issues. The University of St Andrews has more than 370 buildings, many of which are very old and some of which are listed. That makes it difficult to provide the improvements that are needed. I know how difficult it is to get in and out of some of the buildings because in a former life I helped to move furniture in and out of some of them while they were being refurbished. It is extremely difficult for such buildings to be adapted to meet the needs of disabled students. That should be considered in the context of funding.

I urge the committee and SHEFC to consider issues about wider access and improvements for the disabled in a way that ensures that the funding is there to support change as well as to reward those who have already made changes.

The Deputy Presiding Officer: We now move to closing speeches.

11:47

Mr David Davidson (North-East Scotland) (Con): I must declare an interest in that I advise two departments of Robert Gordon University.

We began today's debate with some interesting comments about the lack of an evidence-based approach in the SHEFC review. That transparency or lack of it has been something on which the university sector has lobbied every member in the past few months. I hope that that will send a clear signal about where we need to go next.

We must accept that research is vital and that commercialisation is essential. If we do not take that as the basis for developing the technical aspects of higher education, we are wasting our time—the two things must be linked. Jamie Stone called for a better relationship between business and universities. Similarly, when Murdo Fraser talked about the American model, he mentioned the great proximity of business interests and the economy, and the higher education sector. There is a lot that we can learn from that.

Other comments made during the debate related to the costs of getting patents and the protection of intellectual property rights. That is an area of interest to many people and the Parliament should look into it more closely. Scots law on IPR is slightly different from that in the rest of the UK. Certain bodies in the legal fraternity are very interested in that at the moment.

A major issue has been the scale of funding for research. I support whole-heartedly the calls from members throughout the chamber for the maintenance of funding for departments rated at level 3. How do we improve new places and new knowledge? Elaine Thomson talked about the new technologies. How are they worked up? It is not necessarily done through old-style traditional units.

We have to look forward, and if we are to do so, the Executive cannot simply say that it has put more money in. It is not about how much money has gone in; it is about how that money was focused and accessed and whether the funding will be sustainable. Sustainability is one of the big issues.

Brian Fitzpatrick: The member has made an important point, so can we expect the Conservatives to take some responsibility for having better targeted investments and assessing where we need to make them, or will we continue to hear merely arithmetic comparisons from them?

Mr Davidson: I am sorry if that is the impression that has been given, but it is not correct. We have tried to make positive contributions on higher education since the Parliament opened. I know that my colleagues who participate in the committee's work have done their best to ensure that we have high-quality debate. I congratulate the committee on the quality of its work, which was carried out on a cross-party basis—I have no difficulty with that. If Brian Fitzpatrick has five hours, I can tell him where I would put the money.

The other issue concerning the sustainability of funding is the attraction and retention of high-quality research staff. Various members have commented on the freedom of universities to do their own thing. It was interesting to note that Richard Lochhead's nationalisation model might provide that. I also noted Andrew Welsh's

independence model and his view of the good work that goes on in the rest of our union. We should learn from all those models, but I do not think that the state system will work for universities, because the universities have patently said that they do not want that. They want their independence and do not mind being responsive to public demand or listening to the Executive. If they did not, they would not get any support whatever.

That brings me to the subject of deficits. Earlier this year, I asked the minister a question about how many universities were in deficit and I got an answer: nine on current costs and six on long-term costs. The research that I have done in the past week indicates that the situation will be no better at the end of the current period and may be worse. The Government has a responsibility not to say that it is all down to SHEFC. The Government makes the rules for SHEFC, which carries out the will of Government in whatever way it can. That must start from the Parliament and the Executive; the executive agencies do not have the final decision.

Mr Hamilton: I am curious about the contradiction on the part of the Conservatives. On the one hand, everything is to be at the core of the university—Murdo Fraser was, I understand, even talking about scrapping RAEs, which would be an interesting development. On the other hand, they say that the state and the Government have responsibility for setting the guidelines.

Mr Davidson: It is very simple. Having aspirations for the future is one thing, but we have to deal with the practicalities of the current system, which is what I thought the committee's report was about. Perhaps Mr Hamilton came to the chamber this morning under some illusion. This is not about dealing with the future way out there; it is about what is happening now and how we can maintain what we have.

A lot of good work is going on in universities. We have had a scare recently, and I congratulate tourism and hospitality people in the sector on their work in lobbying to stop the loss that they were going to incur. That loss now turns out to be a 1 per cent decrease, and they see that as a success. If they take a decrease to be a success, we can imagine the dire straits that they would be in, given the costs of laboratory teaching. That also applies to modern languages. Engineering schools, too, are in deep trouble when it comes to attracting the right staff and getting the investment required to do what they want to do. Elaine Thomson referred to that earlier.

This is not a simple, broad-brush exercise. We must carry it out in stages and be focused over time. Many members have made significant contributions to thinking on the subject, but my

view, based on the comments that I have heard from across the chamber, is that the current position is not sufficient.

We are beginning to focus on the committee's report as a starting point, but the important thing is what we do with it. How will the Executive respond to the report? Given the way in which the rules operate, we have little option but to plead with the Executive not to pretend to be at arm's length from the funding council, but to enter into proper dialogue with Universities Scotland and to consider what exactly we need to lay down for the future. It is not good enough that politicians are always tempted to go for short-term gain, bearing in mind when the next election will be and whether they have a glossy slogan. *[Interruption.]* Richard Lochhead should waken up. That has been one of our party's consistent themes in relation to the funding of universities for a long time.

In simple terms, the debate has highlighted a major aspect of how we deal with the education sector, which is vital to the future of Scotland and those who live in it. It is important that lessons are taken away today, that proposals are worked up and negotiated, and that partnerships are formed. At the same time, we need to look forward to future funding packages.

11:55

Brian Adam (North-East Scotland) (SNP): The debate has been interesting. There is probably not much disagreement on this subject. I was particularly intrigued by Murdo Fraser's approach to education, which is fairly closely allied to that of Brian Monteith. I suspect that it is not exactly what we might call mainstream Conservative thinking—I certainly hope that it was not. Murdo Fraser talked about the dead hand of state control. Clearly, we have a worthy successor to Sir Keith Joseph and Margaret Thatcher in our midst. I was also pleased with Brian Fitzpatrick's contribution. I enjoyed his return to his youthful engagement with university education and his frequent youthful endorsement of independence, an idea that, I am glad to say, was also endorsed by David Davidson. Unfortunately, I think that they were talking about independence in the education sector rather than the independence of the country.

The committee report dealt with a wide range of issues, which most members who have spoken have addressed fairly. Marilyn Livingstone highlighted the need for diversity and equality, as well as the need to give departments rated at 3 access to money. We should encourage and recognise spin-offs. There is a need for seedcorn funding to allow the system to develop.

I agree with Kenny MacAskill that the cake is far too small. That is stated in the report. I do not envy

Ms Alexander's having to find more funds from a fixed budget. However, if we are to make progress, both in education and in the economy, more funds will be required.

We should recognise that the situation has moved on since SHEFC reported. Following negotiations, Universities Scotland and SHEFC are moving together and will perhaps be able to provide at least a temporary fix to alleviate the damage that SHEFC reported.

I was intrigued that David Mundell gave the Minister for Enterprise and Lifelong Learning a severe dressing down over her approach to the whole question of new developments in information technology. I endorse his comments on the lack of an evidence base with regard to changes in funding. He raised the question of how we increase funding. We heard Conservative members call for the money to come from the private sector—in fact, they said that it had to come from there. Some members even referred to the time when Scottish universities were proudly held up to be much better than Oxford and Cambridge, which were all that England had at the time, on the ground that the funding of Scottish universities was different. In those days, the bulk of funding came from philanthropists or the church. The money from the church was, in essence, public money, not private money.

Mr Davidson: Could the member clearly define for us the SNP's policy on the funding of commercialisation projects? So far, we have heard nothing about that from his party.

Brian Adam: I do not think that this is the occasion to deal with such details; we are discussing the committee report today. However, the SNP will endorse the funding of commercialised activity in the universities.

A series of balances must be struck. SHEFC did not get the balance right. However, no funding formula will arrive at a solution that will be ideal for everyone. We need to make significant progress on a research and development strategy—as recommended in paragraphs 132, 134, 137 and 143 of the committee's report. Perhaps our debate has not focused enough on that. We have talked about whether the money should come from private or public sources, but such arguments will not necessarily advance the cause. We need to ensure that universities recognise the needs of society as a whole. We also need to fit in the Government's science strategy and fit in what we want to do with the economy. That is not to say that we should neglect blue-sky research, although we do not have the right balance there, either.

Funding decisions cannot simply be dependent on the outcome of the RAE. The fundamental

problem is that the RAE does not produce a good assessment, because its assessments are weighted too heavily on where funding comes from. The RAE does not simply take into account the amount of material that institutions publish in learned journals; it also takes into account how their research is funded. Money that comes from the funding councils is given greater credence than money that comes from private sources. I point out to Elaine Thomson that the University of Aberdeen's current research into oil and gas is not rated highly by the RAE system because the research is not funded by the scientific research councils. However, the research is funded to a considerable extent by some of the oil companies. Not giving private funding the same weight as public funding is a wrong that must be addressed.

We must strike the right balance and allow the universities the independence to choose. Because the universities receive significant funding from the public sector and should serve the public good, we need to integrate what they are doing with our science strategy and with the economy. We have not got the balance right. I appreciate that the scientific research councils are a reserved matter, but I hope that the Minister for Enterprise and Lifelong Learning will take on board the fact that we need to influence their direction. Perhaps she can respond to that when she makes her reply.

Today, a variety of members have suggested that we focus on certain areas. I suggest that we need to narrow down the areas into which we put our efforts. We have a good scientific and clinical base in our health service, which already does a lot of clinical trials. A major part of our science and technology strategy should be to make significant efforts to develop that base. We ought to focus on a limited number of areas so that we can go forward. I know that pharmaceuticals are a matter reserved to Westminster, but our patent laws are not satisfactory because they do not allow companies enough time to get their money back.

Our research and development base is not well served by the universities' over-reliance on short-term contracts. The minister should focus on that situation, which is something that she can influence.

12:04

The Minister for Enterprise and Lifelong Learning (Ms Wendy Alexander): For the benefit of the Scottish higher education representatives in the public gallery, who perhaps do not attend the Parliament as frequently as some of us, let me start by observing that there has been more consensus today than on perhaps any other occasion that we have debated the Scottish economy or lifelong learning. I hope that that does not induce trepidation. Instead, today's debate

should be seen as an opportunity to put higher education at the top of the political agenda.

I very much welcome the Enterprise and Lifelong Learning Committee's report. This morning, I have been struck both by the variety of issues that members have debated and by the persistent sense of consensus about the importance of the sector.

In the run-up to the first Scottish Parliament elections, the debate on higher education was dominated by student finance and support and the rest of the higher education agenda was somewhat crowded out. However, now that fees are gone and a new support package is in place, that has changed. The passion of this morning's speeches has been a testament to how deeply rooted higher education is in the Scottish psyche. That is because higher education touches not only the economic life of the nation, but its social and cultural life. I thank the Enterprise and Lifelong Learning Committee and acknowledge its role in initiating a debate on higher education that goes way beyond student support. I hope that higher education will stay at the top of the Parliament's agenda throughout the rest of the session.

We have heard from members of all parties how important higher education is. Their interest is right and proper because, as was pointed out, higher education is a recipient of major public support. The Scottish Higher Education Funding Council accounts for almost a third of my department's budget. The higher education budget is rising once again in real terms, so it is right that the committee should also take a close interest in SHEFC's work.

The committee's report comes at an ideal time for the Executive's higher education review. That review will start the process of pulling together the various strands of work that many of the stakeholders—including the committee—are doing on the future of higher education. There is much common ground between the committee and the Executive. The Executive will want a chance to reflect further on a number of the detailed points that the committee has made, but I do not anticipate that those considerations will take long. We will make a formal response to the committee within the usual deadline of eight weeks. Today, I take the opportunity to emphasise the areas of agreement and to concentrate on some of the high-level principles that should typify the way forward.

Let me start with teaching. Although funding for teaching is more than double the funding for research, the distribution of research funding has tended to dominate the debate. It is important that we do not lose sight of teaching. The current allocation mechanism for funding teaching is 10 years old and is increasingly unwieldy and complex. Indeed, the funding council itself

recognised the need to undertake a review of teaching funding.

The complexity of the subject—a complexity that was recognised by Des McNulty—is such that that review has been going on for several years. Although the council has acted in good faith, it is fair to say that the latter stages of the review could have been handled better. I therefore welcome the constructive work that has been undertaken over recent months with Universities Scotland. I am confident that important lessons have been learned for the future—SHEFC has admitted as much—and I have no doubt that the interest of the committee has been fundamental in contributing to the progress of recent months. For that, I thank the committee.

As Alex Neil and Des McNulty mentioned, the committee has offered its positive support for a number of SHEFC's proposals. In particular, for the first time, a premium has been introduced this year for the recruitment and retention of students from poorer backgrounds, which will create a level playing field. Similarly, SHEFC has made important proposals to provide additional funding to ensure that higher education institutions support disabled students. This year, £1.5 million will go towards that. We also welcome the continuation of the part-time incentive grant, which furthers our agenda of improving access to and widening participation in higher education.

Mr Davidson: Will the minister share with us her thoughts on the fees-only system, which is designed to improve access but which seems to be damaging certain university departments?

Ms Alexander: We will write to the convener of the Enterprise and Lifelong Learning Committee about the detailed issues on which agreement has been reached between Universities Scotland and SHEFC. However, I can share with members the principles that have underpinned our thinking.

I agree with the committee that, if we want to have the proper ambition about which Annabel Goldie spoke, we need to move towards establishing a sound evidence base for the allocation of funding to teaching. I also agree that a degree of independence is important in that regard. Des McNulty indicated the complexity of the task; often, sufficient data simply do not exist. However, there is now work in hand to support that. As far back as 1998, higher education institutions were required, as a condition for extra funding, to put in place robust costing and pricing systems. Those systems are now being developed by the transparency and accountability review and they will be subject to independent audit. That work is at a relatively early stage and is subject to on-going refinement and data collection processes. It will require a number of years to mature and bed in. However, it will provide the

critical data on key cost drivers and average costs, which can be drawn on as objective, external evidence to underpin future changes to the funding formula.

As Kenny MacAskill said, it is important that we be careful not to reinvent the wheel when putting in place systems to collect the data that we need. The way forward is to use the review of higher education that the Executive has launched to seek further comment, as part of a wide-ranging consideration of the funding of teaching and of the way in which SHEFC operates. Any new consensus on the direction that we want higher education to take will have important implications for the funding system.

Longer-term change to teaching funding will come. I agree with the Enterprise and Lifelong Learning Committee that that needs to be achieved. However, in the short term, real progress has been made, which should not be overlooked. We have an opportunity now to achieve some straightforward simplification and we should take it.

Mr Welsh: Finance and ideas require business and entrepreneurial expertise to succeed. What new developments does the minister propose to improve Scottish business schools at higher education level, so that they can provide those skills for the future and bring finance and ideas together?

Ms Alexander: The higher education review that we are conducting will examine the way in which SHEFC operates to encourage businesses to have better links with the university sector in general. I will say more about that in my remarks about research.

One reason why we should move now to simplify in part the teaching funding system is that increasingly in Scotland we have a new landscape. We have new institutions such as the UHI and new collaborations such as the Crichton campus—which was mentioned in the debate—which are legitimately seeking support to move teaching forward.

Like the Enterprise and Lifelong Learning Committee, the Executive believes that we need to ensure we do not generate unnecessary or unmanageable disruption in the sector. I will say more about that when concluding. We agree with the committee that institutions should retain the degree of discretion that they currently enjoy in distributing resources once funding has been allocated to them.

I very much welcome the Enterprise and Lifelong Learning Committee's contribution to the debate on research funding. The committee has rightly recognised that this is a much larger issue than simply the distribution of SHEFC funding or

the detail of the existing funding formula. As we have heard time and again today, research underpins our economic future and we owe it to future generations to ensure that we fund research in a way that is in the best interests of all the people of Scotland, both in terms of economic growth and the quality of life.

The committee has drawn attention to weaknesses in the linkage between the way in which we fund most research and the value of that research to our economy. Although there has been some progress in the past year, I agree with the committee that we still need to do much more. However, it is important that in doing so we do not undermine valuable curiosity-driven research, the economic potential and social benefits of which may take some time to be realised. As we have heard in the debate, we also need to accommodate up-and-coming research departments as well as those that are already well-established. As Alex Neil, Annabel Goldie and other have said, we need to be much more creative in our approach to funding commercially useful research if we are to move the whole agenda forward. The RAE system may not be the right vehicle for that and I welcome the review of that system across the UK next year.

Of course, we will not know the results of the RAE until mid-December and at this point I intend to say only that I agree in principle with the committee that we must endeavour to protect valuable, commercially oriented research that fits with our strategic objectives wherever it is carried out. We must also watch how discussion develops in the rest of the UK so that we make decisions that retain our competitive position.

The committee recommended that the Scottish Executive establish a research and development strategy for Scotland. I agree that we need to develop a better consensus on research funding. Indeed, the remit of the new Scottish Science Advisory Committee already embraces that task and I intend to take advice from that body on the matter. We need to get the strategy right in collaboration with the enterprise networks and the newly created Scottish Development International. I note in passing that neither the science strategy nor Scottish Development International were in place when the committee was taking its evidence. That is why I feel duty bound to talk to the Scottish Science Advisory Committee, which will consider the relevant recommendations in the Enterprise and Lifelong Learning Committee's report when it meets for the first time early next year.

Brian Adam: The minister has recently been quoted as endorsing a lot of what has happened in Finland. Clearly, Finland has focused its economy and its science strategy in particular areas. Does she agree that there is a need to move the

strategy beyond the area of science to ensure that it is relevant to the whole economy? Rather than having a strategy for academic science, one for applied science and one for the economy, we should integrate all the strategies. Does the minister endorse that view?

Ms Alexander: I endorse it whole-heartedly.

Because we have had such a measured debate today, I would like to take a few minutes to talk about the financial numbers that underpin our commitment to higher education, science and the repositioning of our economic development strategy.

It is true that our research infrastructure suffered a long period of declining spend in the 1980s and 1990s. However, that spend has begun to increase. Scotland punches above its weight in the area of publicly funded research and development.

Miss Goldie: Are data available that would give us a Scottish gross domestic product comparator with research funding?

Ms Alexander: Yes, in relation to research and development. We are increasing funding in real terms for higher education by 6 per cent over the parliamentary session. That is important in demonstrating that the Scottish Executive is putting its money where its mouth is.

When I took up my post, I discovered that there was no data collection for science spend in Scotland. We were in danger of producing a science strategy in the absence of data about the spend. We embarked on an exercise that is comparable to one with which members will be familiar: Government expenditure and revenue in Scotland—GERS—which was a creation of a previous Secretary of State for Scotland, Mr Michael Forsyth. Somewhat to my disappointment, the figures on science spend in Scotland have not proved as controversial, but we are now embarking on an exercise to try to refine the figures for science spend in Scotland in much the same way as we refined the GERS data, which took 10 years.

That exercise has established that, in this parliamentary session, the Scottish Executive will spend £1,000 million—£1 billion—on science. It is anticipated that the UK Government will spend less—£700 million—on science in Scotland and that, over the lifetime of the Parliament, science expenditure will increase by 15 per cent in real terms, which is significantly higher than the increase in funding for higher education as a whole. The baseline that we have for tracking science expenditure in Scotland will show whether we are putting our money where our mouth is.

I turn to more general research and development expenditure. As members of the

Enterprise and Lifelong Learning Committee know, we are shifting the focus of the economic development strategy that is pursued by the Scottish Enterprise network away from stressing the locational advantages of Scotland for inward investment towards one that is based around skills and research. As part of that exercise, we are working hard to establish research and development expenditure in Scotland.

The most recent edition of the “Scottish Economic Bulletin” contains figures for publicly funded research and development in Scotland and for research funded by business. As Alex Neil pointed out, commercial research and development expenditure in Scottish industry is only 0.5 per cent of gross domestic product. In part, that is because of the industry structure in Scotland, which is one reason why we are driving toward a strategy that is based more on building indigenous capability in Scotland. That is a challenge for Government and business.

One of the key measures will be the arrival of research and development tax credit. There is already a research and development tax credit for small companies and there is currently a UK Government consultation on the introduction of a research and development tax credit for large companies.

As members will know, there has been an increase in the budget for enterprise fellowships, the small firms merit award for research and technology—SMART—scheme, the support for products under research, or SPUR, scheme, the proof of concept scheme and the invest for growth scheme, which is for small companies that want to access regional selective assistance. All of that is designed to create a pipeline of support that will take someone from the undergraduate stage through to full-scale production. That pipeline is now in place.

I recognise the contribution of Scottish higher education and the capacity of our universities to innovate. Higher education is the original creative industry in Scotland. I have no doubt that, in facing up to the challenges that we have heard about in today’s debate, we can look to our universities to show the imaginative leadership that the nation hopes they will be able to provide.

When we consider changes in funding regimes, it is important that we do not consider them in isolation. We must consider the impact on institutions as a whole and how the changes will affect the overall ability of principals, courts and senates—even the University of Strathclyde senate—to plan and deliver effectively our higher education system in the future.

For that reason, I will be asking the funding council to reassure me, on behalf of the Executive

and the Parliament, that where there are changes, institutions do not face unmanageable turbulence in their funding. I know that the funding council is already committed to examining the full impact of any changes to institutions and any transitional arrangements that might be required.

Teaching and research funding does not lend itself to quick fixes. That is why today's discussion is so important. We are building a cross-party consensus about the importance of Scottish higher education.

The Executive has begun a review of higher education, which was in part stimulated by the important contribution to the debate that the committee's report made. I expect and hope that the committee's lifelong learning inquiry will produce further challenges and insights into the agenda. Like other members, I hope that the report marks not the end of a process, but the first step in a vigorous and inclusive debate about the future of Scotland's higher education system in this century.

12:25

Tavish Scott (Shetland) (LD): I am substituting for Annabel Goldie. That is a source of relief to Annabel and some distress to me. As I am responding on behalf of the Enterprise and Lifelong Learning Committee, I cannot become involved in some of the little political barbs that flew around this morning. That is another source of some regret. For example, it would be most unfortunate if I responded to Duncan Hamilton's unworthy attack on my colleague George Lyon. I, too, noticed George Lyon in the bar the other night. The point is that my esteemed colleague was in the bar, not at the bar.

I observe that Alex Neil, the committee's able convener, lucidly described rampaging through the senate of the University of Strathclyde. I presume that he would now be accompanied by the committee's deputy convener wearing Finnish national dress and a Goldie bunnet.

I will respond to the debate, which has been constructive and cross-party, and to the minister's response to the committee's report. Many members concentrated on the huge amounts of public money that are going into the sector. The figure is £750 million, taken in the round. In comparison, Scottish Enterprise will receive funding of £377 million this year. Given the concerns that Bill Butler and other members talked about, the committee was right to focus on the issue and initiate the inquiry that led to today's debate.

As the committee concluded, the Scottish Higher Education Funding Council should start again on the funding of teaching. Bill Butler used the phrase

"the gravity of members' concerns".

As he and David Mundell said, SHEFC underestimated the difficulty of developing an evidence base. Worse still, it failed to appreciate that any major change in funding allocation required an evidence base. Members concluded that SHEFC should have appreciated that such an evidence base in itself was an appropriate starting point. SHEFC commissioned research. Why that was abandoned was not clear to all members.

Marilyn Livingstone was right to say that SHEFC initiated that work. We understand—as the minister and the committee's convener, Alex Neil, said—that some progress has been made in brokering a deal between the sector and SHEFC. However, as Ken Macintosh and Annabel Goldie said, questions remain about the transparency, independence and objectivity of the process. I am sure that the committee shares the minister's view about avoiding unmanageable disruption. We look forward to seeing how that process develops and to being involved in considering its effectiveness on behalf of the sector, which raised the initial concerns.

Identifying a formula for allocations that is supported by a strong evidence base is the right approach. Many members throughout the chamber made that point. Politicians are too often criticised for decisions or policy approaches that bear no resemblance to the facts. Parliament is considering a budget of £440 million and a distribution formula that must stand up to public scrutiny.

On behalf of the committee, I say that the minister's comments are welcome. The review of higher education is important and must cover the role of SHEFC. If I heard the minister correctly, she is making room not only for general submissions, but for submissions on SHEFC's role. I am sure that colleagues throughout the chamber will want to return to strategic direction issues, which will be picked up in the committee's work on lifelong learning.

Colleagues also raised what might be best described as the curious treatment of the funding for the teaching of medicine. That funding saw an 8.3 per cent rise, whilst other areas saw a fall of 1 per cent. I understand that that point has been well taken by those who have reason to need to take it.

Considerable comment was made by members, including Marilyn Livingstone and Duncan Hamilton, about the importance of the banding system and the reduction in bands from 22 to six, with which the committee agreed. In the absence of a robust methodology, however, the committee came to the view on that issue that it could not reach a considered decision. We look forward to hearing the final deliberations on the issue.

The review that has been advocated by the committee is important. It surely presents an opportunity to reassess the way in which public resources are used to finance higher education teaching and a competitive economy that competes globally in terms of training, skilling and retraining Scots of all ages. That will allow a stronger Scottish economy to be built.

Ken Macintosh described the change from the historic allocation of funding money, which paid too much attention to what had gone before, to a funding strategy that dovetails the higher education approach and the ideas that surround it. The Enterprise and Lifelong Learning Committee will take that issue forward in its work.

During the inquiry, Brian Fitzpatrick rightly highlighted the importance of the independence of those who might have been considered to have an institutional position that precluded a robust examination of the issues. I hope that that important point will be reflected in reviews that are to be undertaken.

Colleagues referred to the lively debate that used to be called—indeed, it might still be called—the arts versus the sciences. The debate is not new, but it is represented in the Enterprise and Lifelong Learning Committee's work. I am sure that the committee will wish to return to that matter.

For many members, research is the more exciting area of the committee's report. Last night, I reread the report. At the time that we took evidence, many committee members commented on the stark comparison between the funding formula for teaching and that for research. The funding formula for allocating teaching funds, by far the largest component of university funding, used a relatively simple formula that lacked robust evidence. Yet the allocation of funding research was subject to a process that includes peer review, using over 600 assessors spread over 65 individual assessment areas.

The committee was clear that research funding is, as Annabel Goldie mentioned, much more than simply the distribution of SHEFC's main research grant. Only one third of the amount comes to universities through that route.

The research assessment exercise provided, and can continue to provide, a sizeable proportion of the overall funds within a UK structure for the allocation of funds. However, as was mentioned by the minister, the transparency review and other considerations will provide the opportunity to examine the dovetail between the economic and social objectives. We need to see how that can be met in Scottish terms.

Alex Neil mentioned the role of the private sector. Other members examined how additional

moneys could be introduced. A strong theme of the debate was the ability to grow the moneys that are available for university research funding. We all share that objective. It is incumbent on the committee to look at that issue when the RAE is concluded later in the year. I hope that that will happen and that the minister will have an opportunity to respond more fully to the committee on the detail of its report.

Considerable comment was also made this morning about the new universities in the context of the level 3 funding mechanisms. Andrew Welsh highlighted the significant disadvantages for the new universities. Many colleagues mentioned the University of Abertay Dundee. Much work is to be done on the subject of the new universities. Kenny MacAskill pointed out the relevance of the work that is done in those universities and how important it is for some of them to progress from level 3 to level 4 or level 5 funding.

As suggested this morning, seedcorn finance provides the opportunity for those research areas to be moved from level 3 through into level 4 and level 5. If I heard the minister correctly, she said that she wished to support the up-and-coming as well as the established. That provides a sizeable chunk of support to the general principle of the approach advocated by the committee.

On the research and development strategy, the minister said in her speech that Scotland must derive the greatest possible economic, social and cultural benefits from Scotland's research base. The committee articulated that objective, which is entirely consistent with the research and development strategy that has been advocated in our report. We would all acknowledge that, since we took evidence, and with the launch of the science strategy, the debate has moved on. Just as important is the business transformation work that is going on in Scottish Enterprise. There are developments there, but the committee was strongly of the view that that area could be brought together and co-ordinated. I welcome the work that the minister will instigate in asking the science advisory committee to consider that recommendation.

Considerable attention has been paid this morning to commercialisation and the importance of the ability of business people to access our universities to find the right connections to build mutually advantageous goals, ideas and projects, and to obtain and use the technology. A theme mentioned by many was the links and support between business and academia. Equally important is the work that needs to be done with small and medium-sized businesses, which are extremely important and were mentioned by many colleagues.

In research spending, the developing policy

must balance the need to be globally competitive—for Scottish institutions to attract research stars—with cross-party agreement and the understandable and immediate desire for more spin-offs, commercialisation and work in that area. That can lead and charge the economic objectives that many of us share. Parliament needs to recognise the challenge that is emerging from work by the Enterprise and Lifelong Learning Committee on what needs to happen in our primary and secondary schools to encourage more young people to do science and maths and then a degree in those subjects.

As colleagues have mentioned, the committee believes that SHEFC mishandled the teaching review. The issues have moved on, and the committee has advocated change and made a series of recommendations. Changes have come to pass since—that is welcome. On behalf of the committee, I welcome the minister's response to our report. She has taken the report seriously and, if I followed her correctly, has endorsed many of its recommendations. I look forward to a detailed response in due course. The issues are too important to Scotland's future to get them wrong. It is the responsibility of the committee, working with the minister and SHEFC, to get them right.

Presiding Officer's Ruling

12:39

The Presiding Officer (Sir David Steel):

Before we come to the business motion, I have a statement to make to the chamber prior to this afternoon's question session. I have reviewed last week's proceedings during First Minister's questions. Having studied the *Official Report*, I hope it may be helpful to members if I elaborate on the rulings that I made last Thursday.

Rule 13.3.3(b) of our standing orders makes it clear that ministers can be questioned only on matters for which they have general responsibility. The detailed guidance on parliamentary questions sets out how that rule will be applied. That guidance was endorsed after careful consideration by all the main political parties represented in the Parliament and is available on the Scottish Parliament website. In particular, it explains that questions must relate to matters that are within the official responsibility of members of the Executive. It explains therefore that questions about activities undertaken by members of the Executive in a personal, party or constituency capacity will not be admitted.

No member can be answerable here for activities as a member of the House of Commons. Indeed, Madam Speaker Boothroyd, in an early ruling, which she and I discussed, strictly forbade questions in the Commons relating to devolved matters, to reflect revised ministerial responsibilities following the establishment of the Parliament.

I undertook to reciprocate. That is consistent with our standing orders and with the guidance that I have just quoted and is in the interests of good relations between our two Parliaments. That is why it was out of order last week to have the matter raised at First Minister's questions.

There are, however, at least two ways in which the issue could be raised in this Parliament. First, any member can seek my agreement under rule 13.1 to make a personal statement. If I agree, the Parliamentary Bureau would be required to include notice of the statement in a business motion. Such statements cannot be debated. As I said last week, that rule has never been used in our short two-and-a-half-year existence. It would also be in order for any member to ask me whether any request to make a personal statement on such-and-such a matter had been made.

Secondly, any non-Executive party can use part of its time to debate any matter, and our rules on what can be debated are much wider than the rules governing questions. It is the function of the

Presiding Officers to apply and interpret the rules that this Parliament has adopted, and we shall continue to do so in accordance with the standing orders.

For the benefit of members, I am arranging for copies of that ruling to be available at the back of the chamber.

Fiona Hyslop (Lothians) (SNP): On a point of order, Presiding Officer. Your statement raises some serious concerns, but I would like to ask about two specific points. First, has there been a request from any member of this Parliament to deliver a personal statement? Secondly, is it in order for members of the Executive to be questioned about their current parliamentary responsibilities in relation to their current register of interests and about how that relates to their ability to carry out their duties as members of the Executive, particularly with reference to the ministerial code of conduct and the code of conduct for members?

The Presiding Officer: The answer to the first question is no, I have not received any request for a personal statement. On your second question, I think that there are two separate issues, if I understand you correctly. I do not think that it would be in order to raise matters about the register of interests, because that affects all members, not just members of the Executive. I think that questions on the ministerial code of conduct may well be in order, but I would like to reflect further on what you have asked me.

Fiona Hyslop: On a further point of order, Presiding Officer. I was quite specific. Our responsibility as a Parliament is the accountability of the Executive. Our ability to question whether members of the Executive can carry out their duties and responsibilities to full effect is a very current issue. Seriously under question in current circumstances is whether the First Minister can carry out his responsibilities bearing in mind the weight of public opinion and interest in current issues.

The Presiding Officer: It is very difficult for me to give a ruling on a hypothetical question, as you will understand. I have given a clear ruling and have arranged for copies to be available at the back of the chamber. I hope that members will study that ruling before we get to question time this afternoon.

Miss Annabel Goldie (West of Scotland) (Con): On a point of order, Presiding Officer. May members infer from your comments that, if you or one of your deputies rules a question to be out of order, you will immediately rule any attempt to respond to that question to be similarly out of order and require the minister so responding to resume his seat immediately?

The Presiding Officer: Yes, I must say, having reflected on what happened last week, that I think that I was in error in allowing a long answer to be given, which was, as I said afterwards, out of order, but one learns by experience. Both question and answer last week were out of order, and would be again if repeated this afternoon.

Business Motions

12:43

The Presiding Officer (Sir David Steel): I call Euan Robson to move motion S1M-2390.

Motion moved,

That the Parliament agrees that time for consideration of Stages 2 and 3 of the Police and Fire Services (Finance) (Scotland) Bill be allocated as follows, so that debate on proceedings at each Stage, if not previously brought to a conclusion, shall be brought to a conclusion at the time specified –

Stage 2 – no later than 4.30 pm

Stage 3 – no later than 5.00 pm.—[*Euan Robson.*]

Motion agreed to.

The Presiding Officer: I call Euan Robson to move motion S1M-2382.

Motion moved,

That the Parliament agrees the following programme of business—

Wednesday 7 November 2001

2.30 pm Time for Reflection

followed by Parliamentary Bureau Motions

followed by Executive Debate on Reports into the Investigation, Legal Proceedings and Family Liaison Arrangements in the Case of the Murder of Surjit Singh Chhokar

followed by Parliamentary Bureau Motions

5.00 pm Decision Time

followed by Members' Business - debate on the subject of S1M-2300 Bruce Crawford: Rosyth-Zeebrugge Ferry Service

Thursday 8 November 2001

9.30 am Scottish Conservative and Unionist Party Business

followed by Business Motion

2.30 pm Question Time

3.10 pm First Minister's Question Time

3.30 pm Stage 1 Debate on the School Education (Amendment) (Scotland) Bill

followed by Parliamentary Bureau Motions

5.00 pm Decision Time

followed by Members' Business – debate on the subject of S1M-2081 Mr John Home Robertson: Regulation of Opencast Mining in the Lothians

Wednesday 14 November 2001

2.30 pm Time for Reflection

followed by

Parliamentary Bureau Motions

followed by

Executive Business

followed by

Parliamentary Bureau Motions

5.00 pm

Decision Time

followed by

Members' Business

Thursday 15 November 2001

9.30 am

Executive Business

followed by

Business Motion

2.30 pm

Question Time

3.10 pm

First Minister's Question Time

3.30 pm

Executive Business

followed by

Parliamentary Bureau Motions

5.00 pm

Decision Time

followed by

Members' Business—[*Euan Robson.*]

Motion agreed to.

12:44

Meeting suspended until 14:30.

14:30

On resuming—

The Presiding Officer (Sir David Steel): Before we begin this afternoon, I am sure that members would like to welcome Senator Esperanza Aguirre, the President of the Senate of Spain, who is our guest today in the visitors' gallery. *[Applause.]*

Presiding Officer's Ruling

The Presiding Officer: I said this morning that I would reflect further on the point of order that was raised by Fiona Hyslop.

The Parliament's code of conduct and the register of members' interests are the responsibility of the Standards Committee. Any questions concerning the code or the register should therefore be addressed to that committee.

Questions about a minister's ability to undertake functions that are within his general responsibility would be in order.

The Scottish ministerial code is the responsibility of the First Minister. Questions to the Executive on matters relating to the code would therefore be in order. The Parliament might be aware that the Executive has in the past responded to written questions from members concerning ministers' compliance with the code.

As I said this morning, it is difficult to rule on hypothetical questions. I will therefore continue to consider each question and supplementary question on their merits—within the written guidance that I issued this morning.

David McLetchie (Lothians) (Con): On a point of order, Presiding Officer. Over lunch time, have you had a request from the First Minister to make a personal statement in terms of rule 13.1 of the standing orders, which would give him an opportunity to answer in the Parliament the many questions that have been raised during the past week regarding his office in Glenrothes? The matter is important because—as we know from your ruling last week during First Minister's question time and from your statement earlier today—there are severe limitations on what can be asked during question time in this Parliament.

If the First Minister were to make such a statement, would it be in order for him to answer the questions that he has so far studiously avoided in relation to the office in Glenrothes? For example, would it be in order for him to tell members during what period or periods he sublet his offices? Would it be in order for him to tell us how much was received in rent from his sub-

tenants and how much was reclaimed? If the First Minister did not benefit personally from the offices that were wrongly claimed on, would it be in order for him to tell us who did benefit and why the First Minister is repaying the sum of £9,000 from his own pocket?

There are many more questions that one could ask. Would it be in order for the First Minister to tell us whether he authorised the Minister for Parliament, Mr McCabe, to go on television last night and claim that the First Minister had been exonerated by the standards commissioner at Westminster, when the First Minister himself acknowledged last week that there had been no investigation by her?

On the question of the use of Mr McLeish's parliamentary office for party political purposes during the 1999 Scottish elections, I note from the press that his election agent said:

"The publication of a leaflet with Mr McLeish's address on it was an error which I regret. It should not have happened. I now understand that in fact the address on it should really have been my home address as his agent. Mr McLeish knew nothing about this."

Would it be in order for the First Minister to tell us whether it is the case that the official election form EA3, which appoints an agent and states an official address, must be signed by the candidate—that is, Mr McLeish—himself? Would it be in order for him to tell us whether he signed that form, which had his parliamentary office address on it?

There are many more questions that I need to ask and would like to ask. However, in the interests of brevity I ask you, Presiding Officer, to make a ruling on my original point of order and tell us whether the First Minister has indeed made such a request.

The Presiding Officer: First, I suggested to the Procedures Committee only two weeks ago that points of order should perhaps be limited to one minute. The Procedures Committee in its wisdom said no. Points of order can therefore still last for three minutes. Mr McLetchie was therefore in order.

I will now answer Mr McLetchie's questions. Yes, it would be in order for the First Minister to make a personal statement, but it would have to be put to me to decide whether he should make that statement or not. No, I have not received a request; and no, members could not then debate the personal statement, because the standing orders say so quite specifically.

I want to move on, because all this has taken time out of question time.

Question Time

SCOTTISH EXECUTIVE

Ferry Services (Orkney and Shetland)

14:35

1. Tavish Scott (Shetland) (LD): To ask the Scottish Executive what action it is taking to ensure that the change of shipping company providing the ferry services to Orkney and Shetland in October 2002 proceeds smoothly and without disruption to those lifeline services. (S10-3968)

The Deputy Minister for Transport and Planning (Lewis Macdonald): We are committed to maintaining lifeline ferry services to the northern isles. Transitional arrangements are primarily a matter for P&O Scottish Ferries and NorthLink Orkney and Shetland Ferries, but we are in discussions with both companies about a range of issues, and we are doing all that we can to ensure a smooth transition to the new contract.

Tavish Scott: The minister will be aware that in order for the contract to start in October next year, the current contract must be extended from the end of this financial year. Will he ensure that those arrangements are finalised without undue delay? Will he also examine the issue of shore-based staff—including those in his own part of Scotland—whose uncertainty continues because no arrangements have yet been made on that matter?

Lewis Macdonald: Yes. On the first point, we are in detailed discussions with P&O Scottish Ferries about the transition period and about extending the current contract. That company has accepted in principle that it is prepared to do that, and we are carrying forward the discussions.

On the second point, I am aware that NorthLink rejected the bid by those who proposed a buy-out of the shore-based facilities, which lie outwith the public subsidy contract, and that NorthLink will be putting those services out to tender. However, although the Executive has no locus to intervene—clearly, it is a commercial matter for NorthLink—it is open to the staff in Aberdeen, Shetland and elsewhere to put forward their own bid as part of the competitive tendering process. I suspect strongly that they will do so.

Mr David Davidson (North-East Scotland) (Con): Further to that answer, the minister will be aware that many of the ferry services start from and return to Aberdeen harbour. Will the minister assure us that the moves to close down the rail-freight head at Aberdeen harbour will be stopped

by the Executive?

Lewis Macdonald: Mr Davidson knows, even if others do not, that that matter is not related in any way to Orkney and Shetland ferries.

Scottish Economy

2. Andrew Wilson (Central Scotland) (SNP): To ask the Scottish Executive what assessment it has made of the long-term trend rate of growth in the Scottish economy and what effect its policies will have on this rate (S10-3965)

The Minister for Enterprise and Lifelong Learning (Ms Wendy Alexander): Scottish Executive data show that the average annual growth rate of gross domestic product in Scotland since 1963 has been 2.1 per cent. The average rate since 1991 has been 2.2 per cent. The Executive remains firmly focused on the medium and long-term challenges that are faced by the Scottish economy to increase competitiveness and boost productivity.

Andrew Wilson: Does not the evidence suggest that in recent years, despite the record number of initiatives, strategies and policy documents—even record numbers of ministers—the long-term trend rate of growth is not improving, and that it actually is getting worse? It has not topped 4 per cent in a quarter of a century, and is currently the lowest growth rate in Europe. I do not blame the Minister for Enterprise and Lifelong Learning for that, but does she think that she would benefit from having the same powers at her disposal as she would in every other normal country in Europe? If she did, would not she have the opportunity to make an impact on growth in the economy, and start to make a difference? Why does the minister not trust herself, as I do, with the Scottish economy?

Ms Alexander: I think that we have just had revealed to us the source of the promise that was made recently by the leader of the SNP that he was going to set a target to double Scotland's growth rate. Before we try to set targets for matters that are beyond our control—I am thinking in particular about the events of the past month—the SNP leader, or his economics spokesman, should enlighten us on the matters that they can control. For example, what is their target for corporation tax? What is the target for raising personal income tax, which the SNP leader has hinted at? Indeed, we should be enlightened about not only the target that must be reached for the SNP to enter the euro, but on whether the SNP wishes to enter the euro. On none of those matters has the SNP been prepared to set a target. Those are matters in which taking tough policy decisions—not the cash confetti that we see from the SNP—is the way to make economic policy.

Miss Annabel Goldie (West of Scotland)

(Con): I am grateful to the minister for confirming that under a Conservative Government a healthy rate of economic progress emerged in Scotland. The sad feature is that it is now in dubious hands, in the form of the Scottish Executive and its counterparts at Westminster. Can the minister confirm that in view of recent worrying developments in the Scottish economy, she is in dialogue with her counterpart at Westminster, the Chancellor of the Exchequer, and with his colleague, the Secretary of State for Trade and Industry? Is that dialogue seeking a reduction in the oppressive taxation regime that affects Scotland, and does that dialogue have any relevance to the oppressive burden of regulation that currently dogs Scottish business?

Ms Alexander: I should say for the record that throughout the years of Conservative government in Scotland—1979 to 1997—the growth rate was lower than it has been under the Labour Government in the past five years.

That aside, the reason why I was not in the chamber for question time last Thursday is that I was involved in the sort of dialogue that Annabel Goldie suggested we should have with the United Kingdom Government. The National Institute of Economic and Social Research suggests encouragingly that next year the UK economy will grow faster than that of the other G7 industrialised countries. Scotland will benefit from that. I recognise that under this Government we have seen the lowest-ever levels of corporation tax. It is likely that we will move soon towards measures such as research and development tax credits for major companies, in order to encourage the growth in the economy that we all wish to see.

Paramedics

3. Mr Andrew Welsh (Angus) (SNP): To ask the Scottish Executive how it is monitoring the pilot project in Tayside whereby paramedics deliver clot-busting drugs before patients are taken to hospitals for emergency treatment. (S10-3989)

The Deputy Minister for Health and Community Care (Malcolm Chisholm): It is for NHS Tayside to ensure that appropriate measures are taken to monitor local services.

Mr Welsh: Is the minister aware of the concern among the people of Angus that they are being used as guinea pigs in an experiment and of the concern over the closure of the coronary care unit at Stracathro hospital? Will he ensure that that CCU remains open until the paramedic pilot scheme is tried, tested and proven or—best of all—will he keep the CCU open?

Malcolm Chisholm: I am sure that Andrew Welsh knows that the medical director of Tayside

University Hospitals NHS Trust gave a guarantee yesterday that there would be no closure of the coronary care unit until robust evaluation of the community services that are provided by paramedics has been carried out.

I regret Andrew Welsh's language and his use of the term "guinea pigs", because Angus is not the only place in Scotland where the procedure is being tried. A pilot is being conducted by the remote and rural areas resource initiative, which involves Highland, Grampian, the Borders, Dumfries and Galloway and the Western Isles. The procedure was recommended a few weeks ago by the coronary heart disease task force. Andrew Welsh should listen to the clinical experts before he makes charges like the one that he has made today.

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

Is the minister aware of the long distances that must be travelled from north Angus and the Mearns to Dundee? Will he instruct Tayside Health Board to ensure that it puts patient care first and that the pilot scheme is not put into operation until we are clear about patient safety?

Malcolm Chisholm: It is precisely because of long distances that the issue of pre-hospital thrombolysis—or the use of clot-busting drugs—has arisen in the first place. It was because of such circumstances that the coronary heart disease task force flagged up the procedure. The procedure is particularly appropriate for the area that was described by Murdo Fraser. As I have said, the procedure will be evaluated robustly by the medical director and the local managed clinical network for coronary heart disease before any decision is taken to close the coronary care unit at Stracathro.

Hospitals (Length of Stay)

4. Ms Margo MacDonald (Lothians) (SNP): To ask the Scottish Executive whether a medical needs assessment is carried out on patients on entering hospital for the purpose of determining their length of stay, or whether length of stay is determined solely on the basis of the type of medical procedure to be undertaken. (S10-3979)

The Deputy Minister for Health and Community Care (Malcolm Chisholm): The length of stay of patients in hospital is determined through continuous assessment of their individual clinical needs.

Ms MacDonald: I thank the minister for his reply. I am sure that he will be as concerned as I am about the removal of orthopaedics from Edinburgh royal infirmary and the present centre of excellence at the Princess Margaret Rose hospital to the new Edinburgh royal infirmary. The contemporary trend for quicker throughput of

elective surgery patients can mean that patients entering hospital who have other existing conditions and who require a longer period of rehabilitation can be pushed, rather than progress at their own rate. What plans does the Executive have to counter that?

Malcolm Chisholm: I am sure that Margo MacDonald knows that the length of stay in hospital has been declining throughout Scotland, the United Kingdom and further afield. That is because of changing patterns in care. There is no fundamental difference between Lothian and the rest of Scotland or further afield. There will be an excellent new hospital and orthopaedic suite at the new Edinburgh royal infirmary. I do not think that it is right for Margo MacDonald to raise concern and alarm about that among people in Edinburgh. I have every confidence that there will be an excellent orthopaedic service in the new hospital and that there will also be enough beds in the new hospital, if those matters are the hidden agenda of Ms MacDonald's question.

Mary Scanlon (Highlands and Islands) (Con): Given that the length of stay for many patients is substantially extended by hospital-acquired infections—such patients take up more than 10 per cent of NHS beds in Scotland—will the minister ensure that measures are taken to reduce such infections and, consequently, length of stays in hospital?

Malcolm Chisholm: We have taken a series of initiatives this year to deal with hospital-acquired infections and clean hospitals, which is a separate issue that also causes concern. Mary Scanlon can be assured that we are vigorously tackling what I admit is a serious problem.

Dennis Canavan (Falkirk West): As length of stay in hospital affects not only patients, but family and friends who want to visit patients, does the minister agree that locating hospital services centrally is vital and that therefore the best location for any new general hospital in the Forth valley would be the site of the Royal Scottish national hospital in Larbert?

Malcolm Chisholm: Dennis Canavan would not expect me to become involved in decisions on the precise locations of health services in Forth valley. Some decisions are most appropriately taken locally. We are determined that important strategic decisions and priorities will be led from the centre by the Scottish Executive and the Scottish Parliament. The precise location of services is not a question for me.

Children's Hearings

5. Scott Barrie (Dunfermline West) (Lab): To ask the Scottish Executive what progress is being made with regard to the proposal to deal with

certain children between the ages of 16 and 18 within the children's hearings system. (S1O-3958)

The Deputy Minister for Education, Europe and External Affairs (Nicol Stephen): A feasibility study has been conducted. The group that led that work has reported to Scottish ministers, who are considering the group's recommendations. We expect to announce our proposals soon.

Scott Barrie: As the minister knows, I have taken much interest in and am a great supporter of the children's hearings system. I urge the minister to ensure that when he produces his proposals, he makes adequate resources available to the children's hearings system and social work authorities, to ensure that the proposals work in the best interests of young people and the wider community.

Nicol Stephen: I will certainly do that. If we proceed—perhaps by way of pilot schemes—additional resources will be required not only in the children's hearings system, but in other areas, such as social work services and the voluntary sector, which might be required to put in place new progressive programmes to allow for appropriate disposals.

Bill Aitken (Glasgow) (Con): Is the minister aware that the existing system is woefully inadequate in terms of dealing with offenders who are under 16? Is he also aware that anybody who has any idea of the working of the system has the greatest concern about the scope of the system being increased to cover offenders who are over 16?

Nicol Stephen: I disagree with Bill Aitken. If the Executive decides to proceed with the proposals, primary legislation will be required, so the Parliament would be able fully to scrutinise all our proposals. Our priorities will be to maintain public safety and to ensure that the measures to deal with such minor offenders are robust and challenging.

Renewables Obligation (Scotland)

6. George Lyon (Argyll and Bute) (LD): To ask the Scottish Executive what discussions it has had with the Office of Gas and Electricity Markets regarding the provision of transmission infrastructure for new renewable energy developments associated with delivery of the proposed renewables obligation (Scotland). (S1O-3978)

The Minister for Environment and Rural Development (Ross Finnie): Regulation of the transmission system is a reserved matter, but it is crucial to delivery of our commitment to increase renewable energy generation in Scotland under the ROS. We therefore keep in close contact with

the regulator, Ofgem—the Office of Gas and Electricity Markets—the Department of Trade and Industry and the owners of the Scottish transmission network on the subject of renewable energy.

George Lyon: Is the minister aware that companies such as Scottish and Southern Energy must charge any new wind power generator not only the cost of connection to the grid, but the complete cost of upgrading the transmission infrastructure? Scottish and Southern Energy is restricted under Ofgem's charging policy from spreading those capital costs equally among all potential new generators, which would reduce the charge to an affordable level.

Will the minister use all the power of his office to ensure that everything is done to persuade Ofgem to modify its charging regime? That would allow further development of renewables in north and west Scotland and ensure that the Executive meets its target for renewable generation of energy.

Ross Finnie: I am happy to say that we have a forum in which we can do that. The Scottish Executive initiated a study to examine existing network capacity. That study will determine the investment that will be required to meet the renewables obligation target. I am happy to give the member the undertaking that, while balancing what is required with the pricing structure, we will take forward the matters that he has raised.

Bruce Crawford (Mid Scotland and Fife) (SNP): Does the minister agree that transmission infrastructure is not the only issue that is holding back renewable energy in Scotland? Is he aware that, since new Labour came into office, spending on renewables research and development has declined by 57 per cent? Does he agree that new Labour's rhetoric has not been matched by its actions? Does he further agree that he needs to remove the essential difficulties and awkward splits that were caused by the devolution settlement, to which the minister referred at the Transport and the Environment Committee meeting of 24 October? Would it be simpler for the minister to have all the power and responsibility?

Ross Finnie: As members are aware, I am always reluctant to take on more responsibility. As Bruce Crawford will also be aware, he is treading on dangerous ground when he asks questions on subjects that are entirely the province of another Parliament. The member may wave a copy of the *Official Report* at me, but I am not responsible for the Westminster Government.

I told the Transport and the Environment Committee—as part of its investigation into the renewables obligation—that I have no doubt that the Scottish Executive is committed to delivering

the 18 per cent renewables obligation by 2010. That is without question. We are committed to doing that. We will deliver that. Those are the facts.

Robin Harper (Lothians) (Green): The minister will be aware that companies bear the cost of the ROS. The fact that the ROS appears in the Scottish Executive's accounts is one of the more bizarre aspects of the resource accounting and budgeting system with which we are all trying to cope.

Will the minister tell us what cash has been allocated so far and to which capital projects it has been allocated? Will he also tell us whether it is still possible to bid for money that has not yet been allocated?

Ross Finnie: I am unable to give the member a detailed response about specific projects. I will provide that information for him as soon as possible. However, I can say that there is nothing bizarre in the system. It can be described either as direct or as indirect taxation. At the end of the day, somebody must pay. I see nothing wrong in using the circular method of issuing certificates. Doing so achieves two things: first, it ensures that a source of money is available to buy renewable energy; secondly, it puts clear obligations on the providers—who are in the private sector, after all—to increase the amount of renewables that they use. That is an entirely sensible objective, and one with which Robin Harper should agree.

Free Personal Care

7. Nicola Sturgeon (Glasgow) (SNP): To ask the Scottish Executive what progress has been made in its discussions with Her Majesty's Government regarding the continued payment of attendance allowance to those recipients who will qualify for free personal care from April 2002. (S10-3996)

The Deputy Minister for Health and Community Care (Malcolm Chisholm): The matter is still being considered. Whatever the outcome, the Scottish Executive has given an assurance that the care development group's recommendations on free personal care for the older people of Scotland will be implemented in full.

Nicola Sturgeon: The minister says that negotiations are continuing. I am sure that he will agree that they must be strange negotiations, when the person with whom he seeks to negotiate, the Secretary of State for Work and Pensions, is on record as saying that the matter is closed.

Does the minister agree that the matter is crucial to the implementation of free personal care from April 2002? Yesterday, he refused to confirm to the Health and Community Care Committee where, if those negotiations fail, the Scottish

Executive will find the £20 million. Does he also agree that it would be a gross injustice for Westminster to withdraw benefits from Scottish pensioners simply because it disagrees with the policy of the Scottish Parliament? Will the minister give an undertaking that he will keep the Scottish Parliament fully informed of the progress of the negotiations?

Malcolm Chisholm: As I said yesterday, the negotiations with the Westminster Government are on-going. Nicola Sturgeon should not expect me to say—yesterday or today—where we might have to find the money. That would weaken our negotiating position. It would be tantamount to saying that we are not going to win the argument. We are having a rational argument with the Westminster Government about the matter. The argument is about a resource transfer in a new situation—a devolution situation. That is the way to proceed, rather than trying to turn it into some constitutional stand-off, which is what the SNP wants to do.

Trunk Roads (Maintenance)

8. Mrs Margaret Ewing (Moray) (SNP): To ask the Scottish Executive whether the contract with BEAR Scotland Ltd enables the company to meet MSPs and, if so, how many such meetings there have been since BEAR Scotland Ltd assumed responsibility for the maintenance of trunk roads. (S10-3967)

The Minister for Transport and Planning (Sarah Boyack): The trunk road maintenance contracts permit the operating companies to provide MPs or MSPs with factual information. However, the Executive remains responsible for trunk roads policy, so questions of policy are handled via the Executive. A number of meetings have been arranged between MSPs, Scottish Executive officials and BEAR Scotland staff. I understand that Mrs Ewing has arranged a meeting for 5 November. I hope that she will find that useful.

Mrs Ewing: I am interested in the minister's reply, because there is a difference between providing information and having meetings. I tried to meet the local officers in my constituency and received a letter that said:

"Unfortunately I am obliged not to reply directly to you on any matter regarding the trunk road maintenance contract."

The indications are that any time an MSP wishes to meet BEAR Scotland, a member of the Scottish Executive must be present and advance notice of questions must be given, if possible. What is happening here? BEAR Scotland seems to be turning into a secret society.

Sarah Boyack: Absolutely not—nothing could be further from the case. As with the previous

contract, it is vital, where there are policy issues relating to the Scottish Executive, that our officials are fully involved in providing MSPs such as Mrs Ewing with accurate answers. The reason that we ask MSPs to tell us what information they are seeking is to ensure that, where it is directly appropriate for the operating company to provide that information, it is able to do that. When MSPs request meetings, it is vital that they get the most out of them. That is why a number of meetings have been arranged with colleagues in the chamber. I am happy that there is that transparency; it is important that members get the right answers to the questions they submit.

Elaine Thomson (Aberdeen North) (Lab): I had a useful meeting with BEAR Scotland yesterday. We discussed a range of issues, including landscaping. As the minister will know, Aberdeen has been a highly successful competitor in Britain in Bloom and is rightly proud of its roses.

The Presiding Officer (Sir David Steel): That may be, but we must have a question.

Elaine Thomson: Does the minister agree that the provision of high-quality landscaping along trunk routes in cities must be addressed?

Sarah Boyack: I am aware that that is an important issue to the people of Aberdeen, which is why it is important that the local authority, the trunk road company and the Executive work together to address the matter.

Mr Jamie Stone (Caithness, Sutherland and Easter Ross) (LD): I am due to meet BEAR Scotland shortly under the system that the minister has outlined. One of the issues I shall raise is that of winter maintenance, which is a big concern in Caithness and Sutherland, particularly with regard to the co-ordination between BEAR Scotland and the local authority. Local people fear that the standard of maintenance could fall. Will the minister assure me that she too will take up that issue in whatever way she feels best? It is important to my constituents.

Sarah Boyack: Absolutely. I am well aware of the issues that Jamie Stone has raised with me and with the operating company. The Executive has already had a winter planning conference, involving the local authorities, the operating companies, the police—crucially—and the motoring organisations. The plans are now in place. I have arranged for details of a briefing that I gave yesterday to be put in the Scottish Parliament information centre so that members can see for themselves what arrangements are being made.

David Mundell (South of Scotland) (Con): What does the contract with BEAR Scotland, and indeed Amey Highways Ltd, say about customer service in relation to direct dealings with members

of the public? Is the minister aware of the concerns of members of the public who have tried to contact Amey and have either been put through to a remote call centre, where there is no awareness of the geography of the south of Scotland, or to an answering machine that advises them to contact the police?

Sarah Boyack: It sounds as if there are some specific issues that must be addressed. If the member writes with the details of the problems, I would be more than happy to write to him and deal with those matters properly.

Audiology Services

9. Mr Mike Rumbles (West Aberdeenshire and Kincardine) (LD): To ask the Scottish Executive whether it has considered the introduction of a scheme similar to the NHS digital hearing aid pilot project in England. (S10-3974)

The Deputy Minister for Health and Community Care (Malcolm Chisholm): The Executive has initiated a wide-ranging review of audiology services to address the wider issues of hearing aid provision. That is being progressed in consultation with the Public Health Institute of Scotland. We are monitoring progress of the pilot studies in England and will consider constructively the results when they become available, but have no plans to introduce a similar scheme in Scotland. NHS Scotland has already introduced 11 different types of digital hearing aids on to its central contract range.

Mr Rumbles: Is the minister aware that more than 20 trusts in England have already gone digital, and that all patients in England will have access to digital aids within three years? If digital aids are bulk-purchased, the cost can be dramatically reduced, from the current price of £2,500 each to something like £250. Despite much pressure and despite the items that the minister has approved, health boards such as Grampian Health Board have still given no date for when they will go digital. Digital aids are not available. Will the minister take action to put the situation right for the people of Scotland?

Malcolm Chisholm: Susan Deacon and I are both concerned about the situation, but I remind Mike Rumbles of the wider review that is taking place. I accept that digital hearing aids are an important part of that agenda. I met representatives from the Royal National Institute for Deaf People over the summer, and Susan Deacon will meet them in a few weeks' time. We are certainly keen to see progress on the matter. The review will report next year and we will watch the progress of the English pilot studies. Members should remember that it is only in the pilot areas that the provision to which Mike Rumbles referred is available. Where someone would benefit

clinically from a digital hearing aid, it certainly ought to be available.

Cathie Craigie (Cumbernauld and Kilsyth) (Lab): The minister is aware of my interest in the matter and of the Royal National Institute for Deaf People's postcard campaign on the issue. He said that he would monitor the findings of the projects that are under way in England. Will he liaise with his Westminster colleagues and ask to be involved in seeing the research work and the outcome of the English projects? Will he put that information to good use for deaf and hard-of-hearing people in Scotland?

Malcolm Chisholm: As I said, we are certainly keen to monitor the results of those projects. It is clear from what I hear at this early stage that some people can benefit greatly from digital hearing aids. That reinforces what we already know. There is some dispute among clinicians about how much advantage digital hearing aids might have, and it looks as if some people will benefit more than others. However, the principle that I outlined, which is stated in Scottish Executive guidance, is that if someone will benefit clinically from a digital hearing aid, it should be available.

Shona Robison (North-East Scotland) (SNP): I have been contacted by a 93-year-old man who has not been able to access a digital hearing aid on the NHS despite an assessment that it would benefit him. Does the minister agree that Scots requiring digital hearing aids on the NHS should have the same access to them as their counterparts in England? Does he accept that that is clearly not the case at present, as only 1 per cent of Scots who require a digital hearing aid have access to one? Instead of talking about reviews, will he give a commitment to roll out a programme of digital hearing aids across the NHS in Scotland?

Malcolm Chisholm: There are pilot studies in England, but it is quite misleading to say that more people in England have a digital hearing aid than in Scotland. If one takes population differences into account, the numbers who have a digital hearing aid in Scotland are more or less the same as in England. That is not enough people, as I have acknowledged, and we are determined that more people who can benefit from them will have access to digital hearing aids. Matters are not helped by making inaccurate and exaggerated references to a situation in England that does not exist.

Phil Gallie (South of Scotland) (Con): Has the minister taken on board the massive cost savings that Mike Rumbles identified? I accept that there are many burdens on health service budgets, but does Mr Chisholm recognise that the benefits of those cost savings achieved south of the border could perhaps be relayed north and that

individuals could be allowed to make a privileged purchase if that was their desire?

Malcolm Chisholm: One of the good things that is happening is that the cost of digital hearing aids is falling. I am sure that we all welcome that. I agree that that is important, not least because I have responsibility for older people—many people who need hearing aids are older people. That is an important part of our many-faceted strategy for older people. We are determined that there will be progress on the issue, and I assure members that that progress will come soon.

Scotland Week

10. Mr John Home Robertson (East Lothian) (Lab): To ask the Scottish Executive whether Scotland Week in Brussels fulfilled its objectives. (S10-3983)

The Minister for Education, Europe and External Affairs (Mr Jack McConnell): Yes. Scotland week 2001 in Brussels, which was arranged by a partnership of Scottish organisations, fulfilled its objectives. Scotland contributed distinctive Scottish ideas to current European Union policy debates and we took the opportunity to promote Scottish trade and tourism.

Mr Home Robertson: I welcome the fact that the Executive maintains a high profile for Scotland in the EU, notwithstanding the ginning that comes from the SNP from time to time. Did the Executive take the opportunity to encourage Scottish business to prepare for the new euro currency, both immediately and in anticipation of early British membership of the euro? Is he satisfied that the Scottish tourism industry—including Royal Mile shops and Edinburgh taxis—will be prepared to accept euros from tourists who want to spend euros in Scotland in 2002?

Mr McConnell: We are conscious that a number of Scottish and British businesses are preparing well in advance of the introduction of the euro to a number of European states in January. The process is a two-way one. We must ensure that Scots are prepared and are not left with European currencies that go past their sell-by date, if I can put it that way, early in the new year—that applies to at least one European nation. We must ensure that Scots are aware of the situation and take immediate steps to convert their currency into either British currency or into euros in January.

Alex Neil (Central Scotland) (SNP): Does the minister recognise that one week's lobbying in Brussels is no substitute for independent membership of the Council of Ministers? I am not ginning, but standing up for Scotland. Does not he realise that the difference between devolution and independence is that, instead of being in Brussels for one week, we would be there for 52 weeks of

the year, fighting for Scotland?

Mr McConnell: The way in which that policy is regularly put forward by the Scottish nationalist party—

Dr Winnie Ewing (Highlands and Islands) (SNP): The Scottish National Party. *[Interruption.]*

The Presiding Officer: Order.

Mr McConnell: No, the nationalist party. As put forward by the nationalist party, the policy is more about sitting down for Scotland than standing up for it. That party might want to sit down for Scotland in the EU, but it must recognise that that would reduce Scotland's influence and impact. Through devolution, Scotland has the best of both worlds in the EU.

Hugh Henry (Paisley South) (Lab): I agree with the minister that Scotland week was a success. However, will the minister agree to consider what will be done at future Scotland weeks? As well as seeking to extend Scotland's influence in institutions in Brussels, we should take the opportunity to engage in a dialogue with other regions of Europe with which the Executive is developing a partnership.

Mr McConnell: That would be a helpful development. Scotland week in Brussels involved all the main political parties that are represented in the Scottish Parliament. We want to continue the process. Despite the ginning of some members, it is important that all parties are involved in Scotland week and will continue to be involved at the European level.

Alex Fergusson (South of Scotland) (Con): I attended two seminars at Scotland week in Brussels.

Mr Jamie Stone (Caithness, Sutherland and Easter Ross) (LD): Did you?

Alex Fergusson: Yes, I did. One seminar was on fisheries and was attended by a large number of delegates from other European member states. The second seminar was on the future strategy for Scottish agriculture, which the chamber recently endorsed.

The Presiding Officer: Will the member ask a question?

Alex Fergusson: I could not help but notice that every delegate, bar two speakers, came from Scotland. We could have held the same seminar in Edinburgh at considerable saving to the Scottish taxpayer. How can ministers ensure that, at future seminars, a wider European audience is procured and thus that the objectives for the week are met?

Mr McConnell: We should welcome the fact that both seminars were well attended. If there was a specific problem with the attendance of

delegates from other areas at the second seminar, we can perhaps learn from that for future Scotland weeks. It might be that the nature of that event meant that it was more appropriate for a Scottish audience. For the event to take place in Brussels is not necessarily a bad thing—it allows people to go and learn about the institutions and influence the European agenda.

Johann Lamont (Glasgow Pollok) (Lab): On a point of order, Presiding Officer. As a mere back bencher, I promise not to take four minutes.

The Presiding Officer: You are allowed three minutes.

Johann Lamont: If I am unlucky, I will get 30 seconds.

Is it in order for me to ask whether John Swinney, the leader of the Scottish National Party, will take the opportunity—through a personal statement—to distance himself from yesterday's disgraceful comment by Kenny Gibson that the proposed smart card for asylum seekers is

"the modern equivalent of the yellow star"?—[*Official Report*, 31 October 2001; c 3488.]

If it is not appropriate for me to ask that, Presiding Officer, will you advise me how I might pursue the matter?

The Presiding Officer: My answer is that it is not appropriate. Only ministers answer questions at question time. Any member can make a personal statement, but personal statements—as I have said twice in the last two weeks—have not been used at all. They are exceptional and must have my permission. I would certainly not agree to a personal statement on that matter, which is a political argument.

First Minister's Question Time

SCOTTISH EXECUTIVE

Prime Minister (Meetings)

1. Mr John Swinney (North Tayside) (SNP): To ask the First Minister when he next plans to meet the Prime Minister and what issues he intends to discuss. (S1F-1331)

The First Minister (Henry McLeish): I last met the Prime Minister on 30 October in Cardiff and we have no immediate plans to meet.

Mr Swinney: Point 1 of the Scottish Executive's ministerial code of conduct says:

"Ministers are expected to behave according to the highest standards of constitutional and personal conduct."

The First Minister indicates that he receives money from the sublet of his Scottish parliamentary office in Glenrothes to a firm of solicitors, Digby Brown, which is well known to have close connections with the Labour party. Will the First Minister explain his personal conduct in agreeing that arrangement? According to the Law Society of Scotland, the Digby Brown office in the First Minister's office has no phone number, no fax number, no e-mail address and—surprisingly, for a firm of lawyers—does not have a registered solicitor. Does it even exist?

In the light of that new information, will the First Minister make a personal statement to Parliament?

The First Minister: Those are simply outrageous comments, which are made against a background of total ignorance of a company that is operating in the interests of my constituents in Glenrothes.

We have dealt at Westminster with the matter of the subletting of my office to the company involved. That was dealt with over the summer by the fees office and by the Parliamentary Commissioner for Standards, Mrs Filkin, and they have both closed the matter.

If John Swinney has any concerns about the operations of Digby Brown in Scotland I suggest that he take them up with it. In my constituency it provides a personal service to many union colleagues who are caught up in, for example, health and safety matters. As a consequence, it provides a full range of solicitor services. Those matters should be taken up.

It is a pity that John Swinney referred to the ministerial code of conduct, which I am holding. I would like him to take the time to go through points 1.1(a) to (i) to identify the particular part that

he is talking about that relates to my behaviour over the past few months.

Mr Swinney: The First Minister says that the matter is closed. He said that last week and then appeared on television to discuss the issue. He gave an interview to the *Daily Record* on the same subject.

The First Minister seems to be talking about a strange arrangement in which a solicitor's office has no telephone number, no fax number, no e-mail address and no registered solicitor. Does that not make the case for the First Minister doing what one of the country's newspaper editorials said that he should do this morning—respond properly? Unless he does so,

“the rumours will continue to fly and undermine him.”

Will he make a personal statement to the Parliament on the issue?

The First Minister: I am happy to respond to the measured comments that John Swinney has made. You have made the point, Sir David, about opportunities for these matters to be discussed in the Parliament. I do not think that this is a matter about which to make a personal statement because, as in the House of Commons and as has been illustrated in the first two years of the Scottish Parliament, that is done only in an exceptional set of circumstances. Quite simply, I do not think that what has happened over the past three or four months satisfies that criterion. I have today written to my constituency secretary setting out the facts about my office in Glenrothes. That information will be available later.

I should also say that there are mechanisms within the Parliament to tackle my competency, my probity or my commitment to Scotland as First Minister. John Swinney, in a measured way, and David McLetchie, in a ranting way, have the opportunity to use the mechanisms of the Parliament to discuss issues about me and the Executive in relation to my first year as First Minister. I invite them to use their time to have a debate. I would be delighted to defend my record as First Minister. That would allow David McLetchie to stop grubbing around in the gutter and put the questions that he wants to put in the way that he wants to put them.

Mr Swinney: The First Minister is prepared to answer questions on this issue on the BBC, on Scottish Television and in the *Daily Record* and he is prepared to send the information to his constituency secretary, but he will not share it with the Parliament in a personal statement. Is it not time that, to ensure that he has the opportunity to brush aside any questions about his probity, integrity or commitment to Scotland, he uses the powers of the Parliament to make a personal statement to clear the air once and for all?

The First Minister: We have been attempting to answer the questions for some time. [MEMBERS: “We?”]—When I said “we”, I meant my party chairman, secretary and councillors in relation to the activities that certain people are currently involved in.

Suffice it to say that I feel calm and collected about this. I challenge John Swinney. If he is interested in the truth and facts, we have given out a great deal of those, but if he is interested in muck-raking, gutter politics and personal character assassination, he will not be satisfied. I tell John Swinney—and David McLetchie, prior to his coming in on this—to have a debate. They should pick the time on one of their supply days and we will be happy to defend our record in my first year as First Minister. I will not run away from answering questions. The Presiding Officer has made a ruling. Let me remind colleagues that if a personal statement is made, no questions can be asked. I am willing to go further than that. I am saying: put up or shut up—pick a debate and let us respond.

The Presiding Officer (Sir David Steel): I should make it clear that all of Mr Swinney's questions were in order, because they were about the ministerial code of conduct.

Cabinet (Meetings)

2. David McLetchie (Lothians) (Con): To ask the First Minister when the Scottish Executive's Cabinet will next meet and what issues will be discussed. (S1F-1330)

The First Minister (Henry McLeish): The Cabinet will next meet on 6 November, when it will discuss matters of importance to the people of Scotland.

David McLetchie: I thank the First Minister for another of the detailed and informative answers that have become his trademark.

I am sure that the Cabinet will want to discuss the First Minister's proposals—which he announced last Friday—to ensure, if I understood him correctly, that we get best value for every pound of taxpayers money that is spent in Scotland. How can the people of Scotland possibly have confidence that the Cabinet will deliver on that plan when it is to be overseen by a First Minister who cannot even fill in an expenses form properly and has persistently refused to tell us how his sums add up?

On the gauntlet that the First Minister threw down, if he wants to answer questions, a host of people in the media have been asking him questions for the best part of 10 days and he has stubbornly refused to answer a single one of them.

The First Minister: Mr McLetchie's last

comment was simply untrue. With the Presiding Officer's indulgence, I will deal with David McLetchie's role in this tawdry attack.

As First Minister, I remain proud of the fact that we are doing a lot of good work for the people of Scotland. On Monday, the Minister for Health and Community Care and I opened the new £100 million Wishaw general hospital. On Tuesday, I was in Cardiff with the Deputy First Minister to celebrate the first successful year of devolution. Yesterday, I welcomed to this country the vice-president of China, who will soon be one of the most important people on this planet. This morning, I met Mr Panagopulos, who is heading up the ferry company that will start a service from Rosyth. Tomorrow, in Glasgow, I will make the most significant announcement about housing that has ever been made in post-war Scotland.

While I am doing that, David McLetchie has been grubbing around the gutter in a way that I did not think a leader of the Conservative party would. However, I should end by saying that I do not associate the rest of the Conservative members with what he is doing. This is David McLetchie's blackest hour.

David McLetchie: The First Minister should not kid himself; it is his blackest hour and, from the way he has conducted himself, everyone in the country knows that.

I shall outline the Henry McLeish defensive strategy. First, there was denial—nothing had happened at all. That was six months ago. Then we received an apology, but no explanation. Then, in relation to the use of the constituency office, we had the defence of ignorance—"I didnae ken; it wisnae me; a big boy did it and ran away". Then we had the sort of smears that we have heard from the First Minister today when he sent out his acolytes to put up a smokescreen. Finally, we have had the complete misrepresentation that we heard from Mr McCabe on television last night when he claimed that the First Minister had been cleared by the Parliamentary Commissioner for Standards even though he was never even investigated by the commissioner. That is the First Minister's record; it is his blackest hour.

Furthermore, I remind the First Minister that he was the Scottish Office minister who chaired the consultative steering group. The group's report sets out principles to which all MSPs should aspire, such as integrity, honesty, openness, responsibility for decisions and accountability. Can the First Minister look the people of Scotland in the eye and claim that his conduct throughout the whole tawdry affair has lived up to those ideals and is actually worthy of a First Minister of Scotland?

The First Minister: I will be very willing to face

the people of Scotland in 2003. That is one of the benefits of democracy and the ballot box.

I repeat that I have not heard my invitation being taken up by the SNP or the Tories to debate the issue in the chamber. They can either put up or shut up. Furthermore, in a situation in which questions are being asked and answers are being provided, it is thoroughly deplorable that any member of the Parliament—the member I am talking about being Mr McLetchie—should seek to personalise the issue and drag not only me into the gutter—[MEMBERS: "You're already there."] Just in case anyone missed that, Mr McLetchie quipped that I am already there.

That behaviour is deplorable. I have answered question upon question upon question. The important point is that the matter was raised by the Tory MP Dominic Grieve, who is the former shadow secretary of state for Scotland. He asked the House authorities why I had not registered the item. Two days later, the item was registered. Dominic Grieve then moved on to talk about the rent of the office. That issue was taken up with Mrs Filkin, the Parliamentary Commissioner for Standards, who in turn passed it on to the fees office. The office investigated the matter over the summer—

The Presiding Officer: First Minister, you are in danger in straying into the wider world here.

The First Minister: I will stop, Sir David. Suffice it to say that after the inquiry by the fees office, the Parliamentary Commissioner for Standards has written to say that the matter has been resolved to the satisfaction of the fees office and the Westminster authorities. It is important to recognise and restate that fact, because the authorities in the House of Commons are tough and I would listen to them far more quickly than I would listen to the leader of the Opposition, David McLetchie.

Karen Gillon (Clydesdale) (Lab): On a point of order, Presiding Officer. In light of Mr McLetchie's statements this afternoon that he wants full and informative answers and seeks best value for every pound of the taxpayer's money, will you inform the chamber whether, under rule 13.1 of the Parliament's standing orders, David McLetchie has sought your agreement to make a personal statement regarding his ability to give sufficient time to his duties as an MSP? Would it be in order for Mr McLetchie to explain to the chamber how many hours a month he works for Tods Murray WS, for which he receives an annual remuneration of £24,000? Can he reassure the chamber that he is able to carry out his duties as an MSP, given that remuneration?

The Presiding Officer: Order. First, I believe that I was right in asking the Procedures

Committee to consider allowing points of order of up to only one minute—it is unfortunate that so much time is being taken up during question time. Secondly, I do not think that the procedure for personal statements that is set out in our standing orders can be used to substitute such statements for debate. That is a very different matter, and I imagine that that rule will be used only rarely. I hope that members will not get into the habit of asking me whether we can have personal statements on this, that or the next thing when that would be a political argument. Let us move on. We are losing members' questions by taking all these points of order.

Ms Margo MacDonald (Lothians) (SNP): On a point of order, Presiding Officer. I apologise for taking up time. Whether we like it or not, the status and integrity of the Parliament is being questioned outside, so this is an important matter. Is it in order for a petitioner to the Parliament, presenting a petition to the Public Petitions Committee, to request the First Minister to make a statement?

The Presiding Officer: Anyone can petition the Parliament on anything that they like: that is self-evident. I am anxious to move on to the next question.

Iain Smith (North-East Fife) (LD): On a point of order, Presiding Officer. Given the number of points of order that we have taken and the amount of time that we have lost in question time, and bearing in mind the fact that the next item of business is unlikely to take up its full allocation of time, will you use your discretion to extend question time to allow more questions to be taken?

The Presiding Officer: I would love to do that, but I have no such discretion. The time is set out in the business programme.

Hospitals (New Developments)

3. Karen Whitefield (Airdrie and Shotts) (Lab): To ask the First Minister what progress is being made with the Scottish Executive's programme of new hospital developments. (S1F-1344)

The First Minister (Henry McLeish): The current hospital building programme—the largest in the history of the NHS in Scotland—involves eight hospital developments. To date, the new health facilities at Wishaw, Hairmyres, Glasgow royal infirmary, Edinburgh Western general, East Ayrshire and Balivanich have been completed and are open for patient care. The new Edinburgh royal infirmary and the new Aberdeen children's hospital will be completed during 2003.

Karen Whitefield: I thank the First Minister for visiting Lanarkshire on Monday and opening the second new hospital in Lanarkshire this year.

Does the First Minister agree that the provision of high-quality, modern hospitals must be complemented by a highly skilled, motivated and valued staff team? Does he also agree that the new, unified boards can play a significant part in strengthening communication between NHS staff and management?

The First Minister: I agree with Karen Whitefield that the quality of staff is the most vital part of the national health service. We have not only the best technology and buildings—for example, in Wishaw—but excellent staff in every department in every part of the hospitals. We must ensure that good communications exist in hospitals and that every member of staff feels that they are part of the team. It is a long-term commitment of the Executive to ensure that we have not only the best NHS, but one in which the staff feel that they are valued and want to contribute even more.

Nicola Sturgeon (Glasgow) (SNP): On the question of new hospital developments, is the First Minister aware that Lothian University Hospitals NHS Trust is required to pay £1.9 million a year more than was originally expected to a private company for the rent of the new Edinburgh royal infirmary, which will amount to an extra £60 million over the lifetime of the private finance initiative contract? Does the First Minister share my concern about that? More important, will he give a guarantee that the extra £1.9 million that the trust is required to pay the private contractor will not be found through cuts in hospital staff or front-line patient services?

The First Minister: I appreciate the point that Nicola Sturgeon makes and I am sure that the Minister for Health and Community Care also acknowledges her point.

We are moving ahead to improve facilities in Lothian—that is our main objective. We want to improve patient care and the quality of the circumstances under which the staff operate. I am sure that the point raised by Nicola Sturgeon will be passed to the Minister for Health and Community Care.

The Presiding Officer: I am afraid that we have not done well with questions today because of points of order. I am obliged to move on to the next—

Mr John Home Robertson (East Lothian) (Lab): On a point of order.

Dennis Canavan (Falkirk West): On a point of order.

Iain Smith (North-East Fife) (LD): On a point of order.

The Presiding Officer: All right. We have finished question time, but I will take points of

order, starting with John Home Robertson.

Mr Home Robertson: My point follows on from the point of order that Iain Smith raised a few minutes ago. I understand that you do not have discretion to extend question time, Sir David, but the fact remains that Pauline McNeill and a number of other members have been deprived of their opportunity to put questions to the Executive today. May I suggest that you could have discretion not to take points of order until the end of question time? That is the practice in another Parliament and would protect members' rights to put questions to the Executive. It would also ensure that points of order will be addressed. Surely that is the way round the problem.

The Presiding Officer: That is a fair point. In the past, I have often asked members to keep their points of order to the end. I do not make up the rules—I am obliged to follow them. If members insist on raising a point of order, I must take it.

Mr Murray Tosh (South of Scotland) (Con)
rose—

Dennis Canavan: I was going to raise the same point of order as that raised by John Home Robertson.

The Presiding Officer: I am sympathetic to that point of order.

Iain Smith: I was going to raise the same point, Presiding Officer, and to suggest that you ask the Procedures Committee to examine whether points of order should not be allowed during question time. In addition, I ask you to consider the time that is allocated to the leader of the Opposition and the leader of the Conservatives. Mr Swinney's question took eight minutes and Mr McLetchie's took seven minutes, which took up 15 of the 20 minutes that are available for First Minister's question time. That left only five minutes for the remaining questions.

The Presiding Officer: Iain Smith's final point is a matter for my discretion. I think that Mr Swinney and Mr McLetchie would agree that we have frequent conversations on that subject.

I call the convener of the Procedures Committee, to whom I defer.

Mr Tosh: Would you accept a motion without notice to suspend standing orders in order to allow the extension of question time by 10 minutes? [MEMBERS: "Hear, hear."]

The Presiding Officer: I would have to suspend all of standing orders, which I do not think would be wise. Let us learn a lesson today: points of order take time away from question time. That is the point that we should all recognise.

Meeting closed at 15:32.

Committee of the Whole Parliament

[THE CONVENER *opened the meeting at 15:32*]

Police and Fire Services (Finance) (Scotland) Bill: Stage 2

The Convener (Patricia Ferguson): I advise members that, for the stage 2 debate, they should have with them the bill, the marshalled list and the list of groupings, which have been agreed. The electronic voting system will be used for all divisions. Two minutes will be allowed for the first division that occurs after each debate on a group of amendments. Members who have a question about the procedures should ask it now. Otherwise, I will begin.

Section 1—Carry-forward of unspent police funds

The Convener: Amendment 1 is grouped with amendments 2, 3 and 4.

The Deputy Minister for Justice (Iain Gray): During the stage 1 debate on the Police and Fire Services (Finance) (Scotland) Bill, ministers gave a commitment to lodge amendments that would remove the need for constituent authorities to consent to the carry-forward of their share of any requisition money that remains unspent at the year end. Amendment 1 meets that aim by deleting the reference to "constituent authorities". It also removes the blanket requirement for ministerial consent to the carry-forward of unspent balances. I will return to that point in a moment. Amendment 2 is a consequential drafting change.

At stage 1, there was some debate about the extent to which joint boards should need to seek the consent of ministers before they can carry forward any balances that are unspent at the end of the year. The Scottish Executive proposes a compromise that means that there will be ministerial involvement only when certain preconditions occur. Those preconditions will arise when the amount of unspent requisition money and police grant to be carried forward as a working balance, when added to existing accumulated reserves of unspent requisition money and police grant, exceeds 5 per cent of the requisition and grant received in that year. The 5 per cent threshold, if applied across the eight Scottish forces, would represent about £40 million. It would be unusual for the police to need reserves of that size.

Amendment 3, which relates only to joint police boards, looks a bit long and complicated, but it

simply puts into effect the points that I have mentioned: it defines the conditions under which ministerial consent will need to be sought. In addition, it allows Scottish ministers, by order, to vary the 5 per cent trigger.

Dr Sylvia Jackson (Stirling) (Lab): Will the minister clarify that the limit will be 3 per cent for the first year and 5 per cent for the second year, and that, following that, we will be starting at a new base again?

Iain Gray: The 5 per cent trigger is cumulative, so the carry-forward limit is 3 per cent in the first year and 5 per cent in the second year, but unspent reserves that were carried forward again would count towards the 5 per cent trigger. That is slightly different from what Sylvia Jackson posited.

Amendment 4 is a consequential amendment. Amendments 1, 2, 3 and 4 put into effect a sensible way of balancing the interests of joint police boards and constituent authorities.

I move amendment 1.

Tricia Marwick (Mid Scotland and Fife) (SNP): Last month, I indicated the Scottish National Party group's support for the general principles of the Police and Fire Services (Finance) (Scotland) Bill. We outlined a few matters of concern and called for amendments to be made. I am pleased, therefore, that the Executive has taken those matters on board and has returned today with a list of amendments that more or less address our concerns.

The Executive's amendments are welcome and the SNP will support all of them. I am glad that the minister has listened to the points that the Local Government Committee and members of all parties raised.

We are glad that the provision requiring ministerial consent for the carry-forward of small balances has been removed from the bill. However, we know that the Convention of Scottish Local Authorities remains unhappy that the Executive is retaining a power of veto over police and fire boards accumulating surpluses of more than 5 per cent.

Although I appreciate COSLA's concern about the matter, my concern is not the 5 per cent figure, but proposed new subsection (3AC), which gives the Executive the power through secondary legislation to vary the percentage at which consent must be sought. As such a provision is made in each of the groups of amendments, I intend to speak only on this group. I would be grateful if the minister assured us that it is not his intention to use secondary legislation except to increase the percentage at which consent might be sought in the future. It would be a matter of regret if secondary legislation were used for any other

purpose.

Iain Smith (North-East Fife) (LD): I thank the ministers for lodging the amendments, which are very much in line with the committee's suggestions. This is a good example of the committee, the people who gave evidence to the committee and the Executive working together to make a sensible provision better. There was general concern at stage 1 about the need for ministers' consent and the constituent authorities' consent. I am pleased that the compromise that has been suggested is sensible. Most people accept that 3 per cent per annum is reasonable. Police authorities and fire authorities are unlikely to have balances much in excess of 3 per cent in any one year. An overall 5 per cent limit on reserves is reasonable. In circumstances where the authorities have a special need, they can request to carry over more money and there is provision for that in the bill. That, too, is sensible.

I do not intend to speak on every group of amendments. As Tricia Marwick suggested, this is a case of one set of amendments fits all. The principles behind the bill are welcome, as are the amendments. I support the amendments and the bill.

Mr Keith Harding (Mid Scotland and Fife) (Con): I endorse what colleagues have said. We welcome the fact that the minister has taken on board the suggestions that were made unanimously by the Local Government Committee.

We fully understand the reasoning behind the 5 per cent limit. Moneys are allocated to be spent and should not be built up unnecessarily. The Conservatives, too, will support all the amendments.

Iain Gray: The only point to which I want to respond is one raised by Tricia Marwick. I can give assurances on behalf of the present Executive only, but it is certainly not our intention to use the order that is provided for in the amendments to reduce the trigger percentage. Indeed, we have no intention of changing that level at all. Our idea in including that provision is to provide an additional protection.

The committee expressed some concerns about the danger of a hold-up because of the bureaucratic process of seeking consent. If that proved to be the case, it would be possible to vary the trigger percentage under the order that is provided for in the amendments. The inclusion of that provision was seen as a further attempt to assuage some of the concerns that had been expressed. As secondary legislation would be required for an order, there would be the potential for parliamentary scrutiny of any such change, which would come about only with the agreement of the Parliament.

Amendment 1 agreed to.

Amendments 2 to 4 moved—[Iain Gray]—and agreed to.

The Convener: Amendment 5 is grouped with amendments 6, 7, 8 and 9.

Iain Gray: The amendments in the second group are much the same in purpose and effect as those debated in the first group, with the difference that they relate solely to police grant. Amendment 6 is the substantive amendment in the group; the others are consequential.

I move amendment 5.

Amendment 5 agreed to.

Amendments 6 to 9 moved—[Iain Gray]—and agreed to.

Section 1, as amended, agreed to.

Section 2—Carry-forward of unspent combined fire brigade funds

The Convener: Amendment 10 is grouped with amendments 11, 12 and 13.

Iain Gray: This group of amendments replicates for the fire service the carry-forward provisions that we discussed in relation to the police service.

I move amendment 10.

Amendment 10 agreed to.

Amendments 11 to 13 moved—[Iain Gray]—and agreed to.

Section 2, as amended, agreed to.

Section 3 agreed to.

Long title agreed to.

Meeting closed at 15:45.

Scottish Parliament

[THE DEPUTY PRESIDING OFFICER opened the meeting at 15:45]

Police and Fire Services (Finance) (Scotland) Bill: Stage 3

The Deputy Presiding Officer (Patricia Ferguson): There are no amendments for stage 3, so this stage consists only of a debate on motion S1M-2379, in the name of Jim Wallace, that the Police and Fire Services (Finance) (Scotland) Bill be passed.

15:45

The Deputy Minister for Justice (Iain Gray): The Police and Fire Services (Finance) (Scotland) Bill is a small but almost perfect piece of legislation. It is sensible and pragmatic and has benefited from some useful discussion at stage 1. Compromise from the generous Executive has moved us towards the position where we can all agree. At this last moment, I hesitate to rob the bill of its final virtue, which is brevity. I commend the bill to members.

I move,

That the Parliament agrees that the Police and Fire Services (Finance) (Scotland) Bill be passed.

15:46

Tricia Marwick (Mid Scotland and Fife) (SNP): The Police and Fire Services (Finance) (Scotland) Bill is a small but beautifully formed bill. I congratulate ministers on listening to the good sense of the members of the Local Government Committee, whose suggestions have contributed enormously to the bill. Like Iain Gray, I think that we have perhaps had a bit too much heat in the chamber this afternoon, so I shall sit down. However, let me first congratulate ministers on the bill and thank everyone else who has put so much work into it.

15:46

Mr Keith Harding (Mid Scotland and Fife) (Con): As at stage 2, it is difficult to think of anything to add to what Tricia Marwick has said. I welcome the fact that ministers took on board the reservations that we expressed at stage 1. I believe that the bill has been strengthened as a direct result of the hard work that was put in by the Local Government Committee.

15:47

Iain Smith (North-East Fife) (LD): This debate is very much like the Oscars ceremony. As I said at stage 2, I welcome the fact that ministers have agreed to amend the bill. The provisions are sensible and will allow the police and fire services to plan ahead and move into the sensible financial planning system that, thanks to three-year funding, is already available to local authorities. I welcome the amended bill. I thank the clerks and those involved in preparing the bill and the amendments.

The bill must be unique, in that the marshalled list at stage 2 was almost as long as the bill itself. That is because the amendments that have been agreed to will substitute most of what was in the bill. A much better version of the bill will now be available.

The Deputy Presiding Officer: We move to the open debate. I call the convener of the Local Government Committee.

15:48

Trish Godman (West Renfrewshire) (Lab): I do not know what it is that the Local Government Committee does but, whatever it is, it does it really well, because we always get what we want. I know that everyone has been brief but, having written a speech, I will read it. However, it is not the 90-minute speech that I promised the Deputy Minister for Finance and Local Government.

Last Tuesday, a fair-minded, sensitive and eloquent newspaper journalist criticised us for our failure to tackle the big issues, stating that we are obsessed by trivial matters. As convener of the Local Government Committee, I am proud of how members of that committee dealt with what I believe is an important bill about the management of our emergency services. That journalist may not think that those services are important, but I do.

I am pleased that the ministers have had the good sense to alter and improve the bill after reading the committee's recommendations. However, I emphasise that the recommendations that were made to the minister—most of which have been accepted—emerged from evidence that was given to us by representatives of the two services and other expert witnesses. As Tricia Marwick said at stage 2, the Convention of Scottish Local Authorities still has reservations about the bill. That is no surprise. In some ways, that is COSLA's role. COSLA is unhappy about the limits that are applied to underspends and overspends because those limits do not apply to councils.

By and large, I think that the ministers and the committee have now got the bill right. Given COSLA's position, however, I ask the minister to consider reviewing the bill after two years. The

Parliament has no system for such a review. Indeed, the Parliament has no system for reviewing any of the bills that we pass. For me, that is a matter of concern. We take time to engage in consultation before passing a bill, so we need to consider seriously whether we can develop a system by which we can check that the legislation is working.

The bill will enable police and fire service boards to enhance their operational management. It will also encourage good financial management, which should allow chief constables and chief fire officers to increase efficiency and morale. There is a clear need to provide a system that allows greater autonomy, flexibility and forward planning in the work of those important services in protecting the communities that they serve. Good financial management is the keystone to first-rate operational management. The two go together.

I have said in the chamber before, and I have no qualms about saying again, that we should extend the principle of subsidiarity to councils and to boards such as those of the police and fire services. Local decisions should improve services. Perhaps they could also reawaken communities to trust the political process and—dare I say it?—politicians.

When we talk of police and fire services, we talk of services whose personnel face real dangers in protecting the public. Those of us who are old enough to remember have never forgotten the brave firemen who lost their lives in the whisky bond fire in Glasgow some years ago. The monstrous events of 11 September showed graphically how much we owe to the personnel of the emergency services. Whether there has been a traffic accident or a house fire, we can trust the police and fire services to turn up. Let us hope that they are never privatised.

I turn now to the issue of pensions—a thorny problem that cannot be ducked. All the members of Local Government Committee, across the parties, are at one on the issue. The problem must be resolved in a way that is satisfactory for the members of the police and fire services and their families. They deserve no less. The matter is outwith the scope of the bill but, in highlighting the problem, MSPs are giving ministers an indication—indeed a warning—that they should not sidestep the issue. The Local Government Committee will keep its eye on ministers' deliberations with our colleagues in Westminster.

In conclusion, I thank the members of the Local Government Committee, the committee's staff and the official report for their positive and sustained commitment to improving the bill. I happily give them a vote of thanks. I also thank the minister and his officials for the sensible and responsible way in which they acted on our concerns and

recommendations.

We also thank the police and fire boards—we hope that they think that MSPs have responded in a fair-minded and supportive manner to the concerns that they brought to us. The bill is important for the men and women who protect us through our emergency services. It is not, as a journalist would have it last Tuesday, an obsessive concentration on a trivial matter.

15:53

The Deputy Minister for Finance and Local Government (Peter Peacock): As all speakers have said, the contents and purpose of the bill are well-known. The bill is short but important and this has been a short but important debate as part of the process of getting the bill through Parliament and, I hope, approved today.

Trish Godman raised two points that I will answer. Will we keep the provisions of the bill under review? The answer is yes. The bill contains powers to allow matters to be reviewed if we find that the provisions are not working for any reason. We will keep the provisions under review.

I responded to the point about pensions during the stage 1 debate. We are acutely conscious of the matter and we know that the Home Office is keeping it under review. We will have an input into the review process.

I thank the committee and all those associated with promoting the bill, which I commend to Parliament.

Motion without Notice

The Presiding Officer (Sir David Steel): I am minded to accept a motion without notice from Euan Robson to bring forward decision time. Do members agree to that?

Members indicated agreement.

Motion moved,

That motion S1M-2394 be taken at this meeting of the Parliament.—[*Euan Robson.*]

Motion agreed to.

Motion moved,

That the Parliament agrees under rule 11.2.4 of Standing Orders that Decision Time on Thursday 1 November shall begin at 3.54 pm.—[*Euan Robson.*]

Motion agreed to.

Decision Time

15:54

The Presiding Officer (Sir David Steel): If there is a division during decision time, I will allow two minutes for it because members are in other parts of the building.

I have only two questions to put as a result of today's business. The first is, that motion S1M-2380, in the name of Alex Neil, on behalf of the Enterprise and Lifelong Learning Committee, on its inquiry into the Scottish Higher Education Funding Council reviews of teaching and research funding, be agreed to.

Motion agreed to.

That the Parliament welcomes the 12th Report 2001 of the Enterprise and Lifelong Learning Committee on the inquiry into the Scottish Higher Education Funding Council reviews of teaching and research funding (SP Paper 423).

The Presiding Officer: The second question is, that motion S1M-2379, in the name of Jim Wallace, on the Police and Fire Services (Finance) (Scotland) Bill, be agreed to.

Motion agreed to.

That the Parliament agrees that the Police and Fire Services (Finance) (Scotland) Bill be passed.

Inverness Airport

The Presiding Officer (Sir David Steel): Members' business today is a debate on motion S1M-2142, in the name of Margaret Ewing, on Inverness airport and links with hub airports.

Motion debated,

That the Parliament recognises the huge significance of direct links between Inverness Airport and London hub airports to the economic and social well-being of the Highlands and Islands, particularly in relation to tourism, exports, the business economy and employment; expresses its grave concern at the possible loss of landing slots at Gatwick; seeks not only to have such links preserved but also to have similar slots at Heathrow restored, and believes that the Scottish Executive should pursue these matters vigorously with the Department for Transport, Local Government and the Regions and the European Commission.

15:57

Mrs Margaret Ewing (Moray) (SNP): I realise that members who have indicated that they wish to speak are not yet present. They are not the people who are rushing off to the Rangers game. I hope that no penalty points will be awarded against those who wish to speak in the debate as they arrive.

I thank all members who signed my motion, and those who are staying for the debate. I hope, given the circumstances, that there will be additional and sufficient time for all those who wish to speak to make their points, because I am clear that many points will be developed as the debate progresses.

Those of us who are regular users—or in the case of many of us, habitual users—of the airport at Dalcross view it as a point of coming home. There is always a warm welcome for us when we arrive there, and that welcome comes from the friendly and helpful staff at all levels. I know that that welcome is extended equally to visiting delegations from all parts of the world and to tourists. I pay tribute and express my thanks to the staff for their positive attitude and work at Dalcross.

The urgency of the debate arises from the fear that Inverness could lose its direct links to London. I recall only too well the devastation that was felt when British Airways cancelled the Heathrow links. As the MP for Moray, I received a call from a British Airways executive early one Monday morning, as a courtesy, to tell me that that was happening, "before the story hit the press". I was absolutely astounded by that, because only a few weeks before, I had been assured that our slots and our links with Heathrow were secure. To me, other elected members and the community of the Highlands and Islands, that was absolutely

devastating. Much play was made of the alternative links to Gatwick, but nonetheless, it was a blow. Gatwick is okay for people travelling between London and Inverness for holidays or for occasional trips, but that move cut off our links, for both freight and passenger traffic, with the main hub airport on the mainland of the UK.

Under current legislation, the allocation of slots is a matter for airlines. Although British Airways argued at the time that the Inverness to Heathrow link was a loss area, suspicion and evidence indicated that the move had more to do with the proposed merger of British Airways with American Airlines and the significance of slots at Heathrow airport. The significance of Dalcross airport to our economy was dismissed and reduced to a pawn in the context of globalised profit.

People in the Highlands and Islands now face the uncertainty of what will happen to the links with Gatwick. In a similar debate in Westminster Hall yesterday, David Jamieson, the Under-Secretary of State for Transport, Local Government and the Regions, said that he had been assured that BA had no plans to discontinue the Gatwick links. Given our previous experiences in the Highlands and Islands, I will be excused if I take that with a substantial pinch of salt. I recognise that the slots are not the responsibility of the Executive or of any Government department, but the issue requires investigation and thought if we are to bring a sense of security to regional airports in Scotland.

There are strong arguments for further debate on the organisation of our regional airports. Today's discussion is about maintaining the provision of services. We want no relegation in the league, no reduction in our services and no impoverishment of the facilities for our communities. Central to that is the possibility of the allocation of a public service obligation. To the best of my knowledge, nine PSOs operate in Scotland and to add one for the service on the Dalcross link is vital to the economy of the Highlands.

Highland Council, Highlands and Islands Enterprise, local chambers of commerce, small business organisations and representatives of the tourism industry have all lobbied on the issue. That lobbying continues even today, because the director of Inverness and district chamber of commerce is at the DTLR to discuss the matter further. I believe that others are directly involved in those discussions.

European Commission regulation 2408/92, which allows Governments to intervene in certain circumstances, states that

"A Member State ... may impose a public service obligation"

if that is in accordance with the regulation to which

I have already referred. There is a presumption that the supply of air services should be left to the liberalised market to determine, but the regulation provides for Governments to intervene in certain circumstances. It states that a member state may impose a public service obligation on a route to a "peripheral or development region"

when the route is

"considered vital for the economic development of the region".

The member state may do so

"to the extent necessary to ensure on that route the adequate provision of scheduled air services satisfying fixed standards of continuity, regularity, capacity and pricing, which standard air carriers would not assume if they were solely considering their commercial interest."

That echoes the sentiments of many people in the Highlands and Islands.

Six Scottish members of the European Parliament have supported the proposal for a public service obligation. Debates in the House of Commons have shown cross-party support, and I believe that this debate will show similar cross-party support for the proposal. A well-attended meeting in Nairn, organised in August by the Scottish Council for Development and Industry, saw unanimity of support for the pursuit of a public service obligation. That proposal has been lodged by Highland Council with support from many others.

What worries me is that there appears to be a constant shuffling of the matter from one department to another. In response to a question from my colleague, Angus Robertson, MP for Moray, at Prime Minister's question time yesterday, John Prescott said that the issue was being given serious consideration by the DTLR. However, it appears that complexities relating to terminal 5 at Heathrow, the revision of EC 95/93 and the production of the DTLR's white paper in 2002 might delay decisions. When he responds to the debate, will the minister give us an idea of what is happening and when we can expect a decision to be reached? The time scale is critical, because that provides the only way of assuring Highlands and Islands people that their case is being taken seriously.

I say in all sincerity that the debate involves no begging-bowl mentality. The various peoples of the Highlands and Islands have worked hard to create an expanding economy. Tourism represents 35 per cent of the local economy. Inverness has achieved city status and is bidding to be European city of culture in 2008. Such a city cannot exist without direct air links.

The idea that we cannot have guaranteed direct air links is an insult to the efforts of all those who

have worked hard to create a growing economy that embraces established and new industries. We in the Highlands hold our heads high. Members who represent Highlands and Islands constituencies are not here as a lobbying group. We represent a dynamic region of Scotland and are united in ensuring that our links are not severed, but strengthened.

The Deputy Presiding Officer (Mr George Reid): Margaret Ewing asked me in advance whether I would extend the debate if there was not enough time for all members to speak. I think that we will continue with the debate. We should finish by 16:40. If we are likely to be a few minutes over, I will ask Margaret Ewing to move a motion to extend the debate for a short time, if that is acceptable to the minister.

16:07

Rhoda Grant (Highlands and Islands) (Lab): I congratulate Margaret Ewing on securing the debate and I welcome the context in which we debate the motion. The Scottish Executive is backing the campaign in the Highlands to introduce a PSO for the Inverness to Gatwick route. It is only right that all Highland MSPs should add their support. The Executive's decision to support a PSO for the route has boosted the campaign significantly. Maintaining a direct link to the UK's capital city is a crucial need, as it provides access to the many links that are provided from Gatwick.

When the Executive announced its support, Peter Peacock, Maureen Macmillan and I recognised the need to involve local businesses throughout the Highlands in the decision. With our colleague David Stewart MP, we launched a survey of the views of those businesses. The response to our survey was extremely positive. Businesses overwhelmingly support a PSO. Many businesses consider the Gatwick link to be extremely important for the future of their businesses and of tourism.

Several respondents wanted the Heathrow link to be restored. I am sympathetic to that view, but I am concerned that if we widen the debate, we will weaken our case. We should concentrate on a PSO for the Gatwick route. If we obtain that, we can look forward to other developments.

The link is important not only to people who live around the Moray firth. The fact that the debate was led by the MSP for Moray makes that point clearly. The link is in the interests of the entire Highlands and Islands area. Remote communities have air links to Inverness, which allow people to fly on to Gatwick and beyond. A PSO will give those remote communities benefits.

The route is a lifeline for all communities in the

Highlands and Islands. Without it, businesses and tourism will suffer and we will lose the potential for inward investment into those communities. Therefore, I welcome the debate. It is important that we all join together to give the PSO cross-party support.

I hope that the minister will give details on how the Executive is pursuing the issue with Westminster and with European colleagues to achieve a successful outcome. I hope that he will also tell us what support back-bench MSPs of all parties can give to ensure that that happens.

16:10

John Farquhar Munro (Ross, Skye and Inverness West) (LD): I am also thankful that Mrs Ewing has seen fit to bring the matter to the attention of the Parliament. As Rhoda Grant reiterated, the subject is one that affects all of us in different ways. It should not be made a party political issue.

I am well acquainted with the debate on Inverness airport. In the past few years, the airport has changed radically. It has been modernised and rebuilt to international standards. Inverness airport currently provides excellent facilities for freight and passenger traffic. Unfortunately, the viability of its finances is, as always, subject to the commercial decisions of the major airline operators. There is nothing new in that, but the peripheral airports suffer more in that respect.

In 1997, British Airways decided suddenly to discontinue the Inverness to Heathrow link. I am sure that Mr Peacock will recall the strenuous efforts that were made by many, including those of us who were members of Highland Council, to try to redress the situation. Members will not be surprised to hear that the loss of that route had a detrimental effect on many aspects of our Highland economy which, over a number of years, had generated and promoted its business through the regular and direct link to London's Heathrow airport.

Heathrow was seen at the time, as continues to be the case, as the hub airport for visitors to and from Europe, the United States of America and Canada. Visitors now have to transfer to other airports, transporting themselves across the vast sprawl of the great city of London, to secure onward flights to their chosen destinations. That is unfortunate and inconvenient.

If we moved the control and allocation of landing slots from the major airlines and their representatives, that situation could easily be avoided. It is strange that, under subsidiary names, the big airline operators are in control of the landing slots. I understand that the company that controls slots at present has the strange title

of Flying Colours. Why that should be the case, I do not know.

I mentioned earlier my own involvement at Highland Council. I would like to acknowledge the determined and continuing efforts of Highland Council to secure dedicated landing slots at Gatwick and Heathrow airports. I note that the issue is currently being debated by our colleagues at Westminster. I hope that sense and reason will prevail there and that a satisfactory solution to that long-standing problem is found.

Airline activity is currently undergoing a downturn. That affects many of our major airports. Surely the downturn will allow space to be found at airports. Spare slot capacity could sensibly and appropriately secure permanently slots to serve and sustain routes to our peripheral airports. The big issue now is that, even if we were to secure a slot in the short term, we would have to secure it for the long term.

The subject of the debate is the securing of a public service obligation for peripheral routes, in particular the London to Inverness route. As I said earlier, Inverness airport has excellent facilities. It has the potential to serve Inverness and the wider Highland area in the years and decades to come. The airport is modernised to a standard that has achieved international acclaim.

I am pleased that the Scottish Executive has supported the plea for a public service obligation. I hope that, with its support and the sensible deliberations of our colleagues in Westminster, we will achieve our aim of dedicated slots at Gatwick and Heathrow. Those slots should be dedicated under a public service obligation. That will allow us to secure eventually the benefits that we all hope to secure and enjoy, which will allow the travelling public to journey to and from the areas that we serve.

16:15

Mary Scanlon (Highlands and Islands) (Con):

I thought that I had another hour to write this speech so I am afraid it is a bit disjointed. I apologise.

I have written to the minister several times recently about the topic of the debate and I thank Margaret Ewing for bringing it to our attention. I am pleased to endorse the minister in the support that the Executive has given to the case by Highland Council for the imposition of measures to ensure access to Gatwick from Inverness. I understand that Sarah Boyack wrote to the Westminster Government on 9 October—I am sure that we all fully support that.

Although it is a major aspect of Margaret Ewing's motion, the public service obligation is

only part of the equation. I am seriously concerned that, in these days of great expansion in global travel, the management, attitude, vision and ability to market that one finds at many other airports is sadly lacking at Inverness airport. Such is the disgust of many of the island authorities served by Inverness airport that Shetland Islands Council, which has bought a 26 per cent share in a shipping line, has put forward a case to run and manage Sumburgh airport in Shetland. I received a fax today from Shetland Islands Council that highlights many of the serious concerns about the management of Highlands and Islands Airports Ltd.

The fax says:

"We in Shetland are convinced that to create overall best value for the region and the communities that HIAL airports should be managed and directed much more by the individual needs and opportunities of the communities they are located within."

The communities of Inverness and the Western Isles are mentioned. The fax goes on to say:

"We think the whole question of government ownership and the HIAL management structure accountable to the executive constrains individual entrepreneurial and business acumen and it is against this background that we in Shetland are promoting to the executive the local ownership and business management of Sumburgh airport."

I ask the minister to consider not simply the public service obligation but the whole management of HIAL. Does the minister feel that HIAL is doing its best to increase and market passengers and freight in the Highlands and Islands? Given that Inverness airport receives a subsidy of £16.2 million—considerably more than many other airports in Scotland—the minister should ask HIAL whether he is getting value for money.

It is the luxury of the Opposition parties to keep asking for more subsidy. Until HIAL can show taxpayers in Scotland that it is providing value for money, best practice and good management, it does not deserve a larger subsidy. It is still more expensive to cross the Pentland firth than the Atlantic. It is £276 for a day return from Inverness to Kirkwall and—as I discovered last week when I was looking at flights on the internet—a return to Los Angeles is £240. When I was in Orkney last week, a businessman told me that a day return from Kirkwall to Stornoway is £600.

Margaret Ewing's motion is crucial. I fully support the approach of the minister and Highland Council, and the public service obligation for the Inverness-Gatwick link, but I would like the minister to consider the whole structure of HIAL.

Mr Alasdair Morrison (Western Isles) (Lab):

Would Mary Scanlon concede that air fares and charges levied against passengers are matters for

the airlines and not for the management of Highlands and Islands Airports Ltd or, least of all, for Lewis Macdonald?

Mary Scanlon: Yes, indeed, but my point is that it is a matter for the airlines in negotiation with the management.

The Deputy Presiding Officer: Speeches are tending to drag out to about five minutes. That is too long. Members should aim for speeches of three to three and a half minutes.

16:20

Fergus Ewing (Inverness East, Nairn and Lochaber) (SNP): I have great pleasure in congratulating my wife, not least on securing this evening's debate. I also welcome the spirit in which we are all working together for a common aim. In doing so, I praise Rhoda Grant and John Farquhar Munro for their contributions to the debate. I listened with interest to Mary Scanlon's comments, which were largely about the organisation rather than the provision of air links. That is a topic for another day.

The question today is about how we can secure long-term protection for that vital lifeline link between Inverness and London. Inverness is a mini-hub to all the routes in the Highlands and provides a vital social service. On that ground alone it is essential that there is a PSO for every route that is dependent on Inverness. It is also essential for the economic development of the area that there is a PSO.

I was concerned by the remarks of the Deputy Prime Minister, who indicated yesterday that questions about terminal 5 at Heathrow and a white paper in 2002 could delay a resolution to the issue. I would be grateful if Lewis Macdonald could address those specific matters today. Will the Scottish Executive join me in stating that a PSO should be obtained now, irrespective of a debate about terminal 5 and irrespective of a white paper on transport in 2002? If we have to wait until those issues are dealt with, we will be waiting until the next Government.

It is germane to point out that many people—my wife, Peter Peacock, John Farquhar Munro, myself, Mary Scanlon and perhaps most of the members in the chamber—have been campaigning on the issue since that black day in 1997 when BA pulled out of Heathrow claiming that it had made millions of pounds of losses but refusing to open up the books to justify that claim, which many of us regarded as utterly extravagant and untrue. We have waited since then for the Labour Government to take action.

Yesterday David Jamieson, Parliamentary Under-Secretary of State for Transport, Local

Government and the Regions, stated, in relation to whether a PSO should be granted, that

"The Government have interpreted the regulation very tightly indeed."

Why? In France, the Government does not do that. In France, every region has a PSO to Paris, but that is not the case here. No, no, not here, because apparently the Labour Government interprets the EU regulation very strictly. Well, that is not good enough. I submit that, as Mr Jamieson said, even if the Government interprets that regulation very tightly, the regulation states that a PSO is

"necessary to 'ensure the adequate provision of scheduled air services satisfying fixed standards of continuity, regularity, capacity and pricing, which standard air carriers would not assume if they were solely considering their commercial interests'."—[*Official Report, House of Commons*, Westminster Hall, 31 October 2001; Vol 373, c 294WH.]

It is abundantly clear that the needs of Inverness and the Highlands, taken as a whole, more than satisfy that regulation. With an election imminent in 2003, I have every confidence that the collective minds of ministers here and elsewhere will be very much focused on delivering success for a campaign that has gone on for far too long.

16:24

Maureen Macmillan (Highlands and Islands) (Lab): I welcome the opportunity to contribute to this debate and congratulate Margaret Ewing on securing it. The fact that this Parliament has taken the transport issues of the Highlands and Islands seriously is a sign of the importance with which they are now regarded. Not just air links but sea and road links into the area and within it are being closely examined, and we seek to improve them because they are crucial to the economy and social fabric of the area.

Now, more than ever, there is a pressing need to safeguard the Inverness to Gatwick slot and to do so as quickly as possible. If there was uncertainty about BA's intentions before 11 September, no one could now be blamed for fearing what the airline might do next. Almost as soon as the tragedy unfolded before our eyes, BA announced the loss of 7,000 jobs. A cut of such a size shows that there can be no room for complacency.

The PSO is an important initiative. I am pleased that the Scottish Executive has listened to those who have campaigned for it and has agreed to support calls for its imposition.

It is essential that Westminster support the initiative, too. David Stewart MP today led a delegation to meet David Jamieson, the aviation minister. I hope that the meeting will provide an

important boost for the measure. The indications seem to be positive, but we must keep focused on what we want to achieve.

I refer to what Mary Scanlon said when I say that, sadly, for some, the focus has moved from the PSO campaign on to the issue of low fare services. There is a need to encourage new services, but that is not the primary focus of the PSO campaign.

Development opportunities should continue to be looked for wherever possible and I hope that the Executive will urge HIAL and Highlands and Islands Enterprise to seek ways of encouraging new services—for example, the hoped-for opening of Inverness airport for 24 hours a day. That would encourage air freight development and companies to use Inverness to service the north and north-east of Scotland.

It is essential that everyone works together on the issue. Criticising the HIAL board, as Mary Scanlon has done, does nothing to advance the debate on the future of the PSO for Inverness. Even if there were no airport charges, fares would be high because of the relatively small amount of traffic from Inverness to the islands compared to the number of jumbo jets that cross the Atlantic.

A positive debate on HIAL's role and how to achieve the best balance between the needs of the peripheral airports and the Inverness hub is needed. In the debate, we must not forget peripheral airports that are not served by Inverness—for Islay, Campbeltown, Tiree and Barra, planes fly out of Glasgow. Those airports must not be left out of the equation.

On the PSO, I hope that the minister will detail the next steps. In particular, I hope that he will detail the progress of discussions with Westminster and give his assessment of whether we will achieve a successful outcome. We must show Europe that there is complete unanimity in the Parliament so that it will be left in no doubt as to the importance that we attach to the issue.

16:27

Dr Winnie Ewing (Highlands and Islands) (SNP): I remember the excellent fight to keep Heathrow. I praise Highland Council and all the councils, because they fought together in a unified battle. I remember going to London to lobby. I think that Peter Peacock was there, too—perhaps he was not there on that occasion, but he was involved on many occasions.

The argument about losses always intrigued me. I remember when both BA and British Midland had flights to London Heathrow—they were packed. Where on earth were the losses? We never got to the bottom of that and, from my observation and

common sense, I never understood the argument.

I remember going to see Neil Kinnock, who was the commissioner for transport, about the issue. It was clear that BA was going to dump us and the north of England, Wales and other bits and pieces of the UK. It was cosying up to an American company and was going to sell slots. Neil Kinnock did a great service for us in saying that slots could not be bought and sold. He did not help us to any great extent in the end, but he stopped BA from cosying up to its pals, whom it hoped to get in with. He established an important principle: slots should not be bought and sold because they concern whole societies.

Fergus Ewing mentioned France—I add Spain. In Spain, it is taken for granted that every airport must be connected to Madrid. People would be shocked and horrified if that were not the case.

There has been one disaster with Heathrow. I have sympathy with a point that Rhoda Grant made. She said that we must concentrate on the PSO argument and not argue for Heathrow at the same time, although all of us want Heathrow restored. We have lost Heathrow. I suppose that no one from the north of Scotland should have expected to be an MEP, but I was for 24 years. Once Heathrow went, what was my choice? Not Gatwick, because it had hardly any flights to Europe and involved hours of waiting. Not Aberdeen in the morning, because if the Aberdeen plane did not get to Amsterdam in time—which was normal—and I did not do a four-minute mile to catch the plane to Strasbourg, I had to wait six hours in Amsterdam airport. That was not pleasant. The result was that I, as an MEP, had to go on a Sunday to get to Europe. Before that, it had been possible to go in one day.

We are meant to be connected to Europe. We are meant to be in there, showing that we are internationally minded. At the moment, however, London is the place that links us to our involvement in Europe and the international world. We cannot allow the impending disaster to happen. We must act together. The tourism and economic arguments remain and we have the total support of the Highlands. We cannot wait. I agree with my son, Fergus Ewing, on that point. I am sorry for all the family being here—I cannot help it.

16:31

Mr Jamie McGrigor (Highlands and Islands) (Con): I congratulate Margaret Ewing on securing the debate. I am happy to add my weight to the call for the restoration of protection for the Inverness to London air links, which form a vital link between the Highlands and the rest of the world. At the same time as exporting our products and services, they bring in large numbers of

tourists. Without the links, the Highlands would be isolated. That would have severe knock-on implications for employment and the economy.

The Highlands and Islands relies heavily on the tourist trade. The loss of air transport links between Inverness and London would be one more nail in the coffin for Highland tourism and would have a large impact on our export trade. A cheap air travel infrastructure would greatly encourage tourism.

Between 1986 and 2001, 20 regional airports across the UK lost their air services to and from London. A Department of the Environment, Transport and the Regions consultation on the future of aviation referred to the vital role of regional lifeline services in the economic life of remote areas of the UK. A report in 1998 by the Environment, Transport and Regional Affairs Select Committee of the House of Commons called for guaranteed slots for regional air services at London hub airports. Both acknowledged the importance of regional flights, but as yet nothing has been done to guarantee their existence. Now is the time for the Executive to act and work with its UK and European counterparts to ensure that those flights are protected for the future.

With low-cost airlines offering more and more flights that depart from London airports to destinations in Europe, it would be wrong if Inverness lost its Gatwick slots simply to allow more people in the south-east to fly from Gatwick instead of enduring the hardship of travelling to Stansted or Luton.

The threat to the Highland economy from the loss of air services is huge. I have heard from many constituents who are alarmed at the loss of those vital lifelines, which provide a key economic catalyst to Highland trade and industry. Many people, especially in tourism and trade, are worried about what will happen if they are lost.

We must consider the role that Inverness airport plays in Highlands and Islands life. It is the key business and leisure airport for the Highlands and Islands. It supports links with London, Edinburgh and Glasgow as well as the regional services within the Highlands and Islands. It acts as an important centre for travel throughout northern Scotland and we have to ensure that the reduction and possible withdrawal of air services to London do not have an adverse impact on the airport and the role it plays in linking Highlands and Islands communities.

On reflection on the present world situation, it is important that we have faith in and support our airline providers. With so many job losses in the industry and threats to airline routes, we must all fight to ensure that we preserve the London to Inverness route against any further cuts.

British Airways has had to drop its Belfast to Heathrow flights—among others. Rather than those empty landing and take-off slots being held on to, could they now be used for Heathrow to Inverness flights? The Highlands have already lost the link to Heathrow. We need to act now to ensure that landing slots at other airports in and around London are not lost.

We call on the Executive to act to protect those important links for Scotland. By working with London and Europe, the Executive must ensure that Scotland does not lose this vital transport artery.

The Deputy Presiding Officer: We will need another six or seven minutes to fit everyone in. To ensure that we do that, I will extend the debate until 5 o'clock. Someone will have to move a motion without notice to that effect.

Motion moved,

That, under Rule 8.14.3, the debate be extended up to 5.00 pm.—[*Mrs Margaret Ewing.*]

Motion agreed to.

16:34

Stewart Stevenson (Banff and Buchan) (SNP): It might be dangerous to give me more time. I will get on rapidly.

I am once again the meat in the sandwich of the Ewing family. I recall an occasion, immediately after a general election in the 1990s, when I was the pilot who was sent to collect Winnie and Margaret from Inverness airport to get them to a press conference in Edinburgh. I enjoyed the experience, but I regretted not being at the party; I had to be sober to fly the plane.

Inverness currently needs a PSO. I regret that. I look forward to the day when Inverness is so successful and vibrant that there will be no question but that the facilities required to operate services to it will automatically be made available commercially, but that is not the case today.

There have been a number of threats to air transport in Scotland over the years. They have not all been the responsibility of Governments—far from it. Some 0.1 per cent or less of the air transport capacity in the United Kingdom is controlled in Scotland. We are therefore entirely peripheral to decision making on that front. Inverness airport has an excellent piece of tarmac and it is located far enough away from the surrounding towns to be environmentally friendly. It has lots of good things going for it, but climate is not one of them.

One of the problems that Inverness suffers from is that it is one of the very few airfields of its capacity that does not have an instrument landing

system, or ILS. It suffers an undue degree of diversions, mainly to RAF Kinloss. Channel Express, which operates a nightly freight service to Inverness, flies to RAF Kinloss—not to Inverness airport—to maintain reliability. Lest we think that an ILS is the prerogative of big airfields, the Civil Aviation Authority website shows that Exeter, Dundee, Norwich and Londonderry all have an ILS. Instead of building wonderful new terminal buildings, which are great for the passengers on a transient basis, we should invest the small amount of money that is required to improve the facilities for airlines. The tower was relocated so that the airport terminal building could be rebuilt. The facilities for approaching Inverness are comparable technically to those at Barra. That might surprise members.

The PSO is the subject of the debate today; it is important that we preserve it. I will illustrate what matters. The most extreme airfield into which I have flown—as a passenger in a 100-seat jet—is the airfield at Juliaca, in southern Peru, which is at an altitude of 11,500ft. It is a gravel strip. There is no terminal building; there are just taxis along the edge of the field. The core is providing the facilities to get the aircraft in.

I am very fond of Inverness airport. It was the second airport that I ever flew into. That was on 31 December 1969, when I was returning to celebrate the new year. Let us hope that the people in Inverness can once again celebrate—I will be happy to join them—when they get the PSO that is vital to the airport.

16:38

Tavish Scott (Shetland) (LD): I associate myself with what Margaret Ewing said. She made a measured and important speech in which she detailed the arguments. I also agree with the similar comments that have been made by members of other parties.

Margaret Ewing is to be particularly congratulated because at the start of the debate four Scottish Executive ministers were present, as was the convener of the Transport and the Environment Committee, the former chairman of Highland Council's transport committee. It would only be fair to point out that Mr Peacock is a former convener of Highland Council. That level of attendance shows the importance of the issue. The fact that four ministers found time in their diaries to attend Margaret Ewing's debate indicates the support that there is on this issue.

I also associate myself with remarks made by colleagues who have pointed out the important improvement that Sarah Boyack has made in taking the PSO forward. The only point on which I disagree with Margaret Ewing is that, for me,

Dalcross signals a point on the way home rather than a point of getting home.

I take Struan Stevenson's point—

Stewart Stevenson: It is Stewart Stevenson.

Tavish Scott: I take Stewart Stevenson's legitimate point about providing services. The argument about services in the Highland and Islands—I think that, with respect, Mary Scanlon slightly missed it today—is about the cost of the service. Whether to a businessman or a family trying to get away, that issue is just as important as any other.

Routes in the Highlands and Islands can grow and Inverness can be the hub that Maureen Macmillan quite rightly talked about, but that can happen only if there is an imaginative approach from the airlines, particularly British Airways. As members have highlighted, we have lacked such an approach in the past and at the moment I am worried that the issue will go backwards rather than forwards. The arguments for the Inverness to Gatwick PSO are extremely important, because I am concerned about British Airways' commitment to the Highlands and Islands. I am not persuaded by the argument that such routes cannot grow; they can, but it will take imaginative pricing policies.

I find it a source of great regret that ever since I was elected to Shetland Islands Council in 1994 I have made exactly the same arguments to British Airways about cutting prices—providing family tickets and so on, which other colleagues have made in other places—and the company has never accepted the challenge. After 11 September, I can fly with my daughter to Prague for £65 but my ticket home to Sumburgh tomorrow will still cost £400.

I do not expect Lewis Macdonald to respond this evening to the first of my two final points, but perhaps in the fullness of time he will tell me in writing whether he will consider PSOs for the northern isles and other areas. British Airways has the monopoly in those areas and I believe that PSOs should also apply there. I do not want to detract from the arguments that Fergus Ewing and other members have made for a PSO between Inverness and Gatwick. Although those arguments concern economic regeneration and growth, I am sure that members will not lose sight of the need for companies such as British Airways to examine the cost of flying, which is such an issue for us all.

16:42

Alex Neil (Central Scotland) (SNP): As a Central Scotland MSP, I very much want to speak in this debate just to register the support of people from outside the north of Scotland for the

development of Inverness airport. I am quite glad that the two Central Scotland MSPs in the debate are Andy Kerr, who is the convener of the Transport and the Environment Committee, and me, the convener of the Enterprise and Lifelong Learning Committee.

It is extremely important for the rest of Scotland that the Highland economy reaches its full potential. Last night, I was reading the latest newsletter for Highlands and Islands Enterprise. It pointed out that, for the first time in many a long year, there is net immigration into the Highlands and Islands and that there is a skills shortage in many sectors in the area. Unless we address that shortage, the Highlands will not be able to realise its full potential. A key means of solving the shortage would be a hub-to-hub connection from Inverness to London, Schiphol and other hub airports, which would be essential to the expansion of the Highland economy and allow it to realise its full potential.

I appreciate the arguments about whether we should concentrate only on the campaign for the PSO or whether we should be doing other things as well. As I fought for years to save and then to expand Prestwick airport, my advice is to move on all fronts at once. Although members should campaign on a united front for the PSO, they should not treat that issue and encouraging other carriers such as Ryanair and Go—if there is any chance that they will fly into Inverness as well—as mutually exclusive.

The lesson that we learned from the Prestwick airport campaign was that putting all our eggs in one basket means running a very big risk if nothing comes off. If we move on a number of fronts and one or two of them come off, we are sailing. [*Laughter.*] I mean flying, not sailing. Prestwick is now the fastest growing airport in the whole of the UK, with passenger growth last year standing at about 30 per cent. If we can get Inverness into that position, that will be a huge bonus not just for Inverness airport and Inverness, but for the Highlands and Islands.

Although I have a lot of sympathy for Mary Scanlon's arguments, they are not particularly the subject of today's debate.

The change of ownership at Prestwick, from the British Airports Authority to a local company, initially, was an essential ingredient in turning Prestwick around and making it a successful airport. I hope that the minister will address those medium-to-longer-term issues as well.

The development of the Highland economy is essential, and the development of Inverness airport is essential to make that happen. I hope that we will not see a united front just from the MSPs from the Highlands and Islands and the

north-east, but from all MSPs. All 129 of them should put their elbows and shoulders behind that development, as it will be an enormous benefit to the whole of Scotland.

16:45

Mr Duncan Hamilton (Highlands and Islands) (SNP): I am not sure how one can put one's elbow and shoulder behind something at the same time: it conjures up the image of a game of political Twister, which Alex Neil is perhaps better at than I am.

I do not want to restate the points that have been made, but I shall pick up on one or two of the things that Fergus Ewing said. He was right to make the point about Inverness being a localised hub. I am sure that the minister will take that on board. Fergus also says that he suspects—because of his particularly cynical view of life—that, with an election looming, there may be movement on this issue. Frankly, we do not care what gets it going; as long as there is movement on some basis, I am sure that all members will welcome it.

Margaret Ewing mentioned the importance of tourism to the local economy. I shall take the example of where we are at the moment and tie it into the rest of the Executive's strategy, which is about refocusing more towards the European Union and trying to increase our visitor numbers from there. Alex Neil mentioned the unity among members, and in other Parliaments, on the case for the PSO. We must also push the case for low-cost, direct flights. Kenny MacAskill and Winnie Ewing made that case on Monday, and it is worth making in tandem. It is not a diffusion of the issue.

Rhoda Grant: I would be interested to know how much subsidy would be required for those low-cost airways and how Duncan Hamilton would speak to people in his region and in Tavish Scott's constituency to sell them the idea that money would be used to subsidise those airways while people such as Tavish would still have to pay £400 for a lifeline route.

Mr Hamilton: I am not sure that I can give the member a detailed breakdown. If I were a minister, I might say that I would be happy to write to her.

Let us remember that low-cost airlines are given such deals all over Europe. European airports are clamouring to get on board that idea. The question is what members can do to improve the lot of their constituents. I suggest that we consider what has happened in Brussels, Paris, Frankfurt and Glasgow and look at the figures for the growth in passenger numbers between 1994 and now. There has been 550 per cent growth at Prestwick, compared with 29 or 30 per cent growth at Inverness. I would say that we have a problem

there. As the operator, or the body that controls Highlands and Islands Airports, the Executive has the responsibility of making the deal.

Maureen Macmillan: Will the member give way?

Mr Duncan Hamilton: No, not at this point.

Why should people in the Highlands and Islands be uniquely badly placed to access low-cost airlines? When the local economy is struggling, anything that we can do on every front should be pursued. That should not be regarded as fracturing consensus; it would be building on the consensus and confirming that we all agree with the PSO. On top of that, we should do what we can to encourage economic growth in Inverness. If the passenger throughput increases, surely that is an argument for the security of Inverness airport and economic prosperity. In the long run, does not that take us all the way back to Stewart Stevenson's point? Is not the position where PSO is not needed, because the consumer base and the business market are in place, the real element of economic regeneration behind which we should all unite?

The Deputy Presiding Officer: I call Lewis Macdonald to respond to the debate for the Executive. We must be finished by 5 pm.

16:49

The Deputy Minister for Transport and Planning (Lewis Macdonald): Thank you, Presiding Officer. I will take your warning to heart.

I welcome this debate on Margaret Ewing's motion, which has provided further evidence of the breadth and strength of support for the approach that the Executive has taken to protect existing access from Inverness to Gatwick as the strategic route that links the Highlands and Islands to London and the wider world. I welcome the constructive speeches that have been made by colleagues on all sides of the chamber.

Maureen Macmillan mentioned the key role played by David Stewart MP, who has championed this issue for many years in another Parliament. I acknowledge the key role that Westminster colleagues will continue to play, given that the next stage in the process lies with the House of Commons.

Perhaps Mary Scanlon would have been better to take a further hour to write her speech. I was disappointed by the way in which she allowed herself to digress into a different topic. Likewise, Duncan Hamilton appeared to show little appreciation of the difference between Prestwick and Inverness, which I found somewhat surprising. That is a different debate for a different day.

We all recognise that, since the withdrawal of Inverness's link to Heathrow in 1997, it has been important for ministers in the Scottish Office and, latterly, in the Scottish Executive, to keep a watching brief on that route. At that time, assurances were given on the operator's commitment to the Gatwick route, which replaced the link to Heathrow. However, those assurances related to the first three years of that operation and they have now expired. In addition, the operator—British Regional Airlines—has been acquired by British Airways. For those reasons, we have focused our attention on the security and long-term future of the service. At the same time, we clearly recognise that, whatever the short-term downturns may have been in recent weeks, the long-term pressures on the London hub airports will continue to increase.

Members from all sides of the chamber recognise the great concern that was felt in the Highlands when the Heathrow link came to an end in 1997. Peter Peacock and many others in the chamber were involved in expressing that concern. I understand the temptation to seek to reopen that issue at this stage, but I believe that we should resist that temptation, for reasons that I will explain in a moment.

The focus today is on how the links operate at present and how we should protect them. For obvious commercial reasons, airlines seek to maximise their returns from the slots that are available to them. They use those slots for the highest yield services that they can obtain, whether continental or further afield. In general, domestic services struggle to compete on yield. Given those circumstances, we recognised that the Gatwick service was in danger of becoming dependent on what was in the best interests of the operator rather than on what was best for the wider community.

We recognise that the Gatwick route is still not up to the level of passenger usage that was achieved by the Heathrow service at its peak. The point has been made that BA has not indicated any intention to discontinue the Gatwick route. On the contrary, and as was said in the House of Commons yesterday, BA has said that it has no such plans. However, in the absence of long-term guarantees, there is a clear need for us to examine what action can be taken to secure the future of the link.

Mr McGrigor: The fact that passenger numbers are not what they were for the Heathrow route is surely because Heathrow is a much better airport for getting to other places.

Lewis Macdonald: I will address the Heathrow question in a moment—I realise that that question has been brought into the debate. In the first instance I want to explain what we have done to

protect the Gatwick slot. My officials have worked closely with the local authority and the local enterprise company on the mechanisms that are available to us to do that. We agreed with them that the best way forward is the development of a PSO on the Gatwick route, recognising that that route is of vital importance to the economic development of the area and offering it a degree of protection and security.

We focused on the economic benefits that derive from having access to Gatwick airport, which is a London hub that provides the Highlands with a gateway to the world, a useful platform for the promotion of the area and a link that is good for business, good for the local economy, good for inward investment and good for tourism. The Highlands is an area that is heavily dependent on exports and on access to the wider world. In recent years, the area has made great strides in improving its economic base. We are committed to the view that the benefits of the area should not be diminished through the loss of the vital link with London.

Mrs Ewing: I do not think that any member doubts the sincerity of the arguments that are being propounded in connection with the PSO, but they want to know about the time scale that is involved, as that is of critical importance.

Lewis Macdonald: My eye is on the deputy presiding officer's clock and I am keen to make progress so that I can address Margaret Ewing's point later.

To address other questions that can reasonably be raised, it is important to spell out the nature of the case. The peripherality of Inverness and the dependence of the Highlands on air transport are unusual in UK terms. A point was raised about what other countries do, but it is critical to our case that Inverness and the Highlands and Islands are unique in a UK context and must be considered separately from the wider issues. Other transport links from the north of Scotland cannot provide an adequate substitute for the established air links. The absence of a fast alternative adds weight to the PSO case, which is strong.

The imposition of a PSO would allow, as a secondary but critical effect, the ring-fencing of the Gatwick slots, which is necessary for the continued operation of the service. The case is not about the acquisition of new slots, but about ensuring that vital existing slots can be guaranteed for the existing service.

That brings me back to the question of Heathrow, which a couple of members raised. We are vigorously pursuing the case for the PSO on the Gatwick route. Part of that case is that that specific route is of vital importance to the Highland economy. We must be able to demonstrate that

the maintenance of that route is critical. I urge all who support that PSO case and who want it to succeed not to dilute the strength of the case by broadening it too far.

The legal powers that might exist to reacquire slots at Heathrow, for example, are debatable at best. The clear route forward is to impose a PSO at Gatwick. That is the route that we should follow, to protect what we have.

Members have acknowledged the initiative that we have taken and have asked where we should go from here. In response to Fergus Ewing's earlier question: we want a PSO implemented now. He asked whether we will await the outcome of the aviation policy review and the debates over terminal 5. It is because we do not want to wait for those matters that Sarah Boyack wrote to the Department for Transport, Local Government and the Regions at the beginning of October to make the case for a PSO being implemented now. We recognise that, in the light of recent events and the changes at Inverness, early implementation is critical.

The message that I am sure David Stewart and his colleagues will have conveyed to David Jamieson this morning is the same as that which we convey on a regular basis—the sooner the better. Talks are on-going—even as we speak. I will reverse the usual order of proceedings by using the closing speech to welcome officials from the Department for Transport, Local Government and the Regions, who have joined us during the debate and who are in Scotland to talk to my officials about the case that we are making.

Today's debate will have strengthened our case. The vast majority of speeches focused on the critical questions that sustain and underline our case for a PSO on the Gatwick route. We will continue to pursue those negotiations and we welcome the continuing support of members of all parties. I look forward to an early and successful conclusion to the matter.

Meeting closed at 16:58.

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