

MEETING OF THE PARLIAMENT

Wednesday 23 March 2005

Session 2

£5.00

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Scottish Parliament

Wednesday 23 March 2005

[THE PRESIDING OFFICER *opened the meeting at 14:38*]

Time for Reflection

The Presiding Officer (Mr George Reid): My apologies for the late start. As members can probably see, we had some computer problems.

The first item of business, as on every Wednesday, is time for reflection. Our time for reflection leader today is Christine Riddoch, who is diocesan youth officer in the diocese of Paisley.

Christine Riddoch (Diocesan Youth Officer, Diocese of Paisley): This is holy week, which concludes with the celebration of Christ's resurrection at Easter. Easter speaks of new life, a fresh chance for humanity and new beginnings. We prepare for Easter in a period called Lent, which is an old Anglo-Saxon word that means springtime. Springtime means new life, fresh chances and new beginnings. We see those above all in nature, but the church also attaches the idea to our human nature, which has an opportunity for new life, a fresh chance and new beginnings. In Lent we pray, fast and give alms. In other words, we look at our relationship with God and with our neighbour and at how we care for ourselves.

Working with young people enables me to see the new life, fresh opportunities and new beginnings that young people bring to our nation. I see them searching for meaning and purpose in life. I see their great generosity to those in need. I see their need for affirmation and self-esteem. We claim that young people are important and that their talents, skills and personalities help to shape our country. However, too often, they are made to feel that they are part of a problem rather than part of the solution. They need affirmation in actions, as well as in words; an education that responds to their needs, talents and gifts, not one that responds simply to the needs of the labour market; and resources and facilities that allow them to express themselves constructively, rather than denigration for hanging around the streets. Too often, young people feel that they are being pressured, without anyone really trying to help.

You, our young Parliament, promised a new beginning and a fresh start for the peoples of Scotland: a new way of doing politics. You have been on a steep learning curve and you certainly know what it is like for your talents and gifts to go unappreciated. Please engage with young people in a real dialogue, rather than simply telling them

what is good for them and what is bad about them. You will find many points of agreement with them: the desire for a Scotland free of sectarianism, racism, poverty, abuse and ignorance, and for a Scotland with decent employment and opportunities for them to bring up their families with pride and serenity.

We sometimes wonder whether we have been worthy of the generations who came before us. I wonder whether we are worthy of the generations who are coming after us.

Let us pray.

Lord, we pray for Scotland, that all its citizens will recognise the good in one another. May we all work to be a nation of which we can be proud, because we shine as an example of community for all to see. Amen.

Happy Easter.

Enterprise Culture

The Presiding Officer (Mr George Reid): The next item of business is a debate on the subject of growing an enterprise culture. The debate will be concluded without any questions being put.

14:42

The Deputy Minister for Education and Young People (Euan Robson): I am pleased to open this subject debate this afternoon. I am joined by my colleague Allan Wilson, the Deputy Minister for Enterprise and Lifelong Learning, who will close with an outline of the many ways in which the Executive is working with Scottish business and higher education to promote growing an enterprise culture in Scotland.

Our future economic development and prosperity will rely on a culture in which enterprise and entrepreneurship are the norm and not the exception. Although people of all ages will be involved, none will have a more important role than our young people. I therefore intend to focus my remarks on what is happening in education to make our aspirations reality.

Last November, Peter Peacock and I launched “ambitious, excellent schools: our agenda for action”, the most comprehensive modernisation programme in education for a generation. Our agenda builds on the investment and successes in education that we have seen in recent years and sets out our plans to bring a transformation in ambition and achievement through higher expectations for schools and school leadership, greater freedom for teachers and schools, more choice for pupils, better support for learning and tough, intelligent accountabilities.

An early priority on our agenda is to take forward “a curriculum for excellence”, which is designed to increase choice and flexibility in learning. That ambitious programme will ensure that, although literacy and numeracy remain at the heart of learning, the curriculum will equip children with the skills, understanding and knowledge that they need for life and work.

The curriculum will be designed to enable all young people to become successful learners, confident individuals, responsible citizens and effective contributors, and will reflect the needs of children, teachers and, critically, employers. Specifically, it will allow more opportunity to study subjects in depth, but still within a broad curriculum. It will provide more time for music, drama, sport and work-related learning, which is an area on which I will expand in a minute or two. It will smooth the transition between different stages of education and offer teachers more

space and time to design learning to suit the needs of young people.

That freeing up of the education system will provide the soil in which “Determined to Succeed”, our enterprise in education strategy, will have the space to thrive. That is crucial. At a time when our population is aging, it is vital that no one’s talent is wasted. Scotland’s future prosperity depends on all its people achieving their full potential, both at school and in the workplace.

Workforce planning will become ever more crucial. Tomorrow there will be a need for individuals who are not only highly skilled but multiskilled. “Determined to Succeed” is intended to engender enterprising attitudes and skills through learning and teaching across the curriculum. That starts in primary 1. We want all our young people to be taught, and to learn, in a more enterprising way; we want them to develop the skills of creativity, problem solving, team working and communication to ensure that they are better prepared for the world of work.

Part of that can-do approach is about being prepared to take sensible risks and to have a go. It is also about being able to accept failure and to view it as something from which to learn, something from which to recover and something on which to build future success. That is crucial to achieving our wider economic priorities.

Brian Adam (Aberdeen North) (SNP): The minister has set out his stall. How will we know whether he has succeeded or failed in his ambitions? What price is he prepared to pay for his failure?

Euan Robson: I do not intend to fail. As Brian Adam well knows, such matters are measured in tough, intelligent accountabilities. The inspections by Her Majesty’s Inspectorate of Education will tell us the success of “Determined to Succeed”.

“Determined to Succeed” is about providing three sorts of experiences. First, it is about providing more enterprising learning. We want every youngster to take part in an enterprise activity as an on-going and integrated part of their school life. Secondly, it is about providing more vocational experiences and learning opportunities in the workplace. Thirdly, it is about providing more chances for young people to work together—for example, in running their own mini-businesses in schools.

Significant progress has already been made in the two years since the strategy was launched, as I saw on my recent visits to Lawmuir Primary School in Bellshill and to Broomlands Primary School in Kelso in my constituency. It is becoming increasingly evident that pupils, teachers and business partners are benefiting from enterprising approaches to learning and teaching.

We have carried out research to gauge how enterprising young people and children are in order to set a baseline measure against which future improvements can be assessed periodically. We will publish that early next month. HMIE has produced quality indicators as a resource for schools and local authorities to use in delivering high-quality enterprise in education experiences.

Margo MacDonald (Lothians) (Ind): I thank the minister for giving way so early in his speech. I appreciate the strategy and its objectives, but I would like him to come up with examples from our competitor economies and nations that would put flesh on the bones for us.

Euan Robson: I do not have all the details with me, but I assure the member that we will use assessment of what is happening in competitor countries—especially those in the European Union—to inform the policy as it develops.

From the outset, we have recognised that “Determined to Succeed” will take root only if we work directly with those organisations that are responsible for delivering it. That means that local authorities are at the heart of our approach. They must own “Determined to Succeed”, must drive it forward in their schools and must engage and, indeed, enthuse their teachers. The signs so far are good.

Local authorities are doing impressive work. The education for work and enterprise agenda has been active for some time; I emphasise that it is not completely new. There are teachers the length and breadth of Scotland who are already equipping their students—and have been doing so for years—with enterprising skills and the confidence and self-esteem that flow from them.

Strong leadership is required if we are to spread good practice throughout Scotland. Good initial teacher training and continuing professional development both have a role to play in that. We have already set in train a pilot model on initial teacher education that will help to promote enterprising behaviours, aid integration with university faculties and develop teachers’ use of research. Our teachers for a new era programme is being piloted at the University of Aberdeen. It is receiving joint funding from the Executive and the Hunter Foundation to the tune of £1.8 million.

Mr David Davidson (North East Scotland) (Con): The minister mentioned leadership, so perhaps he could tell us what leadership the Executive plans to show in the teaching of science, the procurement of science teachers and encouraging general interest in science in Scottish schools.

Euan Robson: I do not have time to go into our science strategy now. It would be best if I sent the member all the details on that strategy, which we are developing dramatically.

The new framework of continuing professional development is one of the many positive outcomes from the teachers agreement. Over time, that will become embedded and the teaching profession will be the richer for it. I am delighted that, so far, more than 11,000 teachers have participated in enterprise in education training as part of their continuing professional development.

“Determined to Succeed” is not just contributing to the modernising agenda that is set out in “ambitious, excellent schools”. It is helping to shape it. For example, prompted by the recognition that strong leadership is central to effective enterprise in education, our pilot head teacher leadership academy at Columba 1400 is evolving into a wider programme of leadership opportunities within CPD.

Colleges, too, have a vital role in promoting an enterprise culture. The Executive launched a review of collaboration between schools and colleges in October 2003. The review considered, among other things, how best to implement the partnership agreement commitment to

“enable 14-16 year olds to develop vocational skills and improve their employment prospects by allowing them to undertake courses in further education colleges as part of the school-based curriculum”.

We plan to deliver that commitment by developing with the Scottish Qualifications Authority new vocational skills-for-work qualifications for secondary 3 and 4 pupils as an option choice. Those courses will be fully implemented from 2007-08 and will be predominantly delivered through school-college partnerships. Pupils of all abilities in S3 and above will be considered for the college courses. All secondary and special schools will have effective links with at least one further education college for pupils in S3 and above and colleges will receive an automatic fee waiver for those enrolments. Options will be made available to school pupils as they are made available to other students in further and higher education on the basis of available capacity.

Jim Mather (Highlands and Islands) (SNP): The minister has read us an impressive list of factors that will produce a line of young, talented Scots. Given that we want to create an enterprise culture, what measures will he put in place to retain them, attract them back if they go away, and attract others and root them here in Scotland to be part of and to build that enterprise culture?

Euan Robson: When he concludes the debate, Mr Wilson will explain the many ways in which we are developing economic opportunities in Scotland. Our aim is to publish a strategy for schools and colleges in the next few months for implementation from academic year 2005-06 on.

Another important initiative is the development of four skills-for-work courses, which will be piloted

in the coming academic year. They will widen choice for 14 to 16-year-olds, providing clear progression to further education, training or employment. They will recognise the achievement of young learners and will improve the perception of vocational subjects. They will seek to develop a young person's employability and core skills, as well as specific vocational skills. Initially, courses are being developed in construction, early education and child care, financial services, and sport and recreation, and further courses will be developed next year and later.

I emphasise again that the strategy is for all young people. Looked-after young people deserve the same chances as other young people. Making the transition to independent living, including making choices on continuing education or training, is one of the most daunting phases in any person's life. For young people leaving care, there can be additional barriers and the support that they get to sustain their chosen path and to thrive is vital. Ministers are clear that looked-after young people should be given the support that they need to achieve their full potential, including their academic potential.

Of course, we need to engage with parents and carers too. We want them to see what we are doing, so that they can continue to encourage the spirit of enterprise in the home and to see vocational options as the first-rate opportunity that they represent and as a way of providing the right option for the individual young person.

"Determined to Succeed" also demands that schools and employers work together. We have made it clear that "Determined to Succeed" is not just about promoting business to schools, nor just about creating entrepreneurship. That said, teachers have much to learn from their business counterparts and businesspeople have much to learn from teachers. Partnerships between education and business offer valuable opportunities to unite experiences, expertise and professional skills and to ensure that both the content of learning and teaching and the way in which we go about delivering it will nurture a can-do, will-do attitude in all our young people.

In 2003, we invested £42 million in the "Determined to Succeed" strategy, and there will be a further £44 million from 2006, making a total of £86 million over five years. In my view, and in the view of other ministers, that investment is essential, and it is made against a backdrop of existing success, which augurs well for Scotland's future. That funding will give more young people the chance to experience the sort of learning that will let them take their place as the entrepreneurs and enterprising employees and employers of tomorrow.

The debate is an opportunity for Parliament to explore and exchange ideas about how this can

be taken forward for the benefit of all Scotland's young people and our economy in the future. "Determined to Succeed" and "a curriculum for excellence" are both work in progress and I commend them to the Parliament.

Alasdair Morgan (South of Scotland) (SNP):

On a point of order, Presiding Officer. At least twice during his speech, the minister told us what the minister who is responding to the debate will tell us, although he did not spell it out in detail. How can members sensibly contribute to the debate when the minister who is winding up will not respond to the debate but introduce substantial new material?

The Presiding Officer: I have some sympathy with that point but, like Alasdair Morgan, I have no way of knowing what the minister will say in his winding-up speech.

14:56

Jim Mather (Highlands and Islands) (SNP):

We share the aspiration of an enterprise culture and acknowledge the need to have such a culture in Scotland. We welcome some of the worthy practical things that have been done, especially in our schools, supported by the Hunter Foundation and others. We welcome in particular what has been done to build on the basics—the discipline, entrepreneurial awareness and innovation and flair that many Scots kids show to a great extent. However, we worry about retention because we are saddened that the Executive continues with a strategy that is the equivalent of trying to bake bread without yeast, for economic management within the United Kingdom union has failed during my lifetime—all the figures are there to prove that assertion.

That is tragic, because Scotland is awash with huge latent and current potential. Scotland has virtually all the attributes of Ireland and Norway, yet we are nowhere near the growth or living standards that are achieved by our small, flexible and competitive neighbours. We have a political establishment—

Ms Wendy Alexander (Paisley North) (Lab):

Will the member give way?

Jim Mather: If Wendy Alexander lets me finish this statement I will let her in, because it refers to her. We have a political establishment that disgraces itself by telling the people of Scotland that they cannot emulate the Irish and the Norwegians. That is Wendy Alexander's entrée.

Ms Alexander: Is the member suggesting that we emulate the current Norwegian growth rate, which I understand is lower than the rate that we are currently experiencing in Scotland?

Jim Mather: I have frequently been castigated for quoting current short-term growth rates. I am referring to the growth rate over 30 or 40 years, which has given Norway an £89 billion oil fund for future generations and has given it pretty much the best living standards in western Europe.

That is why I ask myself why the Executive had the temerity to call this debate. Is it an attempt to brazen out the powerlessness and disastrous performance of recent years? Is it an attempt to persuade people that the situation is much better than it really is? Is it an attempt to refurbish and renew the false-hope syndrome that has kept the Executive parties in power and has condemned Scotland to falling further and further behind in terms of growth and competitiveness? Is it a futile attempt to persuade the Scottish National Party to stop pointing out the core problem, which is the Executive's refusal to grasp the full power to compete? The debate will achieve none of that because ours is a winning argument, as it is the commonsense route that is taking root in the minds of people throughout Scotland. *[Interruption.]* Mike Pringle's turn will come.

Our critique is exclusively focused on the Executive's disastrous economic management. The Executive's painful stewardship of the Scottish economy is making it look increasingly like the victim of a winner's curse because, having formed a Government wedded to the status quo and the so-called top priority of economic growth, the Executive has in effect told us that convergent economic growth could be achieved under the current settlement, only to find out that that could never be done. The Executive now finds itself hoist by its own petard. The Executive is not enterprising. It has many glossy documents and many initiatives—I have said that some of those are worthy and worth while—but if it does not have the powers to drive, hone and retain competitiveness, those initiatives are totally undermined.

Mike Rumbles (West Aberdeenshire and Kincardine) (LD): Surely Jim Mather is not suggesting that the only way to grow an enterprise culture in Scotland is to take the independence route and that unless we do, we cannot grow such a culture.

Jim Mather: I am saying that it is necessary to have the competitive economic powers to ensure that we retain the wealth that we create. We currently have holes in the bucket, out of which flow the talented people whom the minister just told us about, the fledgling companies that we spend vast amounts of money building up and the intellectual property of our universities, which lack the headquarters here to capitalise on that.

We need that base if we are to move forward. The Executive does not understand the need for

such a structure or the need to be competitive. It is buffered from that reality because it does not raise its revenue or even set its own economic forecasts.

Bristow Muldoon (Livingston) (Lab): Mr Mather suggests that the only way to economic prosperity is through being a small, independent European nation. Will he explain why, in a recent study of 61 leading European cities, the city that led the field for competitiveness and gross domestic product per capita was Frankfurt, which is not in a small, independent country?

Jim Mather: Yes, I will—and I will explain more than that. In the International Institute for Management Development survey, Scotland was ranked 36th out of 60 countries, whereas the UK was ranked 22nd. There is no level playing field. I represent the Highlands and Islands and I suggest that if Scotland is ranked 36th, it is likely that the Highlands and Islands would be ranked 50th. We must level the playing field to be fair to the rest of Scotland and Scotland as a whole and to allow us to retain the talent that the minister described. The minister described how we are developing talent, which by and large will be motivated to move away, as many people do.

Bristow Muldoon: Will the member give way?

Murdo Fraser (Mid Scotland and Fife) (Con): Will the member give way?

Jim Mather: Bristow Muldoon has had his turn. I will give way to Murdo Fraser.

Murdo Fraser: If we are to have a competitive economy, we must attract entrepreneurs. How will the SNP's plans for a local income tax, which will hit high earners, encourage entrepreneurs to come to Scotland?

Jim Mather: We sounded out entrepreneurs on the matter and the compensating bookkeeping entry of lower corporation tax woos many of them. Murdo Fraser is a fan of that proposal, which would work.

I encounter such negativity only in the Parliament. In the rest of Scotland, when I meet real people and real businesspeople, I meet enthusiasm about what we are putting forward.

The Executive has tied Scotland to a high-risk strategy that hopes that our neighbours in the UK will prosper and be generous, while the rest of the world becomes more competitive and we pay the heavy price of population decline, which puts economic growth out of the window, and the lowest life expectancy in Europe.

Jeremy Purvis (Tweeddale, Ettrick and Lauderdale) (LD): The most recent census showed that more people from other parts of the UK moved to Scotland than vice versa. How does

the member explain the net increase of 2,500 people in Scotland?

Jim Mather: If Jeremy Purvis had read today's edition of the *Financial Times*, he would have learned that the United States economy has grown because the economically active population has grown by 1.4 per cent in 10 years, whereas the growth rate of the economically active population was 0.4 per cent in Europe and the UK and negative in Scotland. We are exporting the young people for whom the minister is developing a production line and importing older people. That is why we are in bad shape.

According to the recent "Lisbon Scorecard V", the European economies are failing in their attempts to develop the most competitive, knowledge-based economy in the western world by 2010. The report describes that forecast as "now embarrassing". The problem for Scotland is that leading economies regard Scotland as tagging along behind them in its current powerless position. Our data on growth, population and competitiveness demonstrate that the current policies are wasting Scotland's potentially winning hand. The authors of the Lisbon scorecard report describe how, as the European Union continues to slide backwards in comparison with US and other economies—

Christine May (Central Fife) (Lab): The member has not yet outlined what the SNP would do—outwith independence—to improve the economy. Will he do so?

Jim Mather: That is like a person interviewing a Christian and saying, "You can say anything you like, as long as you don't mention Jesus Christ your lord and saviour." It is utterly crass. We have a solution that will work: every other normal country on the planet uses it, but we are asked not to use it. Christine May should behave herself.

The key issue is that, without independence, Scotland will not have even a 0.4 per cent annual increase in its economically active population. We will lose 20 per cent of our economically active people by 2043, which undermines the proposition that we are debating and demands action to solve the problem. The Lisbon scorecard from the Centre for European Reform is important, because it highlights the need for pan-European economic reform. It does so in stark terms, saying that the need for economic reform has never been greater if Europe—and its social model—is to hold its head up high in the global marketplace. The report goes on to say:

"nobody is going to buy into the values of a declining civilisation".

It also paraphrases Voltaire by saying:

"if the EU did not already have an economic reform agenda, it would urgently need to devise one".

If that is true for affluent, successful Europe, it is certainly true for Scotland—and yet, tragically, ministers show no sign of even devising a reform agenda.

That takes us back to the nub of the issue. The core problem concerns the necessity of having the powers to compete. Many of our autonomous European neighbours acknowledge that and do something about it.

Jeremy Purvis: Will the member give way?

Jim Mather: Jeremy Purvis has already been in once.

The idea is fuelled by last week's call in *The Economist* for more fiscal powers to be given to national Governments. That has become almost a weekly call in *The Economist*; we read it week in, week out. The call is being heard elsewhere. This week, Chancellor Schröder announced plans to cut German corporation tax from 25 per cent to 19 per cent, in order to compete with the new European Union member states. It is guaranteed that moves will follow from the Danes and the Dutch to maintain their competitiveness. Meanwhile, we are sitting on our thumbs. That is simply not good enough.

I commend the SNP's alternative, aspirational view to the chamber.

15:05

Murdo Fraser (Mid Scotland and Fife) (Con): I welcome this opportunity to debate an important issue. Today was supposed to be the day we had our strike. Of course, it was called off—although I see that nobody has bothered to tell the Scottish Socialist Party. I wonder whether the topic of today's debate was chosen on the ground that those of us who are most interested in enterprise would be most likely to cross picket lines, but perhaps I am being unduly cynical.

The Executive is quite right to identify the need for an enterprise culture in Scotland. Our record of economic underperformance is well known and has often been debated in Parliament. Our gross domestic product's growth lags behind that of the UK as a whole. The hardest-hit sector of our economy is manufacturing; exports and output continue to fall. We found out last week that a million UK jobs have been lost in manufacturing since 1997. Because of Scotland's historic manufacturing strength, that has hit our economy especially hard. It is worth remembering that in the early to mid-1990s Scottish manufacturing was performing at record levels. Sadly, we have gone into reverse since then.

Other figures are no more encouraging. The figure for business start-ups has fallen since 1997 and the gap between our performance and that of

the UK as a whole has widened. According to figures from major Scottish banks, the number of new business start-ups has fallen over the past year. Most worrying of all is that figures from the Global Entrepreneurship Monitor demonstrate that entrepreneurial activity is in decline and that Scotland continues to lag behind the UK as a whole. Again, the gap is widening. In 2004, the proportion of Scots who expected to start a business in the following three years was 6.6 per cent. The figure for the UK was 9.5 per cent. That is a very worrying gap.

Why are we performing so badly? Is something innate to the Scottish character that means that we cannot be entrepreneurs? I cannot believe that that is the case. If we look throughout Scottish history, we find examples of great entrepreneurs who grew businesses in Scotland and throughout the world. In the Victorian era, Scotland probably had the most successful economy on the planet. In addition—as has been demonstrated by eminent historians such as Michael Fry, in his classic work “The Scottish Empire”—[*Laughter.*] I knew that members would enjoy that. As he demonstrated, Scots travelled throughout the world to build hugely successful enterprises. Andrew Carnegie made a fortune from steel. A Scottish company, Jardine Matheson, made the economy of Hong Kong. I therefore cannot believe that there is anything innate to the Scottish character that makes us poor at creating wealth.

What makes an entrepreneur? Undoubtedly, one of the major drivers is economic necessity. Anyone who has travelled in the third world—in sub-Saharan Africa, for example—will have seen people turn their hand to anything to earn a crust. They will have seen people selling goods at the roadside or offering to perform basic services simply to make enough money to live. For such people, necessity is the mother of invention. We are fortunate that we do not face such circumstances here.

Brian Adam: Is the member suggesting that we Scots are not sufficiently oppressed yet, and that we need that kind of driver in order to be entrepreneurial?

Murdo Fraser: I am not suggesting that at all—although some socialists would no doubt like us to be oppressed by the state. However, that is not part of my agenda.

We in Scotland live in a more comfortable world. In our world, our attitude to risk is a major factor in determining whether people become entrepreneurs. The potential rewards from starting one's own business are much higher than the rewards of being in business for someone else. However, starting one's own business also carries the risk of failure. If the risk-to-reward ratio gets out of kilter, there is a disincentive for people to

start businesses. I fear that that is a major factor in our economic underperformance.

Much has been written about the size of the public sector in Scotland. We believe that the public sector consumes as much as 54 per cent of GDP. I cannot believe that that has anything but a negative effect on an enterprise culture. Consider a young Scottish graduate looking for a career. If he or she picks up any Scottish newspaper on a Friday, they will see that it is full of public sector jobs, which are usually well paid, well pensioned and very secure. Jobs in the private sector may be better remunerated in some cases, but they will be less well pensioned and undoubtedly less secure. What graduate who is considering the best future for himself or herself and his or her family will, in those circumstances, opt for a job in the private sector? Worse still, what graduate will risk setting up his own business with all that might follow that? I have no doubt that the size of the public sector militates against people taking risks.

We have to ensure that we have an environment in which entrepreneurial activity is encouraged. Above all, that means having a competitive economy. The International Institute for Management Development rankings for 2004 placed Scotland 36th—14 places behind the UK at position 22, as Mr Mather stated. Among economies that have a population of fewer than 20 million, Scotland was ranked 21 out of 30. On the extent to which Government policies were conducive to competitiveness, Scotland ranked even more poorly, at 39th out of 60.

There are serious lessons there for the Executive. The fact is that despite all the good intentions of the Executive and all the talk about growing the economy being the top priority, we continue to have an environment that is not business friendly. We continue to have business rates that are 9 per cent higher than those in England; indeed, according to the latest figures, that gap has widened. We continue to have water charges that are higher than those in England. We continue, driven by a larger public sector, to have more regulation than England has. Unless or until those fundamental issues are dealt with, we will not see serious growth in entrepreneurial activity.

I am sorry that the Deputy First Minister, who is also the Minister for Enterprise and Lifelong Learning, is not here—I thought that he would have been—because I have some points to make to him. However, he is amply supported by his Liberal Democrat colleagues in his absence.

If we want entrepreneurs, we have to ensure that rewards are available to them because—of course—entrepreneurs want to make money. Not only do they want to make money, they want to retain as much of that money as possible without it disappearing in taxes. If we want more

entrepreneurs, the worst thing that we can possibly do is to propose an increase in taxation. However—incredibly—that is what our enterprise minister wants to do; he wants to impose a 10 per cent tax hike on high earners. It is hard to imagine any measure that is more likely to deter entrepreneurs and drive the few that we have out of this country. In what country other than Scotland would the Minister for Enterprise and Lifelong Learning propose that we punish entrepreneurs?

Margo MacDonald: On measures that are more likely than is high personal taxation to drive entrepreneurs out of Scotland, how many entrepreneurs have fled Sweden, Norway or Iceland?

Murdo Fraser: I cannot give the member the exact figures. The economic growth rate in Sweden is fairly dismal, and the business birth rate there is even lower than Scotland's, so the examples are not the best that the member could have picked. We know from all the international evidence that if high earners are taxed at a high rate, they will migrate elsewhere. We saw that in Great Britain in the 1970s. I cannot believe that high personal tax rates will do anything for our enterprise culture.

Euan Robson: Does the member concede that in the 1970s marginal tax rates were up at 80 to 90 per cent, and that there is a considerable difference between 50 per cent and 90 per cent?

Murdo Fraser: Yes. There is also a considerable difference between 40 per cent and 50 per cent, as we will find out if the Liberal Democrats ever have the opportunity—which, of course, they will not—to impose their tax increases.

It is not only the Liberal Democrats' proposals on income tax that would hit entrepreneurs. Already, entrepreneurs are damaged by the graduate endowment and high business rates, both of which are the responsibility of the Liberal Democrats in the Executive. Entrepreneurs would be damaged yet more by a local income tax that would hit high earners, and which is proposed by the Liberal Democrats and—to their shame—by the Scottish nationalists. We should be looking to reduce taxes and to increase incentives for high earners in order to encourage them to come here and start businesses. Scotland needs more Tom Hunters and Irvine Laidlaws, not fewer. Any enterprise minister worth his salt would surely see that.

Jim Mather: Is that a green light for fiscal autonomy from the Tory benches?

Murdo Fraser: We need to have low taxes at United Kingdom level. Frankly, if the Scottish Executive was prepared to use its existing powers

to reduce business rates in Scotland, as we have been telling it to do for the past eight years, that would be a valuable step forward.

Ms Alexander: The member said that he would like low taxes throughout the UK. Will he enlighten us with specificity on any proposed tax cuts? I will not return to the Swedish birth rate—although we may take that up later—but while we are dealing with facts and figures, will the member comment on the fact that the percentage of Scottish employees who were employed in the public sector was higher in every one of the last four years of the Conservative Government than it has ever been under the present Administration, not least because we do not face huge levels of unemployment?

Murdo Fraser: I am not sure whether that was a speech or an intervention. I will be specific on tax cuts: we would reduce the council tax for pensioners. That is a funded commitment—we would allocate about £4 billion to meet that and other tax-cutting commitments. On Wendy Alexander's second point, many people whose jobs depend on the public sector are not directly employed by the public sector. For example, the salaries of people who work in construction in private finance initiative or public-private partnership projects are paid by the public sector, but such people are not classed as public sector employees. That accounts for the discrepancy that Wendy Alexander mentioned.

Much has been said about the supposed crisis of confidence among Scots, but I am sceptical about such arguments. It is a useful alibi for politicians to say that the economy is not going well not because of their policies, but because something in the Scottish character means that Scots are afraid to take risks. Scots do not lack drive, ambition or inventiveness; rather, they are being held back by the economic policies of the Executive and the UK Government, which work actively to put barriers in the way of people who wish to start up businesses. We must ensure that the Scottish economy becomes truly competitive, both within the UK and further afield. If we do that, we will unleash the true enterprising spirit of the Scots and our country will move forward to true economic success.

15:17

Christine May (Central Fife) (Lab): Oh dear, oh dear. I am reminded of a book by the writer Flann O'Brien that I had when I was a child which, in translation, is called "The Poor Mouth" and in which the main character, when asked, is always "cold, wet and drowned". I will try to bring some optimism to the debate, in contrast to the Opposition speakers whom I have heard.

Growing the economy is the Labour-led Executive's top priority. The Enterprise and Culture Committee, on which I and other members who are present sit, will soon begin its business growth inquiry, which will consider what innovative ideas we can pinch from other areas, on top of the currently available ones that I will tell members about.

Scotland has several world-class industries, but we realise that we need to do more to sustain and grow them and to build others. We know where we are in comparison to English regions and other parts of Europe and the world, so I will not dwell on the well-rehearsed whinges that we have heard. However, I will talk about our solutions, which have been proved to work. That will contrast with the speeches of SNP members, who have absolutely no suggestions about how to grow the economy, other than independence. It is time to make progress with positive structures and actions that will create an enterprise culture that embraces our schools, universities and young people, with the aim of growing the seedcorn for future prosperity.

"The Framework for Economic Development in Scotland" recognised that we needed to be more competitive. Our major contribution to that is our long-term investment in the basic skills and education of young people, which was amply outlined by the Deputy Minister for Education and Young People in his opening remarks.

Jim Mather: What will happen next year if the IMD survey says that we are not the 36th most competitive country but the 37th or 38th? What will the Executive throw into the pot to try to restore the balance?

Christine May: If the member allows me first to say what is being done, I will come to future actions.

We cannot develop enterprise and entrepreneurship too early. For example, Carleton Primary School, which is one of the most successful schools in my constituency, has a good enterprise link with the Velux Company Ltd, which makes windows—I am sure that members have heard of it. Our secondary schools must, although they are faced with a cramped curriculum, be encouraged to place more value on enterprise education. I am grateful for what has been done, but more needs to be done, particularly to attract teachers and others who have entrepreneurial experience. Links between the early years of secondary schools and universities, as well as colleges, need to be encouraged.

Last week, the Chancellor of the Exchequer talked about opportunities in further education and lifelong learning for people who are in work; as work patterns change, such opportunities are as

essential for them as they are for people who are out of work. We have to make it as easy as possible for our workforce to expand its knowledge and its skills base. Universities such as the University of St Andrews in north-east Fife offer business and entrepreneurial experience, and effort must be made to grow such opportunities and to grow the supporting courses in our local colleges. We are making efforts to strike a better balance between supporting business risk and protecting the rights of creditors.

Over many years, the importance of new business to the national economy has been the subject of a number of reports. We must create the conditions in which people want to, and are able to, start new businesses. The role of education is only part of the bigger picture. That picture encapsulates physical infrastructure in which the Executive is investing; access to technology, which is being supported by the Executive; good training for staff, to which I have already referred; and financial benefits. Enterprise networks are vital in supporting business start-ups, in developing and maintaining skills and in helping to create the climate that will encourage people to start businesses.

Mr Davidson: Would the member care to comment on the simple statistics about new business start-ups that were published quite recently? Between 1997 and now—a period during which the United Kingdom has been governed by Christine May's party—there has been a drop of 6.5 per cent in the development of new businesses in Scotland. Can she explain that and tell us what she will do to reverse it?

Christine May: We have set up the business start-up fund, and I am about to come on to some of the things that are being done to support start-ups of single-person businesses or microbusinesses. I think that Mr Davidson will find that very interesting. I do not make light of the fact that we do not have enough business start-ups. What I am offering members is the solutions that we are putting in place and that have been shown to be having an effect.

The modern apprenticeships programme, which is vital for the future of industry and business, has not only achieved its current targets but exceeded them two years ahead of schedule. The programme now has about 34,000 places. It is making an important contribution to the vitality of enterprise and it is enabling individuals to start businesses and to take on small numbers of staff. Innovative finance schemes, such as the microcredit scheme—which I have seen in action and which offers loans of between £500 and a maximum of £5,000—have been most successful in enabling single-person businesses to be spun out of college courses, links with employers and

our universities. Such loans can also help with child care and transport costs. The innovative scheme that gave loans to buy cars to individuals who were coming off the new deal in Fife, when the car was the only way they could get to work, is being replicated throughout the country.

Naturally I would like to see more women and minority ethnic entrepreneurs. We have a number of them in Scotland, but we do not have enough, and some such groups need different sorts of support. Women, people with disabilities, people from certain areas of Scotland and people from minority ethnic backgrounds come up against barriers even in situations where innovative ideas and energies are evident. For them, domestic responsibilities, lack of access to finance, lack of mentors or role models, loss of security and lack of available advice can all conspire to create barriers. Again, we are doing much to deal with those barriers, including mentoring schemes and the microcredit scheme that I mentioned.

John Scott (Ayr) (Con): Will the member take an intervention?

Christine May: I am in my last minute.

Finally, the icons development partnership is a new initiative that will support creative industries and tourism students, refugees and people from areas of urban and rural disadvantage in Fife, East Lothian, South Lanarkshire and Glasgow. I recommend that members examine that partnership. We have taken the key steps to creating an enterprise climate in the short term and in the long term. We will promote Scotland as a good place to live and work, where there is a high quality of life that is attractive to fresh talent from within and without Scotland.

15:25

Stewart Stevenson (Banff and Buchan) (SNP): We have to learn what has already been achieved in entrepreneurship because, in that way, our entrepreneurs can adapt and develop existing ideas. One of the key attributes of entrepreneurs, which the rest of us do not have, is blindness to the impossible. An education and parenting system that too often tells kids what they cannot do closes down options—that is not a party-political point; it is merely a practical point—but a person who does not know that something is impossible might prove that it is not. That is a critical point to hold on to when we consider entrepreneurship. It was thought for 300 years that it was impossible to prove Fermat's last theorem but, fortunately, a number of mathematicians disregarded that advice and recently proved it to be true. However, it took 150 pages of closely reasoned mathematical argument that I do not pretend to understand.

Mrs Margaret Ewing (Moray) (SNP): Shame on you.

Stewart Stevenson: One should always get the admissions out of the way first in the vain hope that the audience might faintly come on side. [*Laughter.*] Quiet please, class.

I did not know that the theme of the debate was to be a strategy for schools and colleges—perhaps, for any future debate without a motion, a faint hint from the ministers might be of some help. Be that as it may, we in the Scottish National Party are entrepreneurial and will rise to any challenge that meets us—however unexpected—because, to use the minister's words, we are determined to succeed.

I will make a couple of observations. Many members seem to advocate education as the bedrock for development of future entrepreneurship. If that is the case, it is curious that I have met few entrepreneurs who learned how to be entrepreneurs in the education system. Actually, I exaggerate—I have not met any, and if we think about what education is, we can begin to understand why that might be the case. When I was in education, if I copied from wee Jimmy's jotter on the desk next to mine, I got thumped roundly for so doing—and properly so. If, in preparing an essay at university, I had simply copied another student's existing work, I would have been punished severely. However, the reality is that, once I got into the world of work, that situation was stood on its head and I would have been punished if I reinvented what I could already acquire from somebody else's knowledge.

Christine May: Stewart Stevenson said that he is not convinced that education is the bedrock of an enterprise culture. How does that square with his support for the Irish approach, which—as everybody knows—was based on long-term investment in education?

Stewart Stevenson: I was not advocating the idea that uneducated people would make the best entrepreneurs; on the contrary, we need to acquire the set of skills that will enable us to respond to the opportunities with which life presents us. I mentioned something of which we must take account without being partisan: entrepreneurship will not be learned in the education system, but the skills that can help us when we are entrepreneurs might well be. However, the education system might teach us not to be entrepreneurs by making us risk averse. There may yet be more that we can do in the education system, but for us to be entrepreneurs the key lesson that we must learn—whether in the education system or elsewhere—is how to learn. The world will change, so the very successful entrepreneurs are those who are able to learn from and adapt to unforeseen circumstances.

In business, it is said that it is possible to tell what phase a company is in by the following means: when a company is growing and developing, engineers—be they software engineers, textile engineers or traditional lathe-based engineers—are at its heart; when the company is mature, the accountants run it; but when the lawyers run the company, nobody should put their money anywhere near it, because it is on the home straight. One of the difficulties might be that we have too many lawyers and accountants and not enough engineers. If the education system has to be reoriented, I venture to suggest that it perhaps ought to be reoriented—

Brian Adam: Re-engineered, surely.

Stewart Stevenson: I thank Brian Adam for that sedentary intervention. I venture to suggest that it should be “re-engineered” to produce more engineers.

Margo MacDonald: I do not mean to patronise the member in any way—I have thoroughly enjoyed his speech and have agreed with everything that he has said. However, on growing a generation of engineers, I point out that, if the situation remains as it is at present, we will educate them and then they will leave. That is the gap that has to be explained.

Stewart Stevenson: I am glad that our friend on the back bench has been listening to Mr Mather with such keen attention because, of course, her point is perfectly correct. Other members will address that point further.

I believe that I have the pleasure and privilege of representing the constituency whose workforce has the highest proportion of people whom I would regard as entrepreneurs—in other words, people who are self-employed. In my constituency there is something like two and three quarters times the Scottish average of self-employed people.

Earlier, Murdo Fraser talked about entrepreneurs, and mentioned “the few that we have”. Is not that rather an elitist view of what entrepreneurs are? It applies the word only to the Tom Hunters of this world, welcome as they are for their contribution to our economy. However, every entrepreneur starts with an idea and a small venture.

Murdo Fraser: For the sake of clarity, the point that I was trying to make—which is perfectly clear from the statistics—is that compared with the rest of the UK, we have fewer self-employed people and fewer start-up businesses.

Stewart Stevenson: Yes, but when he was talking about the big entrepreneurs, Murdo Fraser used the words “the few that we have”. The point is that we have to empower large numbers of people to feel that they can become entrepreneurs

rather than create an economic climate that is skewed towards retaining a few wealthy individuals in our economy.

Our greatest untapped talent—which Christine May quite properly touched on—is our female population. Too many females are discouraged and find that they are unable to make progress because of inadequate infrastructure. I welcome the changes that are being made that will, over time, make a difference in that regard.

We have heard about failure and we have to be absolutely honest about the fact that we politicians are failure averse. Opposition politicians and back-bench members of the Executive parties will kick ministers—even Allan Wilson—to shreds for failing. Perhaps we should instead forgive them their sins, provided that they learn from them and demonstrate that they are going to mend their ways.

The Deputy Presiding Officer (Trish Godman): I will forgive you for running two minutes over your allotted time if you wind up now, Mr Stevenson.

Stewart Stevenson: We have had little indication of how the Executive will measure its performance. I have brought a tape measure with me, which I will happily give to the Executive.

I have bifocals. If the minister looks through a different part of the lens, he will see that the glass is half full, not half empty. It is time for us to take the powers of a real Parliament and a real Government and move on.

15:33

Ms Wendy Alexander (Paisley North) (Lab): I am grateful to Stewart Stevenson for setting out a proposition with which I fundamentally disagree, which is that entrepreneurship or an “I can” attitude cannot be taught. However, I am to an extent grateful to him for saving us from the lunatic proposition that we heard from the SNP benches earlier, which was that the key to a country’s economic success is its small size. In the next breath, of course, the USA’s economy was upheld for its virtues in contrast to the economies of the smaller European countries. If my memory serves me right, the USA is a colossal, continental giant and there are not many calls for secession on the part of its member states. That said, I want to move on and take a leaf from Stewart Stevenson’s book; in debates in the chamber, he often draws on his past experience and I thought that I would do the same.

Sometime in early 1979, I was a fourth-year pupil who was one of a team of four who took part in a business competition sponsored by *The Sunday Times*. We were meant to be the senior

management team of a hypothetical company. Of the four, I am now a politician, one is a Cambridge anthropology don, the third is a medical researcher and the fourth, I believe, is an arts administrator. Needless to say, there are no entrepreneurs among us, but I suspect that we would all claim to be enterprising in our fields. What struck me more than 25 years ago was that I was quite clueless about the world of business.

The business competition was, of course, totally disconnected from my experience of formal careers education and advice. When it came to formal careers advice, we were all marched down to Renfrew Town Hall on a wet November evening and paraded around a range of admissions officers, who would, no doubt, have preferred to be elsewhere. I was told that I showed an undue interest in joining the civil service. I imagine that to this day many people remain grateful that I did not pursue that course of action.

In 1979, contemplating a career in business and the risks associated with it was simply not the done thing in Scotland. The expectations of parents and teachers were firmly focused on the professions and the security that it was anticipated they would bring. Even today, many careers in business do not lend themselves to the simplicity of being a train driver, a nurse or a teacher, so choosing a career at 14 might lead to a bias against business. We need to be alert to that risk.

My personal experience contributed to my conviction about the need to establish Careers Scotland as a universal, all-age careers service.

Stewart Stevenson: I wonder whether the member, in her experience as a consultant, has been part of a team advising on management buyouts and the merits that can be derived from those by extracting a smaller part of a business from a larger part to energise and empower the management. Would she care to comment?

Ms Alexander: Tempting as it is to discuss the value creation of mergers, I will leave that aside.

The issue today is that the old ways do not work any more. An interview at the end of the second year with a kindly woman who knows how to fill out Universities and Colleges Admissions Service forms does not meet the challenges of today. A recent Scottish Enterprise survey of 17,000 employers showed that our key weakness in Scotland is around soft skills. The challenges that we face are not minor. They go to the heart of the secondary school experience in Scotland. Too often we have concentrated on the transfer of specific subject knowledge, with the assumption that skills and capabilities will follow and the hope that critical thinking and creativity can be left to take care of themselves. Of course, they cannot.

Enterprise education is revolutionary in that it starts with skills and capabilities rather than

specific subject knowledge. It throws down a fundamental challenge about what matters in our education system and why. Building skills and capabilities is not about dumbing down, but we have a major problem with public perception. We have to play a leadership role in convincing people that building skills and capabilities is more—not less—intellectually demanding than the rote learning of the past.

John Scott: Given the substance of the member's arguments and the time that she has had to expound them, would she care to predict when we will start harvesting the crop of entrepreneurs? When will they start appearing in huge numbers as a result of the policies that she propounds?

The Deputy Presiding Officer: Ms Alexander, you are going into your last minute.

Ms Alexander: I was making the point that we have started to develop enterprise education in schools. This is a not unimportant point, because I will now not have time to finish my remarks. If the Parliaments of Singapore, Denmark or India debated creating an enterprise and creative economy, enterprise education and what happens in schools would be at the top of the agenda, as they should be at the top of ours. Those countries recognise, as Christine May said, that schools can no longer provide the only chance to learn. As India and China produce 4 million graduates each year, we need our schools to be more motivating, so that we do not turn children off learning for life, as Administrations of all kinds have.

I will review the educational challenges. We need to build skills and capabilities; to rethink the assessment process and whether it is fit for purpose; and to motivate people for lifelong learning. For all those challenges for the whole education system, enterprise education anticipates where we need to go. Enterprise education is the vital arena for those in the existing education system who are willing to elevate the creation of an inquiring mind to the centrepiece of the educational experience.

The Deputy Presiding Officer: You must finish now, Ms Alexander.

Ms Alexander: From inquiring minds, successful and entrepreneurial economies will grow.

The challenge for us as politicians is to cease to put accountability before creativity in our education system. We need to engage our teaching profession in that process. Scotland has led in education in the past.

The Deputy Presiding Officer: Ms Alexander, you must finish now.

Ms Alexander: If we are to create the schools of the future, they must broker learning in the way that modern workplaces do.

15:42

Mr David Davidson (North East Scotland) (Con): Debates without motions are interesting: they have no stated purpose and provide no opportunity for division, other than on an intellectual level. I was surprised by the Deputy Minister for Education and Young People's speech, because I have been led to believe that the economy is the top priority, from the First Minister downwards. The deputy minister did not talk much about the economy; his speech was based on education, which we do not dispute is part of the issue and is one of the economy's building blocks.

A remarkable number of employers tell me daily that they are disappointed with the number of children—they say that it is growing—who leave our Scottish schools with fewer skills and who lack communication skills. After the seven or eight years or whatever it is of the Labour Government, we ought to have seen a change in that, because Tony Blair talked about that when he came to power.

I am pleased that the Scottish Executive has taken up the suggestion of a link with further education that we made in the first parliamentary session. We propounded the link with further education to give non-academically inclined children technical training and vocational skills training in schools. That helps to keep them occupied and gives them hope, a future and the potential of employability and further skills learning.

Wendy Alexander talked about creativity. The first creativity lecture that I attended was given by the professor of creativity at Manchester business school—that was longer ago than just last week. The proposition was interesting. Many of the people who were at the business school with me were mature students who had been sent by their companies, unlike me. They went as part of an organism. Watching such skilled managers being taught how to be creative was inspirational. The teaching was practical and I saw those people take much of it on board.

Wendy Alexander's comments about inquiring minds relate to my comment to the deputy minister about science. We need to encourage children to be aware of how the world works, to ask questions and to pursue information and knowledge. That is how we will inspire them in science, a technical skill, a life science, a medical skill or whatever. We must do far more in our schools to encourage school boards, parents and staff to take on board

the notion of encouraging children to be more inquiring.

The Deputy Minister for Enterprise and Lifelong Learning (Allan Wilson): If the Tory party places such stock in increasing support for science—as we do—why does it plan to cut public support for science in the next four years?

Mr Davidson: I am surprised that the minister asks that question; we have no intention of cutting support for science. We want to free business so that people who have science qualifications can get into business and can become wealth creators and job creators. Such people pay for the public sector in this country. Mr Wilson ought to address that matter in his concluding remarks.

Enterprise activity should be a natural state and should not simply be bolted on by the Scottish Executive to whatever policy line it is operating on a particular day. Christine May failed to respond to the point that I made earlier that it is a fact that business start-ups have dropped by 6.5 per cent since 1997. That is serious. It means that people are unwilling to take risks for some reason—they see no sense in doing so and they are not being encouraged to do so. All that they can see is their being hide-bound by red tape and regulations. I think that there have been 4,000-odd new bits of regulation since the Scottish Executive came to power. The Liberal Democrats can take credit for that too.

We need to set business free. I do not mean that there should be gay abandon and that we should forget human rights and health and safety at work, but we should allow companies to expand and take risks. In Scotland, in particular, we must learn to forgive failure. People are terrified of failing, but every person who has created a vast business has failed at something in the process.

Stewart Stevenson: Does the member believe that Scotland should have its own company law that should be different from that of our neighbours south of the border so that we can compete more effectively?

Mr Davidson: Mr Stevenson may want to go down that route, but he should start off with the tools that the Parliament currently has. The Parliament has tools to cut business costs and business rates, to reduce the cost of the water infrastructure and so on, which can leave something profitable to be taxed. Mr Stevenson may wish to support our view that income tax in Scotland should be cut. The SNP has a tendency to talk about corporation tax, but nine out of 10 people in the Scottish workforce work for companies that are not registered as limited companies. Corporation tax is therefore not the big issue that Mr Mather regularly says that it is.

People should be given the incentive to earn. We do not argue against the suggestion that we need more business headquarters here, but we should consider the aging workforce, the shortage of technical skills that are available and the offshore oil and gas industry, in which the average age of employees is heading towards the mid-50s. How will we replace those people? What skills must people be given? How can we recreate an exporting economy? The Scottish Executive talks about those issues and has theories, but there is no action on the ground.

I am not sure how long I have left, Presiding Officer.

The Deputy Presiding Officer: You should finish now.

Mr Davidson: I will not do what Wendy Alexander did. I have no wish to be given lines by the dominie.

At the end of the debate, I want to hear clearly from Scottish ministers how they will set business free, reduce the burdens on business and encourage people to take risks.

The Deputy Presiding Officer: I call Mike Watson.

15:48

Mike Watson (Glasgow Cathcart) (Lab): Thank you, dominie. As we are talking about enterprise and education, perhaps David Davidson is not far off the mark.

That we are having this debate at all is instructive. I wonder how many Parliaments in the world—apart from those in countries in central and eastern Europe with emerging economies—would have a debate about growing an enterprise culture, and I wonder why we think that such a debate is necessary. Members have touched on various answers to that. Growing an enterprise culture is a major issue, which is why, as Christine May said, the Enterprise and Culture Committee—of which we are both members—is about to embark on an inquiry into business growth. The inquiry will not be on overall economic growth, but on business growth, or growth in the private sector, and will be on what must be done to increase the level of sustainable business growth in Scotland over the next decade.

Of course, we all know that growing businesses is one of the priorities that the Executive outlined in last year's refresh of "A Smart, Successful Scotland". However, not only are there fewer business start-ups in Scotland; there is a lower level of business sustainability. We need answers to why that is. I am not comparing Scotland with the United States or Japan, but comparing it with other nations and regions of the United Kingdom.

In the league table of business start-ups in the UK, we come ninth out of 12. There is no immediately obvious reason why that should be the case, unless confidence is involved—I will come to that in due course. The Enterprise and Culture Committee will consider what is holding people back from starting up businesses in Scotland and will also analyse some of the reasons for business failure.

Of course, "A Smart, Successful Scotland" also talks of Scotland lacking a critical mass of larger businesses, not just the smaller or microbusinesses that Christine May talked about. It outlines several existing policy levers, such as the business growth fund, the Scottish co-investment fund, intermediary technology institutes and the SEEKIT—Scottish Executive expertise, knowledge and information transfer—programme. There are also funding programmes geared towards improving the levels of private sector research and development, which are scandalously low in Scotland as a proportion of our GDP. Compared with our competitor economies, the difference is stark.

It is not just at the individual level that we have to address these points. In the private sector there seems to be a great reluctance to spend on research and development, and to invest in creativity and ideas for future business development. I cannot see why that should be the case.

However, we should be aware that it is not all just doom and gloom. In fact, Glasgow has just been voted the best place to do business out of 20 United Kingdom cities; Edinburgh came fourth. Glasgow is described as having

"adjusted best to post-industrial life and recreated itself as a modern centre of entrepreneurial activity."

Scotland has also been voted the European region of the future by the Financial Times *iDi* magazine. There are those outwith Scotland who see us a bit more positively than we seem to see ourselves. Let us take that into account as well.

What is to be done? What can we do about developing an enterprise culture? I say to Stewart Stevenson that no matter what his view of the importance of education, it is vital to complement, at the earliest possible opportunity in the learning experience of our young people, what is being done by the various Government agencies and schemes to which I have referred. There can be no substitute for that.

"Determined to Succeed", the Executive's strategy for enterprise and education, is now becoming embedded in the curriculum throughout the country. The first annual report was published last year and it highlighted some of the progress that has been made. For example, all 32 local

authorities are now committed to providing enterprise activity for all their pupils, from primary 1 upwards.

That is a two-way thing. In preparation for this debate, I referred to one that the Parliament had in October 2003. I mentioned then businesses becoming more engaged in enterprise in schools and it seems that that has happened during the first year of "Determined to Succeed". That is to be welcomed.

Margo MacDonald: I seek information. I am interested in what part of the curriculum has to be forfeited. If we introduce a topic such as business and enterprise into schools, what part of the traditional curriculum has to give way?

Mike Watson: That touches on a subject that I know is dear to Margo MacDonald's heart—increasing the amount of physical education in schools. We have to create space for those subjects that we believe are important. We have to make sure that the curriculum is as all-embracing as possible and if we have found that difficult in the past, we have to find ways of getting over that. Enterprise is too important not to be accommodated in the curriculum.

I want to say a few words about confidence. I believe that Scotland's relatively low levels of entrepreneurial activity are explained by some deep-rooted cultural factors. David Davidson referred to them. In a recent issue of *The Sunday Times*, Professor Phil Hanlon of the University of Glasgow commented on our confidence, motivation and psyche. He referred to what he called the Victor Meldrew "I don't believe it" factor and the "Chewing the Fat" effect. I do not know whether "The Broons" have ever been mentioned in the chamber, but Professor Hanlon talks about that quintessentially Scottish cartoon family, where two thirds of the stories have the same plot—a member of the family tries to do something above their station, they fail and everyone laughs at them.

"This business of not rising above your station, not having the individualism or confidence to strike out and (refuse to) adopt the stereotypical Scottish diet or behaviour may be part of what is holding us back."

That is Professor Hanlon's view and it is one to which I subscribe. I am very pleased to see that Dr Carol Craig, now chief executive of the Centre for Confidence and Well-being, is designing a think tank that will help young people to develop a can-do approach and encourage them to take the opportunities that come their way by stopping them from feeling that there are roads down which they cannot travel.

Until we develop that sort of can-do, glass-half-full mentality that treats failure not as the end but as part of a learning process that, as Wendy

Alexander said, can open up all life's possibilities, our business growth rate is likely, I fear, to continue to lag behind that of the rest of the UK and the rates of our main competitors. Given the start that has been made in the work that we are doing in schools, I hope that it will not be too long before parliamentary debates on this subject become a thing of the past.

15:55

Shiona Baird (North East Scotland) (Green): The question that we must answer before anything else is this. What kind of enterprise culture we want to grow?

As "The Framework for Economic Development in Scotland" makes clear,

"The first *Framework for Economic Development in Scotland* had a clear vision:

to raise the quality of life of the Scottish people through increasing the economic opportunities for all on a socially and environmentally sustainable basis."

The new FEDS document continues:

"Growing the economy is our top priority. A successful economy is key to our future prosperity and a pre-requisite for building first class public services, social justice and a Scotland of opportunity."

However, let me further set the scene by quoting from the First Minister's speech at the UK sustainable development framework conference three weeks ago. According to the First Minister, sustainable development

"is not a marginal issue – or something we can leave for others to sort out. It is this generation, alive today, who must make the changes that we need. There is no time to lose."

He continued:

"I know it's easy to say the right things on sustainability, but harder to live up to those words ... We cannot afford to let up on this agenda."

He emphasised the need to raise our game and to

"rise creatively, and with resolve, to the challenge of building a sustainable future."

We have no time to lose, as the First Minister rightly said. Environmental sustainability must be at the heart of every aspect of growing an enterprise culture. We need to take the long view on the actions that we take today. We must look forward to the future rather than back to the tired, outdated solutions of the 20th century. Sustainability must not be an add-on; we overlook it at our peril.

Do the First Minister's fine words find life in Executive actions? What message is the Executive sending by its refusal to discuss the building of the grossly unsustainable M74 and the Aberdeen western peripheral route with our

Environment and Rural Development Committee, which is carrying out a climate change inquiry? In Aberdeen, the only debate is not whether the road should be built, but which of the five routes should be picked. Why is no one looking at the bigger picture of how our entrepreneurial activity must change instead of simply trying to build our way out of each fix?

Why are we pushing ahead with plans to treble air travel despite knowing that it will cause environmental damage, the cost of which will be borne by the economy? Based on historical data from the giant reinsurance firm Munich Re, and assuming that current trends in environmental disasters continue, we know that the economic costs of such disasters, when coupled with an increasingly volatile climate, will exceed the value of total world output by 2065. That is not very far ahead. Remember that the First Minister said that sustainable development is not something that we can leave for others to sort out.

What better opportunity could there be than to encourage Aberdeen to lead the way in addressing congestion by providing far cheaper, sustainable options?

Margo MacDonald: Such as?

Shiona Baird: They are all there. They have all been written down.

We will miss out on the huge opportunities that exist to promote sustainable development if we do not have full-on, dedicated support. Given all the knowledge that we now have, what sense is there in allowing climate-damaging industries to continue? When will it be deemed the right time, in the words of the First Minister, to raise our game by rising creatively and with resolve to the challenge of building a sustainable future? We must start now to make that transition to a sustainable economy.

Yet sustainable businesses such as Wavegen and Vestas-Celtic Wind Technology have been cutting back and NOI Limited has gone out of business. We have an innovative composting company that is being held back by the same bureaucratic red tape that is delaying the expansion plans of a small life-sciences business in Dundee. Delays in those areas can have disastrous consequences and can allow competitors from other countries to get in front. We need to send the clear, unambiguous message to all school pupils and young students that building a sustainable Scotland is our top priority. The opportunities are enormous, the rewards infinite. I would not endorse our leaving any other legacy.

The First Minister has spoken some very fine words. He must live up to those words now. There is no time to lose.

16:00

Bristow Muldoon (Livingston) (Lab): As my colleague Christine May said at the start of the debate, the opening speeches from the Opposition front benches were doom laden and referred to the Scottish economy as if it were some sort of basket case. In my speech, I want to challenge some of the views that were expressed by Mr Mather and Murdo Fraser.

Growing Scotland's economy is at the top of Labour's agenda in Scotland, but not for its own sake. It is there because we recognise that, in order to deliver social justice and to ensure that we can have world-class public services, we must have a sound economy. Over the past eight years, the key foundation on which enterprise has been allowed to grow and blossom in Scotland and throughout the UK is the economic achievements of the Labour Government and, in particular, the chancellor, Gordon Brown. We are living in a period of high employment, low unemployment, low inflation and low interest rates, all of which have ensured that people who are making plans to establish or to expand businesses can do so in the knowledge that their plans are unlikely to be thrown off course by dramatic shifts in interest rates or inflation.

Jim Mather: Is the member seriously telling me that, after all the many speeches that I have made on a very similar subject in the chamber, he cannot tell the difference between a critique of the management of the economy and the potential of Scotland?

Bristow Muldoon: I will go on to discuss the potential of Scotland, in which I have far more faith than Mr Mather has. I am just recognising the fact that the economic success that Scotland, like the rest of the UK, enjoys is based on the sound economic management of the UK Government. The Tories often say that that sound economic management is a matter of chance or is related to the inheritance that they left. If so, why did they not achieve it during their 18 years in power? Why did inflation and interest rates yo-yo and why did unemployment stay high, reaching 3 million on two occasions, during those years?

John Scott: Will the member take an intervention?

Bristow Muldoon: I wish to make some progress. I will take an intervention from the member in a while.

As well as having an economic impact, the Government's successful economic management has provided the Parliament with a once-in-a-generation opportunity to invest in the future of Scotland. I want to concentrate on two areas. The first is the way in which we can use the resources that we have to invest in the country's

infrastructure, to allow us to compete internationally. The second is how we promote the qualities of Scotland's cities and the wider city regions as places in which to live, work and do business.

One of the most important policies that the Parliament can pursue in order to improve our competitiveness is to invest in our infrastructure. Much of the investment in our telecommunications infrastructure has been made by private sector companies, although the Government is also involved. However, the main area of infrastructure improvement in which the Government has a role to play is transport.

Because Scotland is a country on the western periphery of the European Union, it is especially important that we improve our transport links. I welcome a wide range of the enhancements that are planned, many of which were first announced when my colleague Wendy Alexander was the Minister for Enterprise, Transport and Lifelong Learning. They include expanding the capacity of Edinburgh Waverley, which is the most important railway development in Scotland; the rail links to our airports; and the reopening of lines such as those from Bathgate to Airdrie and Stirling to Alloa. That is the contribution that we are making to sustainable transport. The investment in public transport that I have described is unprecedented in Britain in modern times.

It is also important that we complete the central Scotland motorway network. If our country is to be able to compete, we need to ensure that people and goods can move around it effectively.

Murdo Fraser: The Government that Mr Muldoon supports has been in power for eight years. Why has it taken it so long to progress Scotland's motorway network? Why, for example, is the A8000 still a single-carriageway road?

Bristow Muldoon: Mr Fraser's Government had 18 years in power, during which time it made no progress on any of those projects, it presided over the disintegration of the railway network and it allowed the country's income to be spent on the price of economic failure. We are using the country's economic success to invest in its long-term economic stability.

Given our peripheral location in Europe, it is essential that we develop more international links through the air route development fund. Funding from BAA has enabled the opening of new routes to Dubai, Newark and many European cities.

Shiona Baird: Will the member take an intervention?

Bristow Muldoon: No, thank you.

In the short time that I have available, I want to deal with Scotland's competitiveness. The recent

report on the competitiveness of Scotland's cities threw up some interesting strengths and weaknesses; what it said contrasts with the doom and gloom of Mr Mather's speech.

On the proportion of the workforce that is educated to degree level, Edinburgh, Stirling and Aberdeen outperformed every other city in the study, which included Helsinki, Manchester, Amsterdam, Copenhagen, Stockholm and Munich. It was found that almost 40 per cent of Edinburgh's workforce is educated to degree level, whereas the equivalent figure for Copenhagen is only around 25 per cent. If Scotland is such a poor place to live in, as Mr Mather makes out, why is almost 40 per cent of Edinburgh's workforce educated to degree level? Why are those people not fleeing the country? The answer is that they do not believe Mr Mather; that is his party's problem.

Although the picture on employment is a bit more mixed, Aberdeen has higher employment than Helsinki and Amsterdam and Edinburgh's employment levels are higher than those of Munich, Stuttgart, Leeds and Birmingham. Glasgow has lower employment than other Scottish cities, but its rate is still higher than those of Barcelona, Lyon and Milan.

Although there is much room for improvement on GDP per capita, the figure for Edinburgh is only marginally lower than those for Stockholm, London and Helsinki and is higher than those for major cities such as Bonn and Milan. Glasgow has a higher GDP per head of population than every other English city in the study, The Hague, Strasbourg, Malmö, Gothenburg and Barcelona.

I see that Mr Mather wishes to intervene.

Jim Mather rose—

The Deputy Presiding Officer: I am sorry, Mr Mather, but you cannot intervene. Mr Muldoon must finish now.

Bristow Muldoon: To conclude, we have come a long way in the past eight years. We have higher employment levels and more stability in our macroeconomic framework, and we have set an investment programme for our infrastructure. We have two choices: we can continue to provide investment, expand our economy and grow our competitiveness under Labour, or we can go backwards to the days of underinvestment and declining economic performance under either of the Opposition parties.

16:07

Mike Pringle (Edinburgh South) (LD): I welcome today's debate as an opportunity to celebrate the progress that Scotland is making towards building an enterprise culture. There is no doubt that, in much of what they have said,

members of some parties have done the usual and talked Scotland down. I want to focus on some of the key positive aspects of our current position and to suggest one area on which we need to concentrate in future.

It is beyond doubt that, after weathering most of the recent worldwide recession, business in Scotland and the rest of the United Kingdom is on the up. Economists show that our economy is performing well. Adair Turner, who is a former head of the Confederation of British Industry, has stated that our growth is at the right level for a European country of our size. A survey of business confidence shows that more than two thirds of businesses think that the prospects for the next 12 months are good or very good. There are more businesses start-ups than there were a few years ago. In 2003, the number of start-ups grew by 15 per cent and that growth has been sustained. Unlike David Davidson, I do not look backwards to 1997. Let us look forwards.

Jim Mather: In looking forwards, how can the member reconcile the position that he has just outlined with the fact that it is forecast that Scotland will lose 550,000 economically active people? Is that success? Is it a success to have the lowest life expectancy in western Europe?

Mike Pringle: We have grown the number of businesses. Businesses say that they are looking forward to the prospect of working in Scotland. Those are the facts. In 2003, the number of start-up businesses grew by 15 per cent. That growth is being sustained; we are growing more businesses.

Murdo Fraser: I must correct Mr Pringle's figures. According to the Committee of Scottish Clearing Bankers, in the year ending in 2003 there were 21,468 new businesses in Scotland. In the year ending in 2004, there were 20,808 new businesses. That represents a fall of 600. The figures that the member has quoted are entirely wrong.

Mike Pringle: I do not agree with Murdo Fraser. The fact is that businesses in 2003—

John Scott: Facts are chieles that winna ding.

Mike Pringle: I do not think that that is right.

The Executive is to be commended for investing in the key infrastructure and skills that businesses feel are necessary for continued growth. In setting the right conditions for economic growth, new rail lines and vital arterial road routes are just as important as cutting taxes, which the Tories and the SNP would do, if not more important.

It is also important to have the right education policy. Margo MacDonald talked about people working in schools. The fact is that we are giving schoolchildren more opportunity and more choice, and that is only right.

We have the right skill policies, and the Executive, with considerable Lib Dem influence, has abolished upfront fees for Scottish undergraduates and college students and has invested more than £1 billion in higher education. The University of Edinburgh science site at the King's Buildings has seen an increase in the number of companies that have been created from the commercialisation of academic research. That is happening in many of our good universities. Only last month, I was invited to the launch of a new company that is a spin-off from the geosciences department, where new oilfield mapping techniques, developed from postgraduate work, are being sold to the industry. Building an enterprise culture is about investing in the key aspects of our national life, such as our universities, and that will form the right conditions for enterprise in the future.

However, building an enterprise culture and achieving prolonged economic growth are not the end of the matter. What we all now want is sustainable growth. It is not good enough nowadays to achieve growth and prosperity for this generation while preventing future generations from doing the same. That is why sustainability must be at the heart of all our policies. It is at the core of "A Smart, Successful Scotland", and the green jobs strategy shows that sustainable development and economic growth are not mutually exclusive. The green thread that ran through the Liberal Democrat 2003 manifesto can now be seen in the partnership agreement and will form the key plank of our up-and-coming UK general election campaign. Strong recycling targets, coupled with the business to re-use everything, are as much about our enterprise culture as our GDP figures are. Investing in a thriving renewables industry is as important as investing in our biotech or electronics industry.

In the next economic cycle, sustainability will be more important than the raw GDP figures. However, our current measures of economic growth do not take into account that sustainable future. That is why I would like to see a move towards a new indicator of how our economy is performing on a sustainable basis, and I would welcome the minister's comments on whether any such work is on-going.

No discussion on sustainability would be complete without a look at the SNP's future for Scotland. All its numbers are based on our oil revenues at \$40 a barrel. It was interesting that the chancellor also had to make use of oil to keep his golden rules recently; I hope that he is not taking a leaf out of the SNP's book. There is no more unsustainable future than that which is based on an inflated price that is due to a war that the SNP opposed, as we did.

The Executive is building an enterprise culture for the future through massive investment in the skills of our workforce, our school pupils and our schools. It has put sustainability at the heart of that strategy, and our job is to ensure that that is followed through, so that the benefits that we have today are not missing for future generations.

16:13

Susan Deacon (Edinburgh East and Musselburgh) (Lab): One always learns things in debates such as this if one listens carefully. Today, we learned that in 1979 the teenage Wendy Alexander was in a team for a school competition to run a business. I could not help but reflect on my accolade at that time, which was being in a school team for the *Sunday Post* quiz. I am not quite sure what that says. All that I will say is that it was a formative experience, because not only did the paper print an answer that we did not give but it printed a question that we had never been asked. That was the moment when I realised for the first time that one cannot believe everything that one reads in the newspapers.

I am struck by the fact that it is less than six months since we all united in this chamber with cries for the need to raise the game. I am struck, too, by the number of members who have done just that in this debate. However, I have to observe, as others have done, that that message and that approach have still not quite reached the front benches of both Opposition parties. I make a genuine plea to those members to make an attempt to change their tone and tenor when engaging in a debate such as this, and perhaps to learn some lessons from those sitting behind them who have done just that.

If ever there was a debate in which we ought to be able to engage in a constructive exchange of ideas, thoughts and suggestions and to convey not only in our words but in the tone and tenor of the debate the precise issue and aspiration that we are discussing, surely to goodness it is this one. I have to say that, having listened to Jim Mather in particular, I do not know how he can stand up and say with any credibility that he shares the aspiration to build an enterprise culture when he then goes on to display the kind of negativity that we have heard this afternoon. I only hope that that will change in the future.

Jim Mather: Will the member give way?

Susan Deacon: No. I would like to continue. Jim Mather has made several, rather similar, interventions.

I move on to what I think is a very positive but very challenging subject: how do we build an enterprise culture? If I may, I will—with apologies to several colleagues—park the figures for a

moment. It is important to remember that this debate is not just about economic performance. The debate strikes at the heart of the question, “What kind of society do we want to live in?” Do we want a Scotland where characteristics such as creativity, innovation and confidence are at the heart of the way in which communities and individuals function? Of course, if we build on those characteristics, we will reap the rewards not only in business growth, but in social capital and in activity in communities, because an enterprise culture leads to initiatives such as the establishment of food co-operatives and tenants movements. An enterprise culture enables community developments to take place, sees the establishment of youth organisations and—dare I say it—leads to success on the sporting field and elsewhere, as well as in business.

There are big wins to be made if we really make progress. A number of very significant steps have been taken. A lot has been said in the debate about “Determined to Succeed” and I do not want to repeat those comments. All that I will say—although this may be anecdotal—is that it fills me with pride, both as a politician and as a parent, to listen to my seven-year-old come back from her primary 3 class on enterprise and tell me what she has learned about matters such as how to manage projects and how to work in teams. I was the ripe old age of 22 or 23 and had graduated before I got any training in those matters—members must not say that it shows. A transformation has taken place in what we now embed in the youngsters of today. We will reap the rewards of that 10, 20 and 30 years from now.

It is important to remember that our youngsters learn and develop an enterprising approach not only through enterprise education. I declare an interest as a member of the Enterprise and Culture Committee. In the committee’s recent report on arts in the community, we recognised the contribution that arts-related activities can make in building confidence, in building creativity and in developing—yes, we used the word—entrepreneurialism. It is important that we want to develop activity in those areas not only in our schools but in our communities.

I return to formal education and say a quick word about adults—struck though I am by what needs to be, and can be, done as far as our youngsters are concerned. I want to talk about business and management education in this country. I tread a little carefully because I was proud to get an MBA many years ago—long before it was trendy to do so—and I was pleased to work in a business school and run MBA programmes for other people. However, we have to ask questions about some of the more traditional approaches that we take to business and management education. That is not to

suggest that they do not have value, but some of the training activities that David Davidson talked about, such as those that the Centre for Confidence and Well-being is now taking forward, which bring out creative skills and creative thinking, perhaps have at least as much—if not more—to offer than some of the more formal approaches to business and management education that we have taken in the past.

Finally, I echo what other members have said this afternoon about thinking carefully about how we treat risk as a society—not only in a business context but in a societal context. There are serious issues about the risk aversion that we have, perhaps unintentionally, built into many aspects of our society. For example, measures that we have taken on child protection run counter to the other messages that we give our youngsters about encouraging them to explore, to be adventurous, to learn things and to do things. When we talk about culture change we must be very careful to ensure that all our policies and actions face in the same direction. Progress has been made in the area and the Executive deserves congratulations for that. Members of all parties should unite in an effort to make further progress in future.

16:20

Alasdair Morgan (South of Scotland) (SNP): There seems to be general agreement among members that the driver of our desire to encourage entrepreneurial activity is the problem—or at least the challenge—that we face with regard to our lower GDP growth and our lower rate of business start-ups. I except Bristow Muldoon and Mike Pringle from the consensus that I described, because those members appear to exist in a parallel Panglossian universe in which everything is okay. We need wealth before we can drive forward any kind of social agenda—

Bristow Muldoon: I did not say that everything was okay and that we did not need to do anything. I simply tried to identify the many areas in which Scotland has strengths. In particular, should we not celebrate the number of people who are educated to degree level?

Alasdair Morgan: If Bristow Muldoon rereads his speech when it has been published, I think that he will agree with my conclusion about it.

There are two categories of solution to the problems that we face, both of which have been mentioned. First, there is the mechanistic or practical solution, which is to do with matters such as tax incentives and regulation. Secondly, there is the more metaphysical solution, which is to do with our attitudes towards business, going it alone and the risk of failure. Of course, the two categories are not unrelated. In our society, failure

is not generally regarded in a positive light, as our newspapers demonstrate. That is true for failure in all walks of life—sports, politics, education and business—but it is especially true for business failure. Wendy Alexander said that we need to cease putting accountability before creativity. Many of the world's most successful businessmen started out by failing, but they learned the lessons of their failures, picked themselves up and started again. Often they failed again, but they became stronger for that and went on to succeed.

We need a culture that encourages that willingness to try. That takes us from the metaphysical to the practical solution, because we need a legislative system that does not treat business failure as if it were virtually a crime. Of course, we cannot allow charlatans to use serial bankruptcy to carry on swindling people. South of the border, the Insolvency Act 2000 changed the law, and although I am not sure how successful that legislation has been, it was in part intended to address the problem of how we pick up businesses that are likely to fail. I wonder what progress has been made in the Executive: legislative proposals have been on the stocks for some time, but I do not know when a bill will surface. Given that legislation on insolvency was passed in 2000 down south, why are we hanging about?

The Department of Trade and Industry household survey of entrepreneurship is undertaken south of the border, but I suspect that some of its findings are relevant to us. The survey categorises people as “doers”, who undertake entrepreneurial activity, “thinkers”, who think about undertaking it, and “avoiders”, who do not undertake it at all. It concluded that young people are more likely to be thinkers than are older people, that there is a strong relationship between a person's level of education and entrepreneurial activity, that people from rural areas are more likely to be doers—perhaps that is a wee bit of a surprise—and that there is a north-south divide, with a much higher percentage of doers in the south and south-east of England. The findings point to a particular problem area. The higher rates of entrepreneurship in the south and south-east are not just a reflection of indigenous entrepreneurship; they are partly due to migration from other parts of the UK, including Scotland. It is fair to assume that entrepreneurship—the ability to get up and go—will be disproportionately associated with people who do just that: they get up and go.

We can invest in our education system and we can argue about whether there is a link between education and enterprise—I agree with Wendy Alexander that we should try to teach people to be creative. However, rote learning also has a role to play. I would much rather be able to be creative

about something else because I did not have to work out what 13 times five is from first principles. However, unless the people we teach stay in Scotland, we will have invested disproportionately in someone else's success. We have to invest, but we have to do more: we have to change our culture.

I will perhaps disappoint Susan Deacon by changing tack slightly and taking a party position in my last minute. I am sure that she will allow me to do so.

Whenever we criticise Labour's economic performance—or, more important, our economic performance under the union with England—we are told that we are talking Scotland down. However, when anybody on the Labour benches says that Scotland could not make it on its own—not “should not make it”, which is a different argument, but “could not make it”—they are not, for some reason, described as talking Scotland down. How can we encourage our entrepreneurs to go it alone if we are not even prepared to consider that our country could go it alone?

Members on the Labour benches might think it great to ridicule our proposals, but they do so at their peril. By the same hand with which they try to sap our arguments, they sap the self-confidence of those on whom we depend for our economic future.

16:26

Elaine Smith (Coatbridge and Chryston) (Lab): I start by picking up on a point that David Davidson made earlier. Growing an enterprise culture is clearly a vital component of growing the economy, which is the Scottish Executive's top priority. I think that that goes without saying. However, economic growth does not guarantee the eradication of poverty and deprivation, which is something else that the Scottish Executive is pursuing. Direct Government action and intervention are required for that. A bigger cake will help only if it is redistributed fairly; if it is not redistributed fairly, relative poverty will continue to increase. I do not believe that it is sustainable to continue to take a symptomatic approach to poverty and social exclusion. The root causes need to be tackled in a systematic way, which means fundamental economic and social change.

I am not promoting some previous forms of state ownership as the best way to deliver control of the economy to the majority of the population—or, indeed, as the best way to alter the balance between the few who have power, wealth and influence and the many who do not. However, democratic state ownership is appropriate in particular areas—for example, in transport, energy and, indeed, drugs manufacturing—and makes economic sense.

I am taking part in today's debate because I want to promote an ideal that underpins Scottish Labour's campaign for socialism:

“the transformation of our society from the alienation and exploitation of capitalism, to the equality, justice and freedom of the socialist vision.”

I expect that most members would agree with the concept of a democratic economy and society, providing choice, diversity and high-quality goods and services. Where we might disagree is in how we can achieve that. Various forms of social ownership as mentioned by Susan Deacon—such as co-operatives and democratic mutual organisations—can deliver such an aim. Therefore, I welcome the Executive's commitment to the establishment of a co-operative development agency. The consultation on that finished last year, so perhaps the minister can tell us what stage the proposal is at.

Local government must, alongside delivering local services, play a leading role in co-ordinating local economic and social activity. That must be done in conjunction with more democratic control and participation by communities.

The social economy is often at the forefront of developing innovative services that can help to close the opportunity gap, contribute to community regeneration and therefore play an important part in the economy. The £18 million futurebuilders Scotland project—which the Executive put in place last year, I think—is very interesting. That project could assist the social economy and, again, I wonder whether the minister can tell us of progress.

I turn to the Scottish Executive's plan for growing an enterprise culture. Components of the plan include improving further and higher education; encouraging more business start-ups; improving productivity; and teaching children about enterprise—all part of the Executive's vision of a smart, successful Scotland. Achieving some of that vision will mean co-operation with colleagues in Westminster. Specifically, to improve access to further and higher education, more work will be needed to provide ways out of the benefit trap.

Recently, I met a group of young constituents who are involved in ACCESS—accommodation, employment and support services—which is a new futures fund employability initiative for young homeless people. Incidentally, the initiative is under threat because of the winding down of funding. Those young people were extremely frustrated by the catch-22 situation whereby accessing further or higher education would impact detrimentally on their benefit entitlement and consequently their tenancies. Ultimately, that excluded those young people from further or higher education and from developing

entrepreneurial skills. That kind of situation has to be tackled.

On business start-ups and productivity, the Scottish Executive must tackle gender-based occupational discrimination, which Christine May touched on. An Equal Opportunities Commission report, "Jobs for the boys and the girls: promoting a smart, successful and equal Scotland", which was published last month, highlights the fact that such segregation has a damaging effect on productivity and exacerbates skills shortages and the gender pay gap. I welcome the Executive's targets for female entrepreneurs, which are to be reached by 2008, but the issues are interrelated and the Executive must take action to tackle occupational segregation as part of a wider strategy to improve the economic position of women.

Improving productivity in existing firms is dependent, primarily, on engaging with the workforce to encourage people to share their skills, knowledge, ideas and experiences. However, to do that one has to build trust and the key to doing that and to creating an environment in which management appreciates the benefits of investing in its workforce lies in the trade unions. I would be grateful if the minister could update us on what engagement is taking place with the trade unions as part of building a smart, successful Scotland.

Giving children the opportunity to learn entrepreneurial skills and expanding the number of schools that are involved in enterprise in education will help to grow an enterprise culture, but such skills must be taught within a curriculum that also teaches co-operation, confidence and compassion from a young age. That might ensure that we have a just society.

I do not believe that a private sector-led economy is the answer to increasing social and environmental responsibility and delivering social equality. The profit-driven economies of capitalism serve only to foster selfish consumerist greed and individualism. Here in Scotland, we can change our culture and embrace a much more collective approach to economic growth and enterprise using the ways that I and others have outlined. Surely, when we talk about raising our game, our vision for the best small country in the world should not be limited to having a smart, successful Scotland; we should strive to achieve a confident, compassionate and co-operative Scotland. The Labour-led Executive has started on that road. I hope that it has the confidence to continue to the logical conclusion—a socially owned economy for the well-being of all our citizens.

16:32

Mr Andrew Arbuckle (Mid Scotland and Fife (LD)): Several years ago, when I was in the United States, I picked up a book that stated on the cover:

"The True Story of How Western Europe's Poorest Nation Created Our World & Everything in It".

When the same book was published in Scotland, it had a different cover, which stated:

"The Scots' Invention of the Modern World".

Apart from illustrating the duplicitous nature of book publishers, those phrases relate how the Scottish enlightenment triggered the revolution of thought throughout the then known world, and how the industrial revolution that followed was fuelled by Scottish inventions and innovations, as referred to by Murdo Fraser. That is the legacy that we must recapture in this much larger and more competitive trading world, and we will have to do it with a population that has been weakened by the world wars of the past century and which sent some of its best and brightest to other corners of the globe.

Euan Robson, Wendy Alexander and Christine May concentrated, rightly, on the beneficial effect on the economy of education linked with enterprise, and the need to maximise our human resources. Jim Mather—he of the seriously negative party—rose to provide a layer of doom and gloom, but I am sorry to say that I ended up thinking that the best parts of his speech were the interventions. Given his response to Christine May, I can only assume that the SNP is now waiting for divine intervention to gain independence.

The past week has seen a touring party, on economic platforms throughout the country, of Jim Mather, Murdo Fraser, me and various Labour spokespersons, so I had a fair idea what was coming when Murdo Fraser rose—we were going to be told that public expenditure was too high and that there were concerns about high tax levels. I am sorry that Murdo Fraser did not know the names of the various Swedes, Finns and Danes who had emigrated from their countries. If he looks, he will find that Scandinavian businesses have opted for Scotland—we have Swedes in the catering trade, Danes in the renewable energy industry and Finns making farm equipment. They have moved to Scotland, so something must be working in the Scottish economy.

Stewart Stevenson rose—

Murdo Fraser rose—

Mr Arbuckle: I fear that Stewart Stevenson's intervention would be a negative diversion, so I will take Mr Fraser's.

Murdo Fraser: I might be about to disappoint Mr Arbuckle. Will he explain why the Liberal Democrat policy of putting an extra 10 per cent on income tax rates for those who earn more than £100,000 a year will attract entrepreneurs to Scotland?

The Presiding Officer (Mr George Reid): You have three minutes, Mr Arbuckle

Mr Arbuckle: Perhaps you will give me extra time to answer Mr Fraser's point, Presiding Officer.

The Liberal Democrats are convinced that the measure would have no effect on the economy. When devolution was announced, the Conservatives' threat was that people would leave the country but that did not happen, so Murdo Fraser should not worry about it.

Stewart Stevenson: My intervention is easier—will the member take it now?

Mr Arbuckle: No, I must carry on.

David Davidson and Alasdair Morgan referred to the fear of business failure. However, the problem in business is not the fear of failure, but the stigma of failure. I point out to Alasdair Morgan that the problem will not be cured by legislation—I speak from personal experience on the matter.

I am still settling into my new job, but I recognise the need for political division in the Parliament. However, I agree with Susan Deacon that, when we talk about creating an enterprise culture, we should surely receive all-party support. The issue is so important to the Scottish nation that we should not divide on it.

Alex Fergusson (Galloway and Upper Nithsdale) (Con): Of all members, Mr Arbuckle will agree that we need a strong rural economy in Scotland. The swift roll-out of broadband would have helped to achieve that. When Parliament discussed the issue, we were told constantly by a Liberal Democrat minister that something called the pathfinder project would deliver broadband in the south of Scotland. Given that, two and half years later, not one broadband connection had been made as a result of that initiative, can the member blame Opposition members for a little bit of negativity in a debate of this nature?

Mr Arbuckle: I would be happy to speak to Mr Fergusson about broadband connections. Only two parishes in Fife are not connected to broadband, but, unfortunately, I live in one of them, so I have a degree of sympathy with his comments.

After years of stagnation and lack of drive, the building blocks for a successful economy are now in place. There is no denying that Scotland's economic growth rate is poorer than that of the

rest of the UK, but as a recent Lloyds TSB monitor pointed out, the economy in Scotland is now growing at its fastest rate for seven years. On such a lovely spring day, when plant life decides that winter is over, we might just be seeing the first shoots of a more vibrant business base and economy in Scotland. The trigger for growth may be the increased skills in the workforce, or it may be the fact that businesses are benefiting from the Executive's investment in roads and education—that they believe so was shown in a survey by KPMG, to which Mr Pringle referred. The Scottish Parliament has delivered several major social initiatives, but politicians are now concentrating more on the business sector, thereby improving the Scottish economy.

16:39

John Scott (Ayr) (Con): I declare my interests: I am a working partner in a family business and the chairman of the Scottish Association of Farmers Markets.

The debate has been wide ranging. While I commend the Executive for the brevity of the title, the debate has, once again, exposed the weaknesses of the Executive's policies on the Scottish economy and growing an enterprise culture. Scotland has the potential to be an economic powerhouse and to drive forward the UK economy, but, as Jim Mather pointed out, we are not doing that. Regrettably, as the Executive has admitted, we face challenges, which—in anybody else's language—means problems. As Murdo Fraser said, economic growth in Scotland lags consistently behind that in the rest of the UK. Our young people are leaving in droves, and we are not even competitive in relation to other parts of the UK, never mind the rest of the world.

Brian Adam: Given that the member accepts that Scotland lags behind the rest of the UK, will he tell us how Conservative policy will give Scotland the competitive advantage that it needs?

John Scott: I will come back to that in due course.

As I said, our young people are leaving in droves. The number of business start-ups, which is depressingly low, has—not unexpectedly—fallen since 1997. The Committee of Scottish Clearing Bankers noted that there were 660 fewer business start-ups in 2004 than in 2003, which is roughly 20 fewer per local authority area. Obviously, Mike Pringle was completely unaware of that fact; perhaps he needs a better researcher.

Our existing businesses could do better, too, but they face excessive burdens from high business rates and excessive water charges, which put them at a competitive disadvantage and disincentivise growth and expansion. The

problems—or the challenges, as “A Smart, Successful Scotland” calls them—are relatively clear.

We need to look for solutions. Before we do that, however, I wish to examine why so many of our young people are leaving Scotland. In my view, it is starkly obvious and a prime example of the law of unintended consequences. In recent years, we have placed huge emphasis on the importance of educating people to degree level, and we have reached a stage at which almost 50 per cent of those who are leaving the education system have a further education qualification of some sort. We have all supported that dash for degrees and shared in that aspiration.

Simultaneously, however, student debt has soared. Many students leave university with debts of around £20,000. Many of them also take a gap year, either before or after studying for their qualification. They have seen a little of the world—perhaps a great deal more of it than many of us here in the Parliament have seen. The problem that arises is that students who leave university with that huge debt and the first-hand knowledge that they have gleaned in their gap year appreciate that better working and living conditions exist elsewhere. As a result, they decide to move away from Scotland into a worldwide labour market, which is likely to pay them better salaries and allow them to pay off their debts more quickly. Margo MacDonald referred to that.

Jeremy Purvis: Will the member give way?

John Scott: No, I will not, thank you. I am afraid that I do not have enough time.

Student debt is driving our talented young graduates to find highly paid jobs elsewhere. It is making them more risk averse. If we are serious about reversing the brain drain—which we would all aspire to be—we must first reduce the pressure to pay off debt. For those who remain in Scotland, only when their debts are paid off, perhaps when they are in their late 20s, will they start to look for a home that they can afford and to consider settling down and having a family. For many people, having children in their 30s is biologically more difficult, so fewer children are being produced. That is part of the reason for our declining population. Paradoxically, the more that we educate our young people, the more likely they are to have huge debts in their 20s, which burden them financially. As far as this debate is concerned, that burden reduces the likelihood of their starting up their own businesses, which is a problem that, in the long term, all parties must face up to.

However, falling population trends are perhaps a debate for another day. In my remaining time, I wish to address the solutions that are available to

us for growing an enterprise economy. First, if the Scottish Executive is serious about offering businesses a level playing field in the UK economy, it must cut business rates. That is a given. Secondly, water charges should be cut. That can be done only if the capital that is needed to finance the rebuilding of our aging infrastructure is raised from the marketplace, rather than from the consumers of water and sewerage services. The mutualisation or privatisation of Scottish Water would remove from businesses the intolerable and unrealistic stealth tax that has been placed upon them, which is used by Scottish Water for infrastructure rebuilds. Opening up the water market to competition would help our businesses and put them on a level playing field with England and Wales. Thirdly, the Conservatives would further develop our aging road and rail infrastructure, increasing access to and from Scotland for imports and exports.

Those are all measures that the coalition could implement tomorrow—surprisingly, I agree with Bristow Muldoon on that, if nothing else. Indeed, they are the straightforward measures for which businesses are crying out. Until those three basic steps are taken, the coalition cannot expect to be taken seriously by the business community in Scotland, which believes that it does what it does in spite of Government intervention, rather than because of it.

We have had enough initiatives, strategies, analyses and breathless business breakfasts. We need real solutions, and I urge the minister to act today on the Conservative party's advice if he is at all serious about delivering a smart, successful Scotland.

16:45

Brian Adam (Aberdeen North) (SNP): If we want a smart, successful Scotland, we need smart, successful Scots, but, most of all, we need Scots. It is projected that, in the near future, our population will drop by 500,000 economically active people.

Ms Alexander: Will Brian Adam give way?

Brian Adam: No thank you.

Unless we can take positive action now to reverse that trend, we will have no entrepreneurs and no customers for the businesses that we are trying to create. *[Interruption.]* I do not know what Ms Alexander finds amusing, but I do not find it amusing that Scotland faces the threat of a severe population crisis. I strongly believe that, at the moment, we are educating our people to emigrate.

Bristow Muldoon: Will Brian Adam give way?

Brian Adam: No thank you.

I know from my own family that we are educating our people to emigrate. I have five children, three of whom have now completed their education and have had to go south of the border to get the kind of jobs that they want. That is not the kind of society that I want Scotland to be. I want my children to have opportunities here.

Bristow Muldoon: Will Brian Adam give way?

Brian Adam: No thank you. Mr Muldoon should not bother.

I am delighted that one of the three has returned and I hope that the others will have the opportunity to do so, too. Scotland's problem is that it is educating its people but not providing them with opportunities. In the past, we did a lot of useful blue-sky thinking; we still do, but we do not learn and adapt. Our businesses do not have the research and development that will give us the productivity gains and the growth that we want.

We have heard a lot of flannel today. We are simply not delivering the productivity gains that come from learning, from adapting and from growing businesses. We are not taking the opportunities that sustainable development and green jobs afford us to challenge our risk-averse culture. Shiona Baird is right to say that a number of our new industries and new companies are suffering badly because insufficient capital risk investment is being made.

We will have some failures and major disappointments on the way, but if we do not put in place the right measures, there will be no future for us and our children. That is why I am involved in politics and I think that it is why all the members who are present are involved in politics. Susan Deacon talked about the positive experiences that she has had with her children. I have had many positive experiences with my children, too, but I am disappointed that they have had to go somewhere else to fulfil their ambitions. There is nothing wrong with spending time in other societies and cultures to learn from them, but any successful, smart country will itself offer the opportunities that are required.

Bristow Muldoon: Will Brian Adam give way?

Brian Adam: No thank you.

Unless we are prepared to challenge, learn, adapt and innovate, we will be damned not to achieve the growth that the Executive consistently says that it is interested in achieving but on which Scotland consistently underperforms relative to the rest of the United Kingdom. We need to create the circumstances in which we will have a competitive advantage. The Conservatives rightly identify a range of measures that are available in Scotland and we should put those measures in place. However, we should not limit our ambitions merely to doing that.

John Scott: We do not limit our ambitions to the three elements that I mentioned. Those are merely a sensible basis on which to build. Does Brian Adam agree that the Executive cannot be taken seriously until it has done those three things, which will at least produce a level playing field?

Brian Adam: I do not think that we need a level playing field; what we need is a competitive advantage. However, unless the Executive is prepared to exercise all the powers that are available now and those that we would have if we were a normal country, we will not have that competitive advantage.

Members have rightly identified some of the changes that are taking place elsewhere in the European Union as a reaction to the competitive advantages that some of the new economies have. However, we are not in a position to make such changes. The Administration in Scotland does not have the courage to do so and the UK Government is not prepared to allow us the freedom to do so.

The analysis that has been made of the problem is probably shared fairly widely across the chamber. The differences lie in the solutions. I was disappointed that Susan Deacon chose to attack my colleague Mr Mather for daring to stand up for what he believes in. He outlined a significant and valuable alternative that should not be decried on the basis that she does not agree with it.

We have significant debt in this country and that is a disincentive to our young people to take risks. I agree with John Scott in that regard. We should not be educating for emigration; we should be educating people who will be able to take advantage of the opportunities in Scotland. We should have a Scotland of opportunities, which we do not have at the moment.

The Presiding Officer: I am grateful to you for taking only six minutes, Mr Adam. I call Allan Wilson to wind up the debate. I would be grateful if you could manage to wind up in 10 minutes, minister.

16:52

The Deputy Minister for Enterprise and Lifelong Learning (Allan Wilson): It will take me much less than 10 minutes to demolish the arguments of the Opposition.

I have to admit to Susan Deacon that I am sort of responsible for the subject of today's debate. I wrongly thought that, by choosing a subject such as how we can grow an enterprise culture, we could create consensus in the chamber that doing so was a good thing. Like Susan Deacon, I have been extremely surprised by the negativity that has been displayed by the Opposition. The idea

that our young people are leaving these shores in droves, as John Scott said, is absolute nonsense. Similarly, Brian Adam's assertion that we consistently underperform in relation to the rest of the UK is also nonsense when examined in the context of the most recent quarterly economic survey, which shows that we outstrip the rest of the UK's economy by a factor of two.

I will quote a relevant statistic in relation to the city of Aberdeen, which Brian Adam represents. Aberdeen's mean full-time earnings for the period from 1999 to 2003 stood at £525 a week, which is greater than that of any other city in the UK, with the exception of London. Aberdeen is the city that Brian Adam purports to represent, but he obviously knows nothing about the economic circumstances that prevail there.

Brian Adam: The minister is right to say that Aberdeen is successful, but that is in spite of what the Executive does, not because of it. Our ambition for Scotland is that successful places such as Aberdeen should have their success reinforced, so that they can greatly contribute to the economy of their areas and the country. The fact is, however, that there are large pockets of unemployment in Aberdeen and the Executive is not addressing that need. In fact, recently—

The Presiding Officer: Not a speech, please.

Brian Adam: I am trying to help the minister out.

The Presiding Officer: I am sure that he can look after himself.

Allan Wilson: It appears that, in contrast to the position two minutes ago, we now all agree that Aberdeen is a success, as is Scotland. Since 1997, 180,000 jobs have been created in Scotland. I remember the dark days of the Tory Government, which saw 3 million unemployed and growing poverty and deprivation.

John Scott: Will the minister tell us how many of those 180,000 jobs have been created in the public sector?

Allan Wilson: I will come to Murdo Fraser's obscure point that growth in the public sector does not help to grow the private sector. I do not believe that to be the case.

We have created 180,000 jobs here in Scotland since the election of the Labour Government—170,000 since the Scottish Executive came into office—and it has to be said that that compares favourably with the Tories' economic record. The Tories used unemployment as a tool of economic management. They told us that we could never return to the days of full employment, but I tell them that they were wrong. We stand here as proof positive of that fact.

Murdo Fraser: Will the minister give way?

Allan Wilson: No. I would like to make a bit of progress. I will come back to Murdo Fraser.

We recognise what progress is. We do not stand for regression. There is no going back. Progress is about going forward in this debate, in Scotland and in the economy more generally. That is why growing an enterprise culture is so important.

For the benefit of the Opposition parties, which do not believe that we have policies that can help to create an enterprise culture, I refer members to "The Framework for Economic Development in Scotland" and "A Smart, Successful Scotland". As a prerequisite for participating in debates on the economy in Scotland, Opposition members should read those documents; we might then take seriously some of the comments that they make on them.

Stewart Stevenson: On entrepreneurship in the rural economy, has the minister had an opportunity to read today's *Business Bulletin*? It refers to 70 items of secondary legislation, 24 of which appear to bear on one particular class of rural business. Does he think that entrepreneurs in rural areas are helped by having to deal with that weight of legislation or is Gordon Brown right to say that we should reduce the amount of red tape?

Allan Wilson: I am in favour of the Hampton review. The statement that was made last week was significant and we in the Scottish Executive fully embrace the principles behind a review of bureaucracy and red tape. We look unfavourably on anything that restricts entrepreneurial growth and the Hampton review has much to teach us in that regard in both the urban and rural contexts.

The enterprise networks have an important role to play. Both Scottish Enterprise and Highlands and Islands Enterprise, which has greater resonance in the rural areas to which Stewart Stevenson refers, seek to grow our entrepreneurial base by encouraging and supporting business start-ups and by supporting existing businesses that have growth potential so that Scotland can develop a larger stock of companies of scale. That is critical in growing the enterprise culture to which I referred.

Let me clear up Murdo Fraser's point about the creation of new businesses. The Committee of Scottish Clearing Bankers is, of course, correct. In 2004, there were 2,808 new businesses in Scotland; I think that that complies with Murdo Fraser's figure. That is a regrettable decrease of—

Murdo Fraser: It was 20,808.

Allan Wilson: I said that: there were 20,808. That represents a regrettable decrease on 2003 of 3.1 per cent. However, the important point is that it represents a net increase of 9.3 per cent on the

number of new businesses that were created in 2002. I am not one to take a snapshot of a particular year and extrapolate it wrongly.

Murdo Fraser: In this battle of statistics, will the minister confirm that the number of VAT registrations in Scotland has fallen since 1997, when his party came to power?

Allan Wilson: I accept that there are challenges in business growth. That is why I proposed for debate the subject of growing an enterprise culture. I argue that the Scottish Executive has policies to turn around those statistics. The policies of the Tories and the nationalists would take us backwards, especially on the tax burden that Scottish and UK businesses face, which is lower than that of most of our competitors and trading partners. The nationalists and the Tories deny that, but Organisation for Economic Co-operation and Development numbers show that the UK business tax burden, which is a combination of corporation tax and employers' national insurance contributions, was about 6.3 per cent of GDP in 2002. That is below a simple average of the EU 15 countries, which stands at 10.2 per cent, and is below the figure for the much-quoted, much-vaunted Irish economy, whose virtues Jim Mather extolled. The figure is lower than those of Japan, Germany and France. The idea that the business tax burden in Scotland is a restraint on growth is simply untrue.

Murdo Fraser: The minister will be aware that he quotes figures that refer to business taxation as a percentage of GDP. In Scotland, the private sector economy is a smaller percentage of GDP than it is in the rest of the UK or in many other countries, which means that business taxation must be proportionally higher and have a more serious impact, so my point is proved.

Allan Wilson: The situation is quite the opposite. By that logic and the fact that Scotland has a higher percentage of public sector employment, GDP per capita would be increased by increasing public service wages. That cannot be true. The argument is unsustainable.

We have made clear our commitment to the programme in "Determined to Succeed". Unlike Stewart Stevenson—Wendy Alexander was right to pull him up on his argument—we do not argue that entrepreneurialism cannot be taught or that introducing entrepreneurialism into the curriculum will not help to counter a risk-averse culture. As ever, the nationalists give a counsel of despair. That reminds me of the Tory years, which are—thankfully—a thing of the past that will not be returned to. It also reminds me of the clear dividing lines between parties. We cannot build an enterprising culture in Scotland by divorcing ourselves from the world's fourth most successful economy or by cutting more than £4 billion from

the Scottish budget—from investment in education, enterprise and science, to name but three issues.

We beg to differ from those scenarios. Our strategy is determined to succeed. We are determined to transform our culture into one of confidence and ambition for a modern society.

The Presiding Officer: That concludes the debate. As there are no questions to be put at decision time, we move straight to members' business.

Clydeside Shipyards

The Deputy Presiding Officer (Murray Tosh):

The final item of business is a members' business debate on motion S2M-2276, in the name of Trish Godman, on the future of Clydeside shipyards. The debate will be concluded without any question being put.

Motion debated,

That the Parliament offers its compliments to the managements, workforces and trade union representatives of the shipyards of lower and upper Clyde who, over and beyond the superb ships they build, work so hard and in a spirit of co-operation to ensure that their maritime industry continues as a viable and important element of the local economies; believes that it is essential that the fine skills, employed in the yards, should be maintained and enhanced by sound apprenticeship schemes, and considers that the Scottish Executive should do everything in its power, on its own account and in co-operation with the appropriate UK ministers, to assist our Clydeside yards to secure vessel orders.

17:04

Trish Godman (West Renfrewshire) (Lab):

I am grateful to the large number of MSPs, including Murray Tosh, who put their names to my motion and to colleagues who are present and hope to speak in the debate.

To those people who think that the Parliament should not debate the future of Clydeside shipyards and think that that should be left to Westminster—I hope that there are few such people—I simply point out that the Scottish Executive has a major, even decisive, role in procuring vessels for the public sector. On that ground alone, we have every right to debate the issues and to engage with ministers in Edinburgh who take immensely important decisions for the communities that we represent.

My motion stresses the need for the Scottish Executive to play its part in ensuring that our yards continue as

“a viable and important element of the local economies”.

That statement holds for both the upper and the lower Clyde. I was reminded of the importance of that when I recently received a letter from the shop stewards committee at Ferguson Shipbuilders in Port Glasgow, which is in my constituency. The letter begins:

“We represent the frustrated workforce of Ferguson's shipbuilders Limited and are members of the GMB Union. We write again to ask for your support in providing a workload to ensure the continuance of shipbuilding on the Lower Clyde at Ferguson's.”

Those people know that we support them.

I am the granddaughter of a blacksmith's labourer who worked in Stephens yard in Govan

and I am married to a man who in a past life was a shipwright in a yard in Yorkshire, so I am well aware of the skills that are needed to build ships and of the dangers of developing vibration white finger and deafness, for example, which are occupational hazards. Everyone knows that the once huge industry has now been reduced to three yards—at Govan, Scotstoun and Port Glasgow. I do not believe that members of the Scottish Executive and their counterparts south of the border will stand idly by while a now small industry slips quietly away. No island nation should be without a shipbuilding industry.

I emphasise that the shipyard workers whom I represent at Ferguson Shipbuilders in Port Glasgow and those who commute up to Govan and Scotstoun are not looking for handouts and that they are not demanding a form of industrial featherbedding. Our constituents are—rightly and properly—demanding fair and square dealing from ministers and civil servants and our bounden duty as MSPs is to see that they are treated in that way. That must be the case where the procurement of public sector vessels such as Ministry of Defence ships, fisheries protection and research vessels and passenger ferries is concerned. I firmly believe that there is a sound and legitimate case for such vessels being built in United Kingdom yards and that our Clydeside yards should get a fair share of the work.

In a letter that I received a couple of weeks ago, Mr Bruce Drummond, who is president of the Greenock Chamber of Commerce, outlined his colleagues' concerns about the awarding of UK state contracts. Among other things, he said:

“Ferguson's, like all UK companies, are faced with an increased burden in complying with the high standards required by UK legislation.”

France, Germany or Holland would simply never have their ships built in the UK or in Scotland if one of their yards had tendered for the work.

In an excellent article in the *The Herald*, Alf Young—whose father worked as a joiner in Scotts on the lower Clyde—stated:

“fresh political clarity on the strategic importance of shipbuilding to an island nation is needed; urgently.”

Every employee in the upper and lower Clyde yards, from the youngest apprentice to the most senior manager, would agree with Alf Young.

All state-funded vessels should be built in our yards. European Union officials may frown on that, but our Clydeside yards need to be defended against what Alf Young has called

“predatory pricing and underhand subsidies operating in some of the new accession states.”

I believe that such state protection also exists in some long-established member states. In the past,

Govan has suffered the consequences of such outrageously unfair competition. Poverty wages are a hidden subsidy. France, Germany and Holland do not pay poverty wages, so how do they manage to keep most—if not all—of their orders in-house? That question must be addressed. There should be a full and thorough review of procurement regulations. It seems to me that people who play fair and square lose.

On a lighter and more welcome note, I have been told that an MOD vessel will be launched at the Govan yard next month. In fact, it will be launched on the same day on which a certain gentleman weds his bidie-in—to use Tommy Sheridan's unforgettable phrase. Be that as it may, I want there to be regular maritime launchings in our Clydeside yards.

Finally, although I welcome the opportunity of today's debate, apart from the review of EU regulations, the Parliament and Executive should be engaged in a constructive debate on the ways and means of the Scottish Executive's funding maritime contracts. We need to be better informed about such matters so that we can defend and promote the economic, social, community and cultural interests and concerns of all those who work in the shipbuilding industry on the upper and lower Clyde.

17:10

Mr Bruce McFee (West of Scotland) (SNP):

Trish Godman is right; this matter should be debated in the chamber and, if my voice holds up, I will try to contribute to that. Although the worthy motion covers all Clydeside, I will concentrate specifically on the situation on the lower Clyde. My grandfather worked in Ferguson's shipyard. Like many in Inverclyde, his family originated in Ireland and came to Scotland to look for work, settling in Port Glasgow. My father also served his time at Ferguson's, starting during the second world war at the age of 14. He then went on to work in various other yards for the next 30 years. Because different trades finished on different parts of a boat at different times, being laid off was quite a common experience. He can remember the days when a worker could leave one firm on a Friday and get a start down the road on the Monday morning.

That does not happen now. Today Ferguson's is the only shipbuilder left on the lower Clyde, but for how much longer? Ferguson's employs about 300 workers. The company is an example of good management and a dedicated workforce struggling to keep the shipbuilding industry alive in our country. Although the shipbuilding market is quiet at the moment, there is a £30 million order for two fishery protection vessels waiting to be determined. Ferguson's is building those vessels'

sister ship, the FPV Sulisker, which will be completed by the end of 2005. Ferguson's is currently bidding for a Caledonian MacBrayne order, with a second vessel going to tender soon.

However, since last summer, Ferguson's has lost out on £80 million of orders. The Northern Lighthouse Board order went to Poland, where it appears that steel can be bought at below cost price and where labour costs \$3 per hour. Western Ferries, which operates a Gourock to Dunoon service on the Clyde, buys its ferries from Ferguson's of Port Glasgow. The company is delighted with a service that builds its ships on time and within budget. However, Caledonian MacBrayne, which also operates a Gourock to Dunoon service on the Clyde, is quite another story.

It is extremely difficult for people in Scotland—and doubly difficult for people in Inverclyde—to understand why Caledonian MacBrayne, which is based in Gourock, bypasses Ferguson's shipyard, which is based in Port Glasgow, to go all the way to Poland to buy a ship, while receiving a subsidy of £28 million from the Scottish taxpayer.

It is time that the Scottish and UK Governments started to prioritise our shipbuilding industry and the jobs of Scottish workers in the same way as other EU countries manage to prioritise theirs.

17:14

Miss Annabel Goldie (West of Scotland)

(Con): I, too, welcome the opportunity to contribute to the debate. In line with the other maritime pedigrees that have been offered, and not to be outdone, I inform members that I have a family connection with shipbuilding on the Clyde as well. One of my forebears built the tea clippers at Greenock.

All of us in the chamber, with our different party backgrounds, share a desire to do everything that we can to support the compelling case of Ferguson's in Port Glasgow. I, too, will concentrate my attention on that yard.

As a lawyer, I was often asked to plead cases that, on frank inspection, were perhaps less than robust, but it would have been a joy to be asked to plead the case for a company such as Ferguson Shipbuilders. As has been said, the company has a proven reputation of skill and experience in building quality craft. As Bruce McFee said, the company has not lacked customers elsewhere. We know that Western Ferries, which is not a public sector company, procures ferries from Ferguson's, so pricing seems to be acceptable.

Ferguson's has a highly trained and experienced workforce that has a good contract performance record. We also know of Ferguson's significance

to the local economy. Its wages bill is estimated at some £7 million per annum, but that excludes local suppliers, who probably account for the employment of another 100 people in the local economy. The two local colleges—James Watt College of Further and Higher Education in Greenock and Reid Kerr College in Paisley—are used to provide training and skills for the apprentice workers who start off in Ferguson's.

The case for Ferguson's is not difficult to prove; the difficulty lies with the people to whom we need to prove it. I will try to observe the tradition that members' business debates should not be hostile or contentious, but in the speeches that have been made I detect the most concerted and obvious desire to ask the Executive to show political leadership. There are unexplained questions about why countries in other parts of Europe manage to place their contracts with their own yards. Concerns have been expressed by Ferguson's about how other yards have managed to secure contracts when, on a price-comparison basis, there is apparently no contest.

If people such as Robert Breckenridge, Crawford McKechnie, Alex Logan, Sean Finke and William Small—who are all workers at Ferguson's and members of the GMB union—can fight for their yard alongside the company's chief executive, Alan Dunnet, and managing director, Richard Deane, questions must be posed about the role of the Scottish Executive. I ask the minister to give us evidence that the Executive is prepared to fight for the precious, precious shipbuilding industry on the lower Clyde.

Let me quote something that I read in today's *Evening Times*:

"We need, in Edinburgh and Westminster, the clear demonstration that there is the political will to ensure the yards on the Upper and Lower Clyde, are given a fair deal - the kind of treatment our neighbours in the EU give to their shipyards."

That quote comes not from one of the Executive's political opponents but from Trish Godman, who is a member of one of the Executive parties.

I also refer members to Jack McConnell's response to my question at First Minister's question time on 3 February, when I raised the issue of Ferguson's. He said:

"Of course Ferguson's, like other Scottish shipbuilders and yards, is treated fairly by Scottish ministers. The objective has to be not just to treat them fairly, but to ensure that they are well placed to win orders and contracts."—[*Official Report*, 3 February 2005; c 14255.]

Ferguson's could not be better placed to win orders and contracts; what we ask for now is evidence of the Executive's political will to deliver for Ferguson's.

17:18

Robert Brown (Glasgow) (LD): I congratulate Trish Godman on securing tonight's worthwhile debate on the Clyde shipyards. If I may say so, this is one of those debates that comes camouflaged a little but packs a punch as the speeches develop.

I also have some shipbuilding forebears. In my case, my grandfather was involved in working for Parsons on the Tyne. That might not be quite the message that I should give out today, but it reinforces Trish Godman's point about the United Kingdom being an island nation that depends very much on the sea.

The idea of shipbuilding is embedded deep in the psyche of the Scottish people and, in particular, of the people of Glasgow and the upper and lower Clyde. On the day the most recent naval frigate was launched, I happened to be out on the north bank of the Clyde down at Scotstoun, where I was amazed to see a large number of people gathering there and on the other side of the river to watch the launch—I thought that the days of hordes of people turning out for such things were past. The decline of the yards is seen almost as a failure of the nation's virility.

For Britain as a whole, shipping and shipbuilding hold a special place. British bottoms once transported some 50 per cent of the world's trade, which was an astonishing achievement. I have long thought that there is something wrong with an international shipping system under which links to a ship's home country have ceased and the ships fly under flags of convenience and are built elsewhere.

These days shipbuilding operates in a different environment. The capital outlay for the yards and equipment remains vast but, as members have said, the real struggle is to secure the steady flow of orders that gives stability to the yards and regular employment to the workforce. It is worth my making the point that stability also creates the confidence to support the recruitment of apprentices, who can be an unnecessary addition to fixed overheads, if times are hard. That issue has not yet been touched on, but it is mentioned in the motion. I strongly support the call that Trish Godman has made today for a review of the regulations that apply to procurement.

Scotland has managed to maintain a tradition that places a high value on engineers. Not long ago, I spoke to representatives of a railway signalling firm, who told me that it takes on 10 apprentices a year in Glasgow and that there is a big demand for places from good applicants. That contrasts with the firm's place down south, which struggles to get enough interest. What applies to the railways also applies to shipbuilding.

We have a major success story to tell on modern apprenticeships, but we must maintain the stability of supply if we are to keep up in that regard. I agree entirely with Trish Godman that shipbuilding is a key area that should be sustained and encouraged. It needs a steady flow of orders and has been bedevilled by the lack of them. In a sense, that is primarily a matter for the shipyards, but, as has been demonstrated in the debate so far, although industry gets the orders, it must operate on a more level playing field than seems to exist at the moment. I hope that we can use the Executive's muscle and influence to prevent unfair competition. If, as Bruce McFee suggested, Polish companies are getting what are, in effect, illegal state subsidies to enable them to undercut indigenous yards, that must be fought hard and stopped. If Government can support the yards in other ways—by using the network of embassies, by its influence and by placing naval orders in an orderly stream or, preferably, a river—that must be done.

Today's debate is important. I do not claim to have detailed knowledge of the lower Clyde, but the issues that we are discussing apply right up the Clyde and to a number of other important rivers in Britain. I am pleased to add my voice in support of the motion.

17:22

Pauline McNeill (Glasgow Kelvin) (Lab): I thank Trish Godman for bringing a timely debate to Parliament. I declare my membership of the GMB.

I recall the first launch of a ship that I attended, which was at Scotstoun shipyard in my constituency. The ship was HMS St Albans, which was a type 23 frigate—the forerunner of the type 45. The launch was a huge event for Glaswegians, who came in their thousands to witness the ship floating on water for the first time, before it was fitted out in the dry dock. The traditional breaking of the bottle against the hull was merely one small part of a bigger tradition that included children singing, karaoke competitions and displays throughout the day of the launch. In 2006, Scotstoun shipyard will launch the first type 45 frigate, which has been the collective work of the Glasgow shipyards. Unions are currently discussing the prospect of sharing the launch between the Scotstoun and Govan yards.

Only a short time ago, we were all congratulating ministers on the success of the shipbuilding strategy and task force and—notably—on the return of apprenticeships, through the modern apprenticeships scheme, to the Clyde. An article from the *Evening Times* that I dug out of my file hails the securing of shipbuilding's future on the Clyde for 10 years or more, about which we

were all very pleased. However, because of recent events, that future needs assessment and reaffirmation.

Considerable investment over the past 30 years has placed Scotland and, in particular, Glasgow in a unique position. Billy Connolly would not recognise a modern-day shipyard; I am sure that there is less room for comedy than there was previously. A huge proportion of the UK's total naval ship design and engineering resource is based on the Clyde, where unrivalled experience has been gained during every major naval procurement programme of the past 30 years.

Although there is a moderately healthy manufacturing workload for the coming few years, there is also an acute shortfall in high-value engineering and design work. According to BAE Systems, if the aircraft carrier programme—the CVF, or carrier vessel future—is to be put back a few years, as has been reported in the press, and if the military afloat reach and sustainability project remains delayed and the Defence Procurement Agency succeeds in buying tankers overseas, the consequences for the majority of the industry will be disastrous. Those are the industry's words.

The severe short-term drop in work that I have described will be serious for the future of the Clyde; if we do not bridge the gap in the order book, we will lose a valuable workforce in the short term, the consequence of which will be that we will not have the capability to take on work in the longer term, when orders come on stream.

BAE employs 2,600 workers, 2,300 of whom are based in Scotstoun and Govan. Approximately half the members of the Glasgow workforce work in production. They work on landing ship dock vessels and type 45 destroyers for the Ministry of Defence.

We have 550 engineers in Glasgow and the city's design capability has made it the centre of excellence that it is. Even a temporary loss of jobs will impact on our capability because we are unlikely to be able to get our engineering resource back to shipbuilding if it leaves. If the baseline number of engineers falls below 370, the business will not be able to function and our position in the industry will be lost.

As other speakers have said, the Clyde is world renowned for quality shipbuilding. We have an established ability to build high-quality ships. Workers in Glasgow pass on their support to workers at the Ferguson yard. The Clyde's success story can continue to be realised, but it is in danger.

I welcome the UK Government's general approach to naval shipbuilding. Warship procurement is, of course, a reserved issue. I thank Lord Bach, who keeps me informed on

defence issues. However, as Trish Godman has said, the loss of skills and industrial excellence is of primary importance to Scottish ministers and to MSPs who represent the interests of shipping.

I agree with Trish Godman that when it comes to state subsidy and procurement, the UK seems to stick to the rules of engagement and so often loses out. I have just learned that, in 2006, most of Scotland will be ineligible for regional selective assistance because the accession states will be favoured. I am aware that BAE has made an application that is designed to ensure that we continue to have a competitive edge, which I know is being treated sympathetically by Executive ministers.

I am grateful to the ministers—Allan Wilson and Jim Wallace—for their assurances that they will take forward the concerns of Glasgow MSPs about shipbuilding on the Clyde. I know that they will work hard on scrutinising the suggestion that the design work for the CVF be brought forward and on considering the support that might need to be given to retain skills and jobs in shipbuilding. The debate has been timely and I again thank Trish Godman for securing it.

17:27

John Swinburne (Central Scotland) (SSCUP): I thank Trish Godman for securing the debate.

In 1947, I started my apprenticeship as a marine engineer with Barclay Curle and Company in Scotstoun. At that time, Barclay Curle employed more workers than are now employed in the whole UK shipbuilding industry. In 58 years—not a long time—the industry has been politically destroyed. News such as that of the recent decision to have aircraft carriers built in France rather than on the Clyde makes me use the phrase “politically destroyed”. Clyde-built ships had a reputation for quality workmanship that was unrivalled throughout the whole world. When a Government of whatever persuasion gives aircraft carrier orders to the French and allows our industry to die, it is committing antisocial behaviour of a kind that I cannot understand. It is not acceptable that the Government preaches against antisocial behaviour in one field, but does not practice what it preaches in another.

Most of the points that I intended to make have already been made eloquently by other members. All I can say is that in my opinion, no matter how hard people try, they will be let down by politicians. It will be up to the workers to try to generate a little bit of the spirit that they had when they kept the Govan yard open—I urge them not to give in to the politicians. Although the fight is industrial rather than political, surely the political parties in this country should have the interests of the workers at

heart, especially given that we are talking about an industry that was the pride of this nation. They must fight to keep some form of shipbuilding in this country. When I think about the Queens and all the other ships that were launched on the Clyde, I shake my head and think, “No. We should be doing better.” Unfortunately, we are not doing better.

I thank Trish Godman for bringing this evening's debate to Parliament. I could talk all night about the shipyards because working there was a real education, as other members have mentioned. In 1947, we had the coldest winter on record, yet people still went out there and carried on working. If someone got hold of a bit of metal, it stuck to their hand. That is how cold it was; it was incredible. However, the red Clydesiders, as they were known, did not complain about the conditions. They got their heads down, carried on working and still produced the best ships that we ever saw in our maritime history. I am just sorry that things have come to such a pass, so I wish Trish Godman well in her efforts to keep Ferguson's going.

17:30

Jim Mather (Highlands and Islands) (SNP): I commend Trish Godman for securing the debate, and I very much agree with her argument. From what we have heard tonight, it looks as though we are in a situation in which we risk further erosion of our shipbuilding industry, order by order, due to apparently excessively zealous attitudes to European Union competition laws, among other things. There is also a strong suspicion that unfair state aid is being used by some of our competitor nations.

Ferguson's in Port Glasgow has built a great reputation and many fine ships, but now its management is telling Scotland that Government-funded contracts in France, Germany and Holland are going to indigenous yards there rather than to low-cost EU shipbuilders such as Poland. However, contracts here are going increasingly to Poland, with a recent net loss to the Scottish economy of some £80 million in respect of three Government-funded ships. Could it be that those other mature EU nations have concluded that the Poles are bidding especially low prices to win dominance of the EU shipbuilding sector, perhaps even with the unfair advantage of a sprinkling of state aid, in order to earn premium prices in years to come? Could it be that France, Germany and Holland suspect that the level of state aid in Poland is excessive and illegal and have simply decided to be pragmatic and stop the rot?

For my part, I am a devotee of Professor Michael Porter. I believe in competition, but only in competition that is open and fair. I therefore

believe that it is incumbent on us to prove whether competition is fair and to encourage public bodies to follow the examples of other nations. I make a plea to the Executive to call on the EU to investigate what level of state aid is going to Polish yards, and thereby to identify the true extent and validity of Polish state support. If the Executive does nothing, we risk losing the last remnants of our shipbuilding industry without a fight, and we can look forward in the long term to escalating prices for future vessels from what may be today's low-cost supplier, which might not necessarily be a low-cost supplier tomorrow.

I have expressed my fear that the dice have been loaded against our yards and that the net effect could be that we will lose yet more shipbuilding capability from the Clyde. If that happens, we will also see the Government lose out in the short term in terms of tax revenues and potential export income. It will also simultaneously face increased social security costs. In the longer term, we as a nation face the prospects of paying premium prices for shipbuilding and ship repairs, and of the export of valuable capital from Scotland. Such prospects do not make sense elsewhere, so surely they should not make sense here.

Having spent my formative years in Port Glasgow, and having worked as a young accountant on audits of firms such as Kincaid's and Hastie's, I have absolutely no desire to see more losses. Equally, from the taxpayer's perspective, I want value and retention of capital here in this country. An industry that can build and maintain ships is absolutely crucial for a maritime nation, so I am thankful that we still have Ferguson's, Govan, Scotstoun and other Clydeside yards. My plea to the minister is this: let us go the extra mile for our national self-interest. That is the best way for us to go.

17:34

The Deputy Minister for Enterprise and Lifelong Learning (Allan Wilson): I join colleagues in offering my congratulations to the member for West Renfrewshire, Patricia Godman, on securing this important debate. Shipbuilding is clearly of significant constituency interest to her, and I know that maintaining a successful shipbuilding presence on the Clyde is a topic that is close to her and her constituents' hearts. She has shown today and previously—and will no doubt do so again in the future—that it is something for which she is prepared to fight vigorously. She is to be commended for that.

The debate seems to be an opportunity to declare personal commitments. For what it is worth, my grandfather worked in the Glasgow

yards for Harland and Wolff. I recall being on the Upper Clyde Shipbuilders marches to which John Swinburne referred: I do not know whether he was there, but I know I was.

For shipbuilding on Clydeside, and throughout Scotland, this is a time of significant opportunity but, as we have heard, it is also a time of significant challenge. We in the Executive are aware of the challenges to which members have referred. We are committed to helping our shipbuilding industry and its highly skilled and professional workforce to meet the challenges. We have an excellent working relationship with all three major shipyards in Scotland which, with the trade unions that represent the workforce, work with the Executive and Scottish Enterprise on the Scottish marine industry steering group. The forum provides the opportunity to exchange ideas and to develop the industry.

We share a common view with the steering group about what future success for shipbuilding must be founded on. First, it must be founded on exploiting the high skills levels and dedication of the workforce. Secondly, it must be founded on promoting innovation and encouraging the adoption of best practice to enhance productivity and competitiveness, which is the focal point of tonight's debate. There can be no complacency on that point: everything we do is geared towards that.

The issues that have been raised fall into two areas: those that relate to Ferguson's on the lower Clyde and those that relate to BAE Systems at Scotstoun and Govan, to which Pauline McNeill referred.

Ferguson's success to date has been founded on identifying specialist markets in ferries, offshore vessels, tugs, fisheries protection vessels and fisheries research vessels. There can be no doubt but that that market is characterised by fierce international competition and intense and sometimes aggressive pricing. The market is largely dominated by public procurement and therefore is subject to the public procurement rules of the EU. In recent years, Ferguson's has successfully competed in that market: successes have included repeat orders from Stirling Shipping—

John Swinburne: Is it not a fact that a Government order for a defence vessel can be built within the Government's own country and it is not necessary to invite tenders from abroad?

Allan Wilson: Yes. I will come on to that. I thought that John Swinburne would be aware of that. I am talking about the commercial market in which Ferguson's operates. As I was saying, it has been successful with orders from Stirling Shipping, with a three-vessel order for ferries from Plymouth

City Council, with fisheries research vessels and with new fisheries protection vessels.

None of those orders is easily won. Competition in an open and value-for-money driven public procurement regime is intense.

Trish Godman: I will clarify what I meant by a review of the procurement regulations. It seems to me that it is about the interpretation—if I can say this in the chamber: I could not say it outside—that civil servants make of the regulations. Civil servants in France, Germany and Holland seem to be able to interpret the regulations in a way that enables those countries to build their own ships, but we seem not to be able to do that. We are continually caught up in questions of whether we will get the orders and what the procurement rules are. A review of how we interpret the regulations is needed.

Allan Wilson: Any regulation is subject to interpretation. Such interpretation is not restricted to civil servants who work for the Scottish Executive or, for that matter, for the UK Government. The regulations are also subject to interpretation by, dare I say it, lawyers and the courts and, of course, by the competing companies.

If you allow me, Presiding Officer, I will now deal with some issues that have been raised.

The Deputy Presiding Officer: There is some time in hand.

Allan Wilson: The issues are complex and important. I would like to get on the record certain points in relation to some of the statements that have been made.

Ferguson's recent losses have been mentioned. I appreciate and share the disappointment that everyone feels at the loss to a Polish yard of the orders for the general lighthouse authority and the Natural Environment Research Council. When companies have concerns about the procurement process, they can and should seek legal advice—I make that important point in direct response to Trish Godman.

There are routes for recourse through the relevant courts if necessary. I stress that the Executive has no locus to intervene in procurement that is funded by UK public bodies. However, the Scottish ministers seek assurances from UK ministers that procurement programmes comply with European rules. Ultimately, if Ferguson considers that procurement has not followed the proper procedure, it is for the company to take the necessary action.

Currently, two procurement processes are at an advanced stage: for a Caledonian MacBrayne vessel; and for two Scottish Fisheries Protection Agency vessels. Of course I am aware of concern

about perceived low-bid prices, which have been repeated tonight, and of the feeling—I will put it no more strongly—that illegal or legal state aid subsidy has been paid to the competition. Very strict rules on state aid and aid to commercial shipbuilding are set out in the European Commission's framework on state aid to shipbuilding. All member states are subject to the same state aid regime and their obligations are set out in the framework. If a company—or a member of the Scottish Parliament, a journalist or whoever—is in possession of sufficient evidence of illegal aid or unlawful Government subsidy, there are appropriate routes for thorough investigation through the EC with, if appropriate, the support of the UK Government.

Mr McFee: Does the minister seriously suggest that a company such as Ferguson should take the appropriate legal action to try to ascertain whether a steel company in Poland that supplies a Polish yard has received a hidden subsidy from the Polish Government? Is that a serious way of progressing the matter? Does the minister think that there is a greater role for the Scottish Executive in pursuing such issues?

Allan Wilson: I hope that the member was not deliberately misinterpreting my comments, which reflected an important fact. If a company is in possession of sufficient evidence of illegal aid or unlawful Government subsidy, there are appropriate routes through the EC, which can be facilitated by the Scottish Executive and/or the UK Government. It is important to stress that there must be evidence, which could be elicited on inquiry or discovered through subsequent inquiry.

I will briefly talk about the significant challenge that the lack of new build and design work on the Clyde presents for the naval sector. I met Pauline McNeill, Bill Butler, Gordon Jackson and others today and I am particularly conscious of the need to sustain employment levels and the necessary skills mix, to which Pauline McNeill referred, through the promise of orders to come, which does not sit well in a cut-throat business environment.

I am happy to repeat what I said to Pauline McNeill: the Executive will continue to highlight to the UK Government the need to ensure that short-term pressures are not allowed to undermine the longer-term strategy. That is an important point. Such a strategy should allow for the timing of programmes to be smooth, to sustain the minimum core capability required to deliver on future programmes and to provide naval exporters with a viable platform from which to secure orders from overseas navies and Governments. I am delighted to say that BAE excels in that.

The Executive and its agencies will continue to support shipbuilding on Clydeside through co-

ordinated action on the marine industry. That action will focus on maintaining the strength of the excellent skilled workforce in the yards, and it will continue to support the industry in the recruitment of apprentices through the modern apprenticeships programme. That programme has been a real success story in shipbuilding with 250 modern apprentices now at BAE.

As I have discussed with Pauline McNeill, Bill Butler and Gordon Jackson, our action will also highlight the need for the UK Government to understand the short-term pressures that yards face and the need for action to overcome those pressures—such as the recent awarding of the Ark Royal refit to Babcock.

We will consider carefully and sympathetically any application by the yards for regional selective assistance and we will support other ways of boosting productivity and promoting innovation. That will assist and support Scottish shipbuilding to succeed in domestic and overseas markets.

Meeting closed at 17:46.

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