



The Scottish Parliament
Pàrlamaid na h-Alba

Official Report

ECONOMY, ENERGY AND TOURISM COMMITTEE

Wednesday 16 June 2010

© Parliamentary copyright. Scottish Parliamentary Corporate Body 2010

Applications for reproduction should be made in writing to the Information Policy Team, Office of the Queen's Printer for Scotland, Admail ADM4058, Edinburgh, EH1 1NG, or by email to:
licensing@ogps.gov.uk.

OQPS administers the copyright on behalf of the Scottish Parliamentary Corporate Body.

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

Wednesday 16 June 2010

CONTENTS

	Col.
INTERNATIONAL TRADE INQUIRY	3795
VISITSCOTLAND (CHIEF EXECUTIVE)	3813
INTERNATIONAL TRADE INQUIRY	3836
PROTECTION OF WORKERS (SCOTLAND) BILL	3851
SUBORDINATE LEGISLATION	3852
Census (Scotland) Regulations 2010 (SSI 2010/211)	3852
Census (Scotland) Amendment Regulations 2010 (SSI 2010/215)	3852

ECONOMY, ENERGY AND TOURISM COMMITTEE
20th Meeting 2010, Session 3

CONVENER

*Iain Smith (North East Fife) (LD)

DEPUTY CONVENER

*Rob Gibson (Highlands and Islands) (SNP)

COMMITTEE MEMBERS

*Ms Wendy Alexander (Paisley North) (Lab)
*Gavin Brown (Lothians) (Con)
*Christopher Harvie (Mid Scotland and Fife) (SNP)
*Marilyn Livingstone (Kirkcaldy) (Lab)
*Lewis Macdonald (Aberdeen Central) (Lab)
*Stuart McMillan (West of Scotland) (SNP)

COMMITTEE SUBSTITUTES

Nigel Don (North East Scotland) (SNP)
Alex Johnstone (North East Scotland) (Con)
Jeremy Purvis (Tweeddale, Ettrick and Lauderdale) (LD)
David Whitton (Strathkelvin and Bearsden) (Lab)

*attended

THE FOLLOWING GAVE EVIDENCE:

Richard Arnott (Scottish Government Culture, External Affairs and Tourism Directorate)
Dr Mike Cantlay (VisitScotland)
Riddell Graham (VisitScotland)
John Swinney (Cabinet Secretary for Finance and Sustainable Growth)

CLERK TO THE COMMITTEE

Stephen Imrie

LOCATION

Committee Room 2

Scottish Parliament

Economy, Energy and Tourism Committee

Wednesday 16 June 2010

[The Convener opened the meeting at 09:31]

International Trade Inquiry

The Convener (Iain Smith): Welcome to the 20th meeting in 2010 of the Economy, Energy and Tourism Committee. As we have six items on today's agenda, time is a little on the tight side, so I request that all members keep their questions brief and to the point so that we can get through all the business. Let us have questions, not statements, please.

Agenda item 1 is the international trade inquiry. I am pleased to welcome to the committee for the first time, in his role as chairman of VisitScotland, Dr Mike Cantlay. I ask Dr Cantlay to make some brief opening remarks and to introduce his team before we move on to questions.

Dr Mike Cantlay (VisitScotland): Thank you. It is a pleasure to meet the committee. The fact that this is the first time that I have given evidence to the committee—in fact, it is the first time that I have given evidence to any committee—makes it a particular pleasure. I am sure that you will be gentle with me.

I understand that the committee prefers not to take statements, so I will say only a few brief words. I introduce Riddell Graham, whom you have met before, who is the director of strategic partnerships. He is the specialist in the field, so I anticipate that when it comes to responses to your questions, I will back him up.

As you know, VisitScotland provides a platform for businesses across Scotland to break into international markets and helps them to sell their products and services across the globe. We do that through our international consumer campaigns, our work on business tourism, our activity in emerging markets and our events and exhibitions activity. It is those issues that we hope to touch on, in addition to updating the committee on the position regarding the national investment plan and the tourism development bank.

The Convener: Thank you very much.

One of the focuses of our inquiry has been to investigate whether the various agencies that work to promote Scotland are working effectively together and with other United Kingdom agencies. In VisitScotland's case, VisitBritain is the main such agency, but we also want to know how you

work with Scottish Development International and UK Trade and Investment overseas to ensure that your message gets out as widely as possible.

Riddell Graham (VisitScotland): I am happy to respond to that. The really important message to get across is that, although all our international marketing is tourism focused, we do not do that work on a stand-alone basis. In fact, every one of our activities is undertaken jointly with at least one other agency and several commercial partners. The opportunity to work with tourism businesses throughout Scotland is key. We have a particularly strong relationship with SDI and, as you mentioned, VisitBritain, from a tourism point of view. We also work with the Scottish Council for Development and Industry on international activity. We ensure that there is close co-operation with the Scottish Government team, too, in promoting Scotland internationally. We dovetail into those other bodies' activities to ensure that, once they are developed, our plans match very much their aspirations.

The relationship with VisitBritain has developed over the years. We now have a concordat in which we identify the key markets in which we work alone, with activity direct to the consumer, the markets where we work jointly, and the markets where VisitBritain takes the lead because it has the people on the ground to do that job effectively. Strategically, our relationships with all the agencies that you mentioned are very strong. We work closely with them on an operational basis. I can reassure the committee that that is very much the way in which we do business.

Dr Cantlay: Having been about in both Scottish Enterprise and VisitScotland back in time, having had a break, as it were, and now having seen the environment today, I have two observations to make that are worthy of note. The first is on team Scotland working together. In my first week in post, I was in Canada where I saw at first hand how the various Government agencies work together to deliver in Canada. They share support—indeed, they even share people—which I found refreshing in a very competitive environment.

My second observation is that VisitBritain has transformed almost totally from the body that I remember. Today, VisitBritain is a machine that sees itself very much as being there to service stakeholders such as VisitScotland. VisitBritain works very hard to do that. Its budgets are very hard pressed—it is going through a period of discussion with the new Government on where its priorities will be. However, I like its approach, which I think will serve Scotland well.

The Convener: For the record, will you indicate the physical presence that VisitScotland has in

overseas markets? I am thinking of staffing and so forth.

Riddell Graham: We have no physical presence internationally at all. As I said, VisitBritain is the agency that has people on the ground in all the key destinations, and we work through them. Clearly, we have a presence in those marketplaces when we do international marketing activity at exhibitions and trade shows. We have a long record of those. In physical presence terms, all our staff are based in Edinburgh.

The Convener: Is there any particular reason why you have chosen not to have any staff in key markets such as the United States or China?

Riddell Graham: It is interesting to note that we operate in very different ways in each international market. For instance, in some of our near markets, where Scotland is much better known and where the consumer is the key audience, our activity tends to be direct to the consumer through advertising, direct mail and other print media. In other markets, particularly emerging markets, we tend to operate through tourism agents. We now have 5,000 agents throughout the world who are specialists on Scotland. We get them to do the work for us. We launched that scheme several years ago and it works very well. The industry in those places tends to make its bookings through agents; bookings are not made by the consumer. We are always looking for new opportunities. Obviously, if the opportunity arises in a territory where having a presence makes sense to us, we will consider that.

Dr Cantlay: Obviously, we have very limited funds for what we do in the tourism business, which is the most competitive business in the world—indeed, it is potentially the biggest business in the world. We therefore have to be opportunistic. We tend to seize the opportunities that are presented by, for example, trade missions. I mentioned the example of Canada, where we harnessed the opportunity presented by Scotland week activity.

To give members a feel for activity in Scotland week, in the week in which we focused on Toronto, we also focused on New York and San Francisco. A small team went out to hit those areas hard. If I remember rightly, that activity cost under £100,000. The public relations activity that we did in New York on the back of Scotland week events was worth more than \$4 million at the rack-rate value of PR activity that harnessed other events. Often, the tactic is to seize on work in other parts of the Government and use that to best advantage.

Rob Gibson (Highlands and Islands) (SNP): Good morning. I am interested in the statement in

your submission that you work with SDI and that you play

“an important role in supporting the investment agenda by providing intelligence on key markets and customer segments”.

Will you tell us more about that?

Riddell Graham: Through what we glean from VisitBritain’s detailed market intelligence and from our consumer insights team, which is based in our office in Edinburgh, we analyse what the consumer is looking for. As members would expect, no two markets are the same. It is important that we are aware of the best way to attack markets—we decide that through our consumer research.

We worked jointly with SDI on developing the national investment plan, to which we brought the tourism perspective. I will give an example of how that worked. We know how people arrive in Scotland, how they travel around Scotland and what they do when they are here. We extrapolated that information and asked what the position would look like in 2015 and whether gaps in the provision of tourism facilities would exist and would need to be filled, on the basis of a demand statement. Working with SDI, Scottish Enterprise and Highlands and Islands Enterprise, we formed the basis of our perspective on national investment needs in the future.

As the committee was told at a previous meeting, the plan has been passed to our colleagues in the industry, the Scottish Tourism Forum and the new industry leadership group. They have established a sub-committee on investment that will examine closely the public sector view of the world, on the basis of the research, and determine whether the industry sees the situation in that way and how progress can be made in a co-ordinated way. SDI was closely involved in that process. When we prepare our annual corporate plan and our operational plans, we ensure that our plans are clearly aligned with those of SDI, so that we have the best hit for joint activity.

Rob Gibson: Will you give us a couple of examples of the investment that you suggested to industry leaders?

Riddell Graham: The investment plan identified the need for investment in transport infrastructure. Our colleagues in our business tourism unit make it clear that one key constraint in attracting major conferences relates to ease of travel from the arrival point to the venue. Other investment needs were in new accommodation in cities, to meet business tourists’ needs, and in accommodation in rural parts, where country-house hotels could benefit from investment in the quality of the visitor experience. Activity holidays were a big area that

was identified for growth in the next four or five years. If demand for such holidays were generated, a gap could exist. The plan contains a detailed précis of that.

Dr Cantlay: The investment plan provides a key opportunity for Scottish tourism to move forward and to harness the growth that we have talked a lot about in the recent past. The plan will provide the opportunity to consider matters such as planning.

Planning is not a direct responsibility of VisitScotland, but it is clearly an issue for us. There is best practice out there—I cite the national parks, as convener of Loch Lomond and the Trossachs National Park Authority—whereby significant tourism development opportunities are highlighted through the local plan process, so that by the time that SDI and other partners bring potential developers in, the planning process is several years down the line and developers do not have to pick up at the start and work their way through a process that involves a great deal of time and, sometimes, frustration.

When the investment plan comes back from the industry group, which is the right way to tackle it, key features in some of the more difficult areas will emerge. VisitScotland will play its role in driving that work.

09:45

Rob Gibson: Thank you for your explanation. I am thinking about the sources for your evidence, because it is clear that we are considering an area for inward investment. How wide a range of groups or people elsewhere in the world are you talking to about accommodation and so on? What is the balance between accommodation, transport, attractions and activities? Is more attention paid to where people stay and how they get about?

Riddell Graham: SDI is probably best placed to respond to that. I understand that someone from SDI will give evidence later in the meeting. We tend not to be out there sending out the inward investment message; that is very much SDI's role.

We were able to provide the tourism consumer perspective. The initial feedback that we have had from the industry has been positive. The industry has not identified areas in which we missed key aspects.

SDI has a separate tourism team, which does the inward investment messaging and speaks to a range of developers, particularly in relation to accommodation and activities. We work closely with the team to provide collateral to enhance its promotional activity.

Lewis Macdonald (Aberdeen Central) (Lab): Rob Gibson highlighted important issues, which I

want to pursue. I want to get Mike Cantlay's take on the big picture. What is your view of the relationship between VisitScotland and SDI? You said in your submission:

"While Scottish Development International has the lead role in attracting international investment to Scotland, VisitScotland plays an important role in supporting the investment agenda".

Is the institutional relationship on such issues broadly correct?

Dr Cantlay: The relationship is strong. A feature that attracted me to apply for my post was the ambition for growth. It is right that we should have such an ambition. We have been through the recession and we fared well. However, we have yet to see the scale of growth to which we aspire. You will hear me use the phrase "step change" again and again, because I hope that over the short to medium term we will be able to work together on a combined front and focus on identifying the step changes that will come out of the investment plan and which will drive growth and provide the biggest hits.

Let me give you an example of what I mean—it is one in the oven from the past, as it were. I was involved in Forth Valley Enterprise—Lena Wilson was also involved at the time. The enterprise company was performing well and there was an aspiration to get the Forth valley economy back on stream, at least in line with the Scottish and UK economy. To do that, we had to target big hits. Those big hits went beyond individual organisations' responsibilities. They turned out to be, for example, securing the Kincardine bridge replacement, investment in petrochemicals, getting national park status for Loch Lomond and the Trossachs, securing the millennium canal—because the Falkirk wheel was on our patch—finishing the top of the town in Stirling and reopening the railway line to Alloa and Clackmannanshire. Those things were not the responsibility of Forth Valley Enterprise, but cumulatively—with partners—we focused on where those big hits were. Over a period of time, those have been delivered and have made a huge impact on the Forth valley economy.

In simple terms, that is the approach that I hope that we can adopt. As the investment plan comes through over time, I hope that we can look at where the priorities and biggest hits are that could drive real and sustainable growth in tourism. Obviously, I have spoken about that at length with Lena Wilson, with whom I previously worked on a similar project. However, that approach involves a journey. I have not turned up with a list of all the step changes. There are many potential step changes on the transport side, the investment side and so on. My aspiration is for a journey that is led by the industry. I want an open discussion that

targets those biggest hits that will provide sustainable growth.

Lewis Macdonald: Within that overall approach, what is the proper role of VisitScotland?

Dr Cantlay: The interesting thing with the leadership group that is currently considering the investment plan is that the industry is taking a hold of all aspects of tourism. That is a great thing. It is an exciting point in time. I think that the work of the leadership group, and of the Scottish Tourism Forum in particular, is excellent. For the first time, we have an opportunity to have an industry-driven initiative that galvanises the smaller trade groups in a membership forum, and I think that that is great. From the leadership group on the tourism framework for change—which is the aspiration that we all look towards—will come the step changes.

We can almost draw a line underneath which are issues that the industry can take hold of. Those issues—skills would be one example—might be driven by the industry itself or perhaps in conjunction with other agencies, such as local authorities. However, there are issues above the line—such as route development as a concept—that are really issues for Government in its widest form. My aspiration for VisitScotland is to remain very focused on where we provide the biggest hit and get the biggest return from our work, but I think that we also have a leadership role in ensuring that those issues are picked up, so that our work on, for example, the investment plan results in genuine actions in which Government as a whole plays its part.

Riddell Graham: Let me add just a couple of points.

I am pretty clear that our role up until now, which I suspect will continue very strongly, has been to bring in the perspective of the consumer. At the end of the day, there is no point in developing something if there is no demand. In our work on the investment plan with SDI, our role has been to say, “This is what consumers, or visitors, are telling us that they need.” From the best research that is available and by looking at trends, we extrapolate forward to suggest where the gaps might be. First of all, our role is about providing the consumer perspective.

The second part of our role is about ensuring that tourism is on the agenda of other bodies. Quite often, tourism tends to be forgotten. Our role is almost that of lobbying to ensure that tourism’s importance to the economy is presented to partners in a compelling way. That is about the added value that tourism brings to the economy of Scotland.

Those are the two key roles that I see VisitScotland playing in that relationship as we move forward.

Lewis Macdonald: VisitScotland clearly has an important role in keeping a focus on what the consumer wants and what will bring people to Scotland. However, what about the outward role? In other words, what role does VisitScotland have not simply in identifying and responding to what consumers want but in proactively creating market opportunities and promoting Scotland?

Dr Cantlay: Let us consider for a minute route development, which is a key issue. As members will know, we had a highly successful route development fund—in my view, it was an enormously successful initiative for Scotland—which has come to an end because of the situation with the European Commission. However, that does not mean to say that we do not continue to pursue that work.

Let me go back to the likes of Canada as an example. I cannot tell you the exact figures off the top of my head, but we lost something like 45,000 seats through the departure of Zoom Airlines and Globespan. It is vital for all who are active in Canada to tackle the issue and resolve it.

We are dealing with some very big players such as Air Transat and Canadian Air as a client-managed arrangement at VisitScotland. We are working closely with them to see what can be done. There are other big institutions such as Air Canada. Something like 35 per cent of Canadians who come to Scotland use Air Canada, which they regard as their national carrier. In addressing the difficult challenges that we face, it is key that individual organisations work together to solve the problem. Combining what I have seen in team Scotland with the SDI team that is based in Washington and VisitScotland, we are still working to resolve the issues, although we do not have the mechanism.

Lewis Macdonald: That is a kind of horizontal working across agencies in different sectors but, going back to one of Riddell Graham’s earlier points, the vertical relationship with VisitBritain and the industry is important, too. How do you ensure that you get both?

Dr Cantlay: Along with the chair of VisitScotland comes a position on the VisitBritain board, at a time when VisitBritain will transform again as a result of the funding position down there. I went to one session—a strategy session on where VisitBritain was going vis-à-vis the impending cuts and so on—and it was fascinating to see the partner organisations that VisitBritain is working with. VisitBritain has key links in some international organisations that we see less of—the airlines being a classic example. It is certainly my intention, on behalf of VisitScotland, to utilise the opportunity of sitting on the VisitBritain board to ensure that we capitalise on those links as

much as possible. That gives us a great opportunity.

Riddell Graham: From an operational point of view, as well as our having that presence on the board our international marketing head regularly meets all the heads of the international markets that are relevant to us and we share our corporate plans. I sit on a group that looks at the corporate plans for Northern Ireland, Wales, England and VisitBritain. We share that intelligence up front when the plans are being produced, which ensures synergies. We can always learn from other people. What is someone doing well that we can learn from? What opportunities exist? That information is shared in detail on a market basis as well.

Stuart McMillan (West of Scotland) (SNP): Do the other tourism agency models across the globe operate with staff in country or do they operate similar models to that of VisitScotland?

Riddell Graham: I do not know the detailed answer to that, but a number of national tourist boards have a presence in Britain. I can think of several that have a presence in London because they represent key markets. It varies depending on the importance of the tourism market. We can get that information for you. We constantly undertake competitor analysis and research, and we can give you a full comparison if you feel that that is important. We are always learning from others, and if there are examples of how things can be done better we will always seek to mimic them.

Dr Cantlay: Let me give an example. We are often compared with Ireland, which takes a slightly different approach from us to some of the emerging markets. Different organisations do different things. I understand that Ireland has a presence in Canada and that for every \$1 that we spend on marketing in Canada, Ireland spends in the order of \$20. Ireland has a team out there, working that. However, if we look at last year, Irish tourism was down well in excess of 10 per cent, whereas Scottish tourism overall was up 2.6 per cent and the international trend was down something like 4 per cent. It is horses for courses, and different approaches in different countries. As a new chair, I have to say that the way in which VisitScotland deploys its resource to get the maximum return in international markets is regarded as clever.

10:00

Stuart McMillan: Following on from that, I have a question about tying in with SDI. SDI provided evidence to the committee on target areas such as the far east and other emerging markets, and you mentioned the team Scotland approach earlier. Are there opportunities to have joint offices with,

for example, SDI in some markets to promote Scotland more as a tourism location and, potentially, better assist SDI with inward investment for the country?

Dr Cantlay: The roles tend to be quite different. Your point is on inward investment, but our activity in the emerging markets such as India, China and Russia is focused on building tourist traffic to Scotland. VisitBritain has also concentrated on that activity. On behalf of its strategic partners such as VisitScotland, it has concentrated on the emerging markets on the basis that much of its work in some of the places for which Britain is a more popular destination has been done. Our focus has been on using the opportunity of trade missions to go out and sell Scotland as a tourist destination and get the traffic flowing, because the opportunities will come about once the traffic starts to flow and more people from the emerging markets come to Scotland to see what the country is about.

Riddell Graham: We decide how to spend the £5 million or so that we spend on international marketing based on the scale of opportunity, whether there are direct tourism access links, whether Scotland's strengths match the needs of the particular market, how good the travel trade is in that country—we glean that specialist knowledge through VisitBritain's activity—and whether the products that we offer fit with the market.

I return to your question about whether we should have a presence in markets. Our approach is about making the appropriate officers from SDI aware of the opportunities in the markets that we see are important from a tourism point of view. It would not necessarily be more effective simply to have a presence in a country. We need to identify the priority markets for us—we have already done that through a scale-of-opportunity analysis—work closely with VisitBritain from the tourism point of view and then, where appropriate, work with colleagues in SDI to maximise the impact of our work.

For instance, if we go overseas on a trade mission, we always involve SDI in the planning to ensure that there is synergy between its work and our specific work on tourism. We can bring to the table specialist knowledge that SDI perhaps does not have but which it recognises we can bring alongside.

Dr Cantlay: I will mention one other important aspect that links closely with your point on SDI: business tourism. We recently tried to ensure that Scotland appreciates the significance of business tourism within our portfolio. On average, business visitors spend 60 per cent more than traditional visitors, so business tourism is a huge business for Scotland. It is worth £827 million, and the

ambition is for it to be worth £1 billion in its own right. Of that, £226 million comes from international markets, and the developing markets are key in that.

To give you a feel for just how important business tourism is, I offer a statistic: the business tourism unit of VisitScotland engaged in nearly 300 specific inquiries in 2009-10, which created a potential £100,170,767-worth of business. Business tourism from India and China in particular, as well as Russia, has huge potential.

Stuart McMillan: Are you looking at the estimated retirement numbers in markets such as Japan over the next five to 10 years? It is estimated that 10 million people will retire over the next five years in Japan, which is very much a wealthy country and market. Those people will have a fairly large amount of money to spend. How can VisitScotland encourage some of those people to spend their money on tourism as well as assist SDI to get them to invest in Scottish businesses?

Riddell Graham: We look constantly at how markets are changing. Our current portfolio is different to the one that we had four or five years ago because the market has changed. The strength of the pound against other currencies has changed, the opportunities have changed and the strength of the economy in each country has changed. All that flags up opportunities. To reassure you, we look constantly at the markets, particularly the strongest and most mature markets for Scotland where we are closely aligned with their consumer activity. We also work through VisitBritain, which listens constantly to what is going on in each country. VisitBritain continually does detailed market analysis, which we buy into and share. We have the intelligence to respond to the needs of different markets as and when necessary.

I cannot answer specifically about Japan, but I can come back to you on it. However, through the travel trade in Japan, we target those who are more likely to want to travel and those who have a propensity to visit Scotland in particular. We have a long history of working with the Japanese market over a number of years, so we know it well.

Dr Cantlay: I can offer a good example from the US to give you a feel for the challenge and the opportunity. I understand that each state in the US spends something like £30 million on marketing its state to the US market, and there are 50-odd states, so that is a huge amount of noise and competition. In comparison, Scotland spends somewhere between £1 million and £2 million marketing Scotland in the whole of the United States. It was highlighted the other day that that figure is roughly the same as what Prince Edward Island spends on marketing itself to the United

States. We have a small pot to play with, so we target.

In reference to the earlier discussion about potential step changes, we have not mentioned homecoming this morning, but it has been much discussed over the past few weeks. The discussion ranges around how successful the last one was, whether there should be another one and when it should be held. For me, turning the concept of homecoming, which is about the relationship with the diaspora, into a permanent legacy would be a win. We are set to have a further homecoming year with themed years in between. My objective is for us to turn that machine into something that works continuously. That is the real goal of EventScotland. We want to make individual events permanent so that we have permanent support for the relationship with a diaspora of 40 million people. That would link so well into the globalscot network, with SDI's work and potentially with inward investment. It is about being targeted and using our opportunities to best effect.

Stuart McMillan: A delegation from the committee has just returned from Catalonia, and more than one person we met mentioned the similarities and links between Scotland and Catalonia. Obviously, Catalonia is part of Spain and is a well-developed market. The point was made quite strongly that there are more opportunities to link Scotland with Catalonia. It was said yesterday that when most Catalans come to the UK they go to Scotland before they go to London or the north-west or north-east of England. What particular activities has VisitScotland undertaken and what will it do in the future to try to develop links between Scotland and Catalonia?

Riddell Graham: I mentioned direct access earlier. The most successful developments that we have had in the Spanish market relate to new direct flights to Scotland. Where we can work with operators to introduce them, there is a clear benefit. I remember speaking to the operator who is in charge of Edinburgh castle. One day, a lot of Spanish-speaking people turned up, and he had not realised that that was the day that a particular flight was coming in for the first time. There is a direct causal relationship between direct flights to Scotland and business for Scotland. Much more can be done and I am sure that that is very much on the radar of our international marketing team. We want to develop and enhance the direct flight links.

Stuart McMillan: Thank you.

Marilyn Livingstone (Kirkcaldy) (Lab): Your submission refers to the "total experience". We have heard before that that is very much about the

quality of our welcome and creating a reputation for Scotland.

We heard in previous evidence that planning was a significant barrier to Scotland moving forward. Have there been any changes and improvements in the sector following our report and the new planning legislation?

Dr Cantlay: At the risk of repeating myself, I say that the national parks are a classic example of where we are using the local plan process to work with communities to find out their aspirations for future development and to get proposals through the process, so that they are comfortable with the aspirations for tourism growth. You can relate the local plan process in the national parks to the situation with the Trump development. National park local plans have been around for as long as the situation with Mr Trump, when he came and decided that he wanted to build on a site. The opportunity exists for local authorities and planning authorities to work up their aspirations and take them through the process with communities. Developers are also welcome to join in along the way, but it would be a huge step forward for Scotland if things were community and planning led, rather than necessarily development led.

Marilyn Livingstone: I was really asking how far down the road we have moved towards that. You gave us an exemplar of best practice. We recommended all that in our report. We have done lots of lobbying of central Government and local government about the planning process being a barrier. How far down the road are we? How much improvement has there been?

10:15

Riddell Graham: We still get tourism businesses asking why, in certain parts of Scotland, it takes longer than it does in others to get planning permission for a development. The inconsistency has certainly been raised with us. However, I am out and about speaking with local authorities and tourism businesses throughout Scotland, and I find that that message is not as strong as it used to be. So to answer the question, we have moved in the right direction.

We are working with community planning partnerships and through our area tourism partnerships to ensure that tourism is on the agenda, so that when a planning application comes forward for a tourism development that has been identified as crucial to tourism in the area it is looked on more favourably. Our regional directors throughout the country are regularly asked to provide letters of support for tourism developments, and we are only too happy to do that. We have certainly moved in the right direction, although more can be done. Local

authorities are much more aware of opportunities that are happening throughout the country and are learning from best practice. The committee's work has certainly drawn that to the attention of people who in the past were perhaps a bit slow at moving forward.

Marilyn Livingstone: My next question is on a separate issue, although it is another one that affects investment. You talked a lot about the need for investment in accommodation and the committee supported that in our report. One issue that I have picked up locally and nationally from hotels is about the increases in rates. Hotels seem to be particularly hard hit by that, which flies in the face of the need for investment. My colleagues and I are being lobbied significantly by hotels that say that the changes will increase their room rates beyond what is competitive, particularly in a global market. Will you comment on that?

Riddell Graham: I attend the British Hospitality Association's Scotland committee meetings, which tend to involve the great and the good of the hotel and catering sector in Scotland. That issue was certainly brought to the table at the most recent meeting. Evidence that was submitted by the Edinburgh hotels group showed that there are significant increases in rates bills for hotels throughout the country. Clearly, hotels must take that into account when managing their business.

From a positive point of view, through our quality assurance scheme, which is how we intervene directly on quality, we have clear evidence of significant and on-going investment. Our quality assurance team goes into hotels and identifies opportunities to improve the fabric or the holistic experience, which Marilyn Livingstone mentioned. Businesses are not slow to make that investment. Research that we carried out last year in relation to the economic downturn suggested that several businesses were putting investment plans on hold or were not spending so much money, but there is still evidence that money is being spent.

We tend to hear the negative stories. Hotels have lobbied us on the increases in their rates bills, but many of the other costs in their overall operational activity have increased, too. It becomes more difficult year on year to find money to invest and to continue to improve.

Marilyn Livingstone: One thing that concerns me about rates is that two sectors—the independent nursery sector and the hotel sector—are particularly hard hit. The evidence shows that some of the increases are hard hitting, but there is no transitional relief. That is a huge barrier for hotels that were considering investments. Are you having talks with the Government on that? Rates are independently assessed at local level. I have successfully lobbied Fife Council to get the

assessors to reconsider the independent nursery sector in the area. What discussions have you had with Government? The issue is fairly big.

Riddell Graham: To return to the British Hospitality Association, a key partner round the table is the Scottish Tourism Forum, which is the voice of the industry and has been collating the picture on rates throughout Scotland. It has lobbied the Government on that, so I suspect that it would be good to get its input on the issue.

Marilyn Livingstone: Thanks very much.

My final question is on skills and development. You talked quite a bit about the need to have a highly skilled workforce. We have a new skills agency—Skills Development Scotland. What is your relationship with it like? What impact has the fact that no modern apprenticeships are available to adults over the age of 19 had on training in the sector?

Riddell Graham: I will make two or three points in answer to that. We have an extremely good relationship with Skills Development Scotland, which sits on the strategic forum, so the chair and chief executive of the two bodies meet regularly. I am a member of the joint working group that feeds into the strategic forum, so I meet senior colleagues in Skills Development Scotland regularly.

A good example of that close relationship with regard to tourism and hospitality is the joint initiative that we are just about to launch with Skills Development Scotland that is targeted at school leavers. It will use the targeted pathways initiative that has been piloted highly successfully in other sectors, and which we believe has a great opportunity to play into the tourism and hospitality sector. I will meet the chief executive of the British Hospitality Association at lunch time to discuss the finer details of that initiative, which is a good example of the two agencies working together.

I am afraid that I cannot comment on the other part of your question, because I am not directly involved in that area of activity, but we can certainly find out from the industry bodies whether the issue that you raised has had a measurable impact on tourism and hospitality.

Dr Cantlay: I can give you confidence on that point. It is not just that an initiative is being launched to help this summer's school leavers. I will be interested to find out how you folks perceive the issue to be handled when you are out and about in the summer, but I have been impressed by the great speed with which the agencies have sought to deal with a potential problem and the enthusiasm with which they have worked together.

Marilyn Livingstone: I would be happy if you provided the information that you mentioned about the lack of adult apprenticeships.

Riddell Graham: We will happily give you that feedback.

The Convener: Gavin Brown will be followed by Christopher Harvie. Please be brief.

Gavin Brown (Lothians) (Con): I will be very brief. What is the current status of the national investment plan?

Riddell Graham: It was signed off by the public bodies and passed on to the Scottish Tourism Forum and, in turn, the industry leadership group. The initial feedback that we have had from Bob Downie, who chairs that group, is that he is highly supportive of the plan's content, to the extent that the plan and related financing activity will be discussed at the full meeting of the industry leadership group on 19 July, after which we expect to get a full response. The initial feedback has been highly supportive of the plan, but we are keen to ensure that the industry will buy into it and play its part in delivering it, as Mike Cantlay has said. Discussions are continuing. The initial feedback has been extremely positive, and a much more detailed response will be provided after the leadership group's meeting on 19 July.

Gavin Brown: Has SDI been involved at every stage of that process?

Riddell Graham: Yes, very much so. We worked with the tourism person in SDI, who was involved in every meeting that we held. They brought their international perspective strongly to bear on the discussions that took place. There is no doubt that SDI has been tied in throughout the process.

Christopher Harvie (Mid Scotland and Fife) (SNP): I have two questions. The first involves comparing the Scots and the Irish statistics on the number of overseas tourists. The Irish claim that they get 9 million overseas tourists every year. What proportion of that figure is made up of tourists that we would claim as non-overseas visitors because they come from England and Wales?

Riddell Graham: The simple answer is that I do not know, but we can certainly find out.

Christopher Harvie: Including visitors from England and Wales makes the Irish overseas tourist statistics look extremely impressive, but I think—

Riddell Graham: All I can tell you is that for the island of Ireland last year, the biggest change was that people from the south holidayed in the north and that the huge increase in Northern Ireland tourism in 2009 was almost entirely down to

people from the south travelling north. However, we can get you the individual split on that very easily.

Christopher Harvie: Fine. One is impressed on the continent with the ubiquity of the Irish presence in, for example, German-language and French-language magazines. There seem to be more hits at weekends than we get, proportionate to population.

You referred to planning. There tend to be questions about tourism projects, such as the Trump golf course. Could VisitScotland intervene in other aspects of planning that upset quite a lot of people who are trying to develop strong local tourism? For example, large supermarket projects tend to wipe out high streets, and people do not really want to come here to spend their time in malls. Is there any intervention there? The most recent planning decision affecting where I stay in the Scottish Borders—Melrose, which you will be aware is probably the bijou town in Scotland—has divided local opinion. The issue is whether its attractions will be bettered by having a crematorium halfway up the Eildons. That does not seem to me to be the most enlightened piece of local planning. Would there be a point in VisitScotland intervening when a plan would adversely affect tourism in an area where it is the major industry?

Dr Cantlay: I am not going to do the Melrose bit, especially since Riddell Graham and I were born in Galashiels. However, I return to a point that I made before. We have mechanisms in place for planning authorities to take forward plans in the planning process on a top-down basis and to work through their plans and aspirations in their own areas. That top-down approach, which gives communities time to get a feel for what they like or do not like, is the way to go. It works for tourism developments and other developments. A bottom-up approach is almost inevitable, obviously, when a developer picks up a particular development opportunity. However, I would like to see a more top-down strategic direction through planning authorities taking the lead rather than waiting for a developer to turn up on a sand dune with his driver and start the process, only for us to find, many years afterwards, that we are still waiting for the revenue stream to kick in.

Riddell Graham: We always restrict our comments to tourism, because other bodies are much more competent than we are to comment on the impact on the natural environment, such as a water course. However, if we felt that linked to a planning application was the potential for a detriment to tourism in the area, we would always draw that to the attention of the planning authority. Ultimately, however, we do not make the decision,

the planning authority does, although we happily play the tourism issue into the process.

The Convener: I thank Riddell Graham and Mike Cantlay for their evidence on this agenda item, which I now conclude. We will come back to the international trade inquiry a little later this morning when the Cabinet Secretary for Finance and Sustainable Growth is before us. I do not know whether Riddell Graham is staying for the next item, but I suspect that he is not.

Riddell Graham: I will probably stay in the public gallery for it.

VisitScotland (Chief Executive)

10:29

The Convener: Item 2 is on recent events at VisitScotland relating to the post of the chief executive. I ask Dr Cantlay to make some opening remarks, after which we will have a brief opportunity for questions. Time for this session is very short indeed, so please keep questions very focused.

Dr Cantlay: Regarding the situation with the chief executive, I hope that the committee will appreciate that, as discussions are continuing, I am limited in what I can say this morning. However, in a spirit of openness and transparency, I want to express as much as I can. I have prepared a statement for you that is relevant and which has been agreed by the entire board of VisitScotland. I hope that it will interpret both the current situation and the aspirations of the board going forward. On behalf of the entire board of VisitScotland, I would like to make it clear that Philip Riddle has successfully led the organisation on a journey of improvement and through a period of great change. During his tenure, VisitScotland has been transformed into a more efficient organisation, and he has overseen a major reorganisation of tourism structures and brought new approaches to visitor services.

However, the tourism landscape is changing fast, and there are major challenges ahead. This season has seen a degree of unpredictability in air travel that is simply unprecedented, and right now the industry is enduring a period of extreme volatility. The board believes that, at this time, the industry aspires to a new, bold direction from VisitScotland: an organisation that is more fleet of foot in response to challenges such as volcanic ash and airline strikes; that understands and listens better to the wishes and requirements of the industry that we serve; and that will lead industry to identify the step changes to deliver the sustainable growth that Scotland plc requires of Scottish tourism.

Moreover, having discussed the future challenges of public spending, the board was of the view that a more fundamental review of strategy and governance was required. In particular, the board wanted to define more clearly and boldly to the industry and opinion formers the significant short-term returns that professional destination marketing can bring to help to support Scotland's economic recovery.

Therefore, it was the unanimous view of the board that now was probably the right time for a change of chief executive, and it was delegated to me as chairman to communicate the view of the

board to Philip. Be absolutely clear that, while the Scottish Government and ministers have been kept informed as appropriate, this was a unanimous decision by the board of VisitScotland.

Those discussions had barely begun when a malicious leak led to press speculation on the future of the chief executive. Discussions are continuing in private, and there they must remain. We make clear to all today that Philip is a man of honour and integrity. Scotland owes him an enormous debt of gratitude for his service over many years, and it is sad to see private discussions played out in the media rather than allowing the organisation to celebrate pride in his achievements.

Openness and accountability are the aims of all of us in public services, but we, as the board of VisitScotland, would like the committee to note that nothing but damage has been wreaked by this scurrilous leak. There are matters such as personnel issues for which privacy and confidentiality are appropriate, and a breach of that trust is simply unacceptable.

The challenges that face Scottish tourism remain, and the board has fixed on those. The acting chief executive, Malcolm Roughead, has for some time now spearheaded the transformation of how Scotland markets its tourism product to the world. The professionalism and capability of Malcolm and his team are renowned and revered by competitor destinations across the globe, and are well respected across Scotland's tourism industry.

At our last meeting, the board instructed the VisitScotland team to examine all options for cost savings. I highlight to the committee the board's ambition to ensure that arrangements for any severance for Philip are contained within future savings.

Looking ahead as an organisation, VisitScotland is focusing on delivering for the Scottish tourism industry this summer. At the board's last meeting, we authorised our marketing teams to bring forward an aggressive tactical campaign. It is our ambition that £5 million of tactical marketing spend will bring a return of £100 million of additional tourism revenue in the course of this year.

Our European campaign is targeted at reaching 46 million people in countries that are less influenced by the challenges of volcanic ash and airline strikes, such as France, Germany, Spain and Holland. It includes activity with partners such as Norfolkline and DFDS Seaways. The UK remains Scottish tourism's largest market, and our perfect day campaign is targeted to reach 37 million Brits.

For the first time VisitScotland has deployed a campaign to encourage Scots to support our

tourism industry this year. The my Scotland campaign is targeted at 3 million Scots, and, working in partnership with the *Daily Record* and other commercial partners, VisitScotland aspires to turn the staycation fad from last summer into a trend and even a habit. To that end, I, as the chair of VisitScotland, my board and of course team VisitScotland intend to be out and about throughout Scotland this summer promoting Scotland as a holiday destination and listening to the industry.

Scotland's tourism industry is taking control over its destiny through the creation of trade associations and destination marketing organisations. If there has been any doubt that VisitScotland supports the concept of trade groups leading in the management of tourism arrangements in their area, I would like to end that today. We are keen to work closely with those groups to extend our national and local marketing activity, and to further harness the power of themed years, including food and drink in 2010 and the active 2011 year.

VisitScotland has provided £1 million to support excellent marketing opportunities that trade groups and destination marketing organisations have brought forward. It is our aspiration that a further growth fund will be created to extend that important work. Joining up international, national and local marketing is crucial at a time of ever-decreasing public funds.

Finally, the reason why I applied for my position at this time was to address the issue of long-term growth. In these uncertain economic times, Scottish tourism's role and, indeed, responsibility as the bedrock of the Scottish economy has become ever clearer. This year, we celebrate the 200th anniversary of Sir Walter Scott writing "The Lady of the Lake", which heralded not just the birth of Scottish tourism but the birth of tourism worldwide. Scotland has been leading global tourism ever since. Our target must be for tourism to lead the Scottish economy for the next 200 years. The board's ambition is to lead not just VisitScotland but Government and industry alike to identify the levers and to secure the step changes that will deliver long-term sustainable growth for Scottish tourism. The board, team VisitScotland and I look forward to working with the Economy, Energy and Tourism Committee as we drive towards that end.

The Convener: Thank you for your opening statement. Can you clarify when decisions were taken in relation to Philip Riddle? When was it first considered that he was no longer the person to take forward VisitScotland?

Dr Cantlay: I took up post on 1 April. I approach such jobs by taking time to work around board members on an individual basis; I go out to them

in their location, speak to them in their environment and hear where they are and where they are from. When I was working around each and every VisitScotland board member, it became clear to me that there was anxiousness and concern about whether Philip Riddle was the best person to take forward the organisation from this point on. I communicated that to the minister when I met him on 22 April. At that meeting, I highlighted the fact that board members had concerns about whether Philip was the ideal person to take forward the organisation. I had several conversations with Philip, culminating in our meeting on 14 May. Ahead of the meeting, I told Philip that it was my intention to talk to the board about the issue and to raise it on 14 May. I spoke to him briefly subsequent to the meeting, on 14 May.

The Convener: Which minister did you meet on 22 April?

Dr Cantlay: Jim Mather.

The Convener: What other discussions about the post did you have with Mr Mather or other ministers prior to or after 22 April?

Dr Cantlay: The only conversations were between the Scottish Government and me. I met John Swinney for half an hour or so. If I remember rightly, the meeting was on 12 May, but it focused on how I saw the future direction of tourism and on his views. Beyond that, the conversation was with the Scottish Government, because I required some bits and pieces from civil servants.

Lewis Macdonald: I was struck by the precise wording that you used in your statement. You said:

"it was the unanimous view of the board that now was probably the right time for a change of chief executive".

Why did you use the word "probably"?

Dr Cantlay: The exact words that I used with Philip Riddle did not include the word "probably". I expressed to him that it was the board's view that now was the time for change. I did so after taking significant counsel on how to approach the matter. I was confident, having been advised by senior legal support, that the best way of approaching such a matter in a confident way was to use that phraseology.

Lewis Macdonald: In making decisions of this moment, you had conversations with board members. You described a meeting with Jim Mather on 22 April as one in which you expressed the views of other board members. Did you tell Mr Mather your view and did he tell you his view? If so, will you share those with us?

Dr Cantlay: Mr Mather did not tell me his view and, to be fair, I do not think that I told him my view either. I was concerned on my arrival on the

board by the clear anxiousness that I found across the board on how best the organisation should be led in future. I have been trying to galvanise action on that as best possible. I clearly support the decision that the board took and stand with my board over the actions that came out of the meeting of 14 May.

Lewis Macdonald: That seems a curious formulation—almost of the chairman following the board. Is that what you are telling us?

Dr Cantlay: No. You have to bear in mind that the board members have been on the board significantly longer than I have. A key feature that you must put into context is that this is an unprecedented time for us. The industry may want VisitScotland to play a role that it has not played before, given the unprecedented unpredictability of air travel. Although the volcanic ash issue has eased, it has created instability in this tourism season that we will live through and, I hope, exploit. There are key opportunities. That is why we went out more aggressively with the marketing campaign to give the industry confidence. The board took the decision that it did in the context of those issues.

Lewis Macdonald: In addition to being chief executive, Philip Riddle is the accountable officer for VisitScotland. What is the current position with the accountability of VisitScotland?

Dr Cantlay: That position is appointed not by me but by the Scottish Government. Malcolm Roughhead, the chief executive, will be appointed as the accountable officer.

Lewis Macdonald: Who is currently the accountable officer?

Dr Cantlay: My understanding is that a letter was on the way to that effect. I will have to check that it has arrived, but that is my understanding.

Lewis Macdonald: Does that mean that, until such a letter is sent and received, Philip Riddle remains the accountable officer for VisitScotland?

Dr Cantlay: No. My understanding is that, in these circumstances, that is not the case.

Lewis Macdonald: Does that mean that VisitScotland has no accountable officer in place today?

Dr Cantlay: I do not have the correct phraseology to give you as to how these interim arrangements are made, but I understand that a common approach is taken to them. I will come back directly to the committee on that. It is a perfectly appropriate point.

Ms Wendy Alexander (Paisley North) (Lab): Dr Cantlay, you have been very forthcoming about timelines, which I think is genuinely appreciated by the committee. You described the meeting of 22

April with the Minister for Enterprise, Energy and Tourism. At that point, you would have been in post for three weeks and you were talking to a minister who had been in post for over three years.

Dr Cantlay: Yes.

Ms Alexander: Did you seek the minister's opinion on a change of chief executive?

Dr Cantlay: No. I did not at that point. I was being mind mapped at the time, if that makes sense to members. *[Laughter.]* We had a pretty wide-ranging discussion about the kind of aspects that we were talking about in the committee earlier today, such as the bigger aspirations and, in particular, the growth agenda. The whole process of the appointment of the chair focused on the growth agenda, the tourism framework for change, the 50 per cent growth target and so forth. The two-hour discussion with the minister focused on that. I can tell you categorically that Mr Mather did not express a view on the views that I was highlighting reflecting the anxiousness of board members.

Ms Alexander: I turn to the subsequent meeting of 12 May with John Swinney, who I assume was by then sighted on your discussions with Mr Mather. What did you tell Mr Swinney about the planned board meeting of 14 May?

10:45

Dr Cantlay: I did not discuss the context of the meeting on 14 May. Again, the meeting with Mr Swinney was quite short. We had originally intended to combine the two ministers but, because volcanic ash was causing people difficulties in getting to Orkney, that was not possible, and I got a slightly less than 30-minute slot. I wanted to focus on the volcanic ash issues and some of the growth issues, and that is what we stuck to.

Ms Alexander: Was there any discussion of the chief executive at that meeting on 12 May?

Dr Cantlay: No, and John Swinney did not give a view on—

Ms Alexander: There was no discussion of the chief executive.

Dr Cantlay: That is correct.

Christopher Harvie: How long had Mr Riddle's contract to go at that point?

Dr Cantlay: I must defer answering that question. I cannot give you an answer at the moment and, even if I had the information to hand, it is probably not appropriate for me to do so. That is a personal matter.

Christopher Harvie: Philip Riddle is roughly the same age as me—I am 65. He joined the Open University roughly the same time as I did, back in the late 1960s. It seems to me that the logic of your position is reinforced by the notion that it is a good idea to have someone in post for a longish period of time to carry out the changes that you have been speaking of—I can certainly appreciate the seriousness of those changes, given the various economic movements of the past couple of years. I presume that that was uppermost in your mind when you were thinking about planning.

Dr Cantlay: I can say that Philip Riddle's age is well documented elsewhere, and I will leave that with you. The age discrimination legislation that we now have in place means that people can work for however long they wish. It would be fair to highlight that, as you would expect an incoming chair to do, I spoke to Philip Riddle about his game plan, and he expressed no ambitions towards any sort of early retirement.

The Convener: Was Mr Riddle on a fixed-term contract or a permanent contract?

Dr Cantlay: Well—

The Convener: It is on the public record, so we can go back and check, if you feel that you cannot say.

Dr Cantlay: If it is a matter of public record, I will highlight the situation. Philip Riddle was employed in 2001, since when there have been changes to legislation.

A note has appeared magically in my left hand; it says "permanent".

The Convener: That is helpful.

Ms Alexander: Had you told Scottish Government officials, prior to the board meeting on 14 May, that you thought that that was an appropriate occasion on which to deal with the matter of the chief executive? Was it on the agenda of the meeting? Were Scottish Government officials aware that the chief executive's future would be on the agenda of that meeting?

Dr Cantlay: I did not contact Scottish Government officials to tell them that. If you can imagine the situation, the scenario presents quite an awkward position for a chairman to be in. Someone in that position must be extremely careful about getting the information and advice that they require, not just practically but in terms of the wellbeing of their staff. I asked the Scottish Government for certain pieces of information about contracts and other bits and bobs, as you would expect. Although I did not tell the Scottish Government directly what my intentions were and what was happening at the board, there was a line

of questions and information flowing back and forth, as you would expect.

The Convener: Would any of that contact have involved you asking Scottish Government officials what the ministerial view would be on the course of action that you were taking?

Dr Cantlay: It has always been clear to me, and it has always been the view of officials, that this is a matter for the board to progress. My frustration is that I had barely started the process when the leak appeared. I want to stress the concept of the leak and the damage that was associated with it. When an individual member of staff is talking with their line manager about a confidential personnel matter, it is terrible to find oneself in a situation in which there is a leak, especially if it occurs at the start of such a delicate conversation. A leak of this sort is quite an unusual occurrence. It has been most unfortunate, and I regret it hugely.

The Convener: As there are no further questions, I thank you for your attendance this morning. We will see you frequently over the coming months as, after the summer recess, we will be conducting our review of the success or otherwise of the year of homecoming and considering how the Scottish tourism industry in general is progressing.

10:51

Meeting suspended.

10:53

On resuming—

The Convener: I welcome the Cabinet Secretary for Finance and Sustainable Growth and Richard Arnott, from the tourism section of the Scottish Government.

Cabinet secretary, do you have anything that you wish to say before we move to questions?

John Swinney (Cabinet Secretary for Finance and Sustainable Growth): I have no opening statement to make today, convener.

The Convener: When were you or anyone else in the Scottish Government first aware that VisitScotland was considering replacing its chief executive?

John Swinney: I became aware of the issue when I read the *Sunday Herald* on the morning of 30 May. That was when the matter became relevant, from my perspective. As you have just heard, in advance of that date, Dr Cantlay sought some information from Scottish Government officials and raised with Jim Mather the view that was formulating within his board. On that basis, Mr Mather expressed no opinion on the matter. As Mr

Mather made clear in Parliament, this was fully and properly a matter for the board of VisitScotland to consider.

The Convener: Just to be absolutely clear, Mr Mather had a discussion with Dr Cantlay on 22 April and was made aware that there were concerns within the board about Philip Riddle, but he did not advise you that there were such concerns at that point. Is that correct?

John Swinney: Yes.

The Convener: When VisitScotland's board was in contact with officials regarding legal issues around the position of the chief executive, those officials did not advise you, as the minister with overall responsibility for the department, that those discussions were under way.

John Swinney: As I understand it—and as Dr Cantlay has just explained to the committee—Dr Cantlay was seeking various pieces of information from Scottish Government officials in relation to what we all appreciate is a delicate matter. Certainly, no proposal was made to Scottish Government officials by the board of VisitScotland of which Mr Mather and I would have to be advised or in relation to which our opinions would have to be sought.

Dr Cantlay characterised the situation in a way that captures the sense of it when he said that he was at the very earliest possible stages of the matter when the issue appeared in the *Sunday Herald*. That was the point at which my interest was turned to the matter. I am not at all surprised that the issue had not been brought to my attention, or that my opinion had not been sought on the matter at that point, because it was at a very early stage of consideration.

The Convener: The board had already decided, on 14 May, that it was going to have discussions with the chief executive to terminate his contract, so the matter was not

“at a very early stage of consideration.”

John Swinney: From what Dr Cantlay has said on the record, that was a discussion that was designed to raise the board's concerns with Philip Riddle. As I said, it was not a proposal that had come to the Government for us to express a view about or to comment on. I can only refer you to Dr Cantlay's earlier statement that the discussions had barely begun when a leak led to press speculation.

The Convener: Were you aware of any concerns on the part of the board of VisitScotland regarding the direction in which Philip Riddle was taking the organisation prior to Dr Cantlay's appointment as chair on 1 April? Did the previous chair, Peter Lederer, raise any concerns about Philip Riddle?

John Swinney: Peter Lederer raised no such concerns with me during his tenure as the chair of VisitScotland, and neither did any individual board members. However, it is important to say that my proximity to the operation of VisitScotland is not as close as that of Mr Mather, who is the Minister for Enterprise, Energy and Tourism and has a close working relationship with VisitScotland.

I carry Cabinet responsibility for the issues. I am involved in discussions with Mr Mather on the strategic direction of the Government's tourism approach and policy. I am involved in day-to-day events to promote Scottish tourism, which I am sure the committee would believe to be fundamental to my wider responsibilities for the Scottish economy. However, on some of the more day-to-day issues, the responsibilities are carried out by Mr Mather, although significant issues will be raised with me.

11:00

The Convener: It is slightly strange that, as the cabinet secretary with overall responsibility, you seem relatively relaxed about the fact that no concerns were raised about the chief executive, Philip Riddle, before 1 April but, within 22 days of the new chairman's appointment, he raised concerns with the tourism minister and, within six weeks of his appointment, the board opened negotiations with the chief executive for him to leave his post. That strikes me as being a sudden change from a period in which Philip Riddle had been lauded for his direction of VisitScotland during a difficult time.

John Swinney: In a sense, I should not comment on that, because employment of the chief executive of VisitScotland is entirely a matter for the chair and board of VisitScotland: that appointment is not a ministerial matter.

In relation to the sequence of events that you have set out, Dr Cantlay made it clear to the committee that the board was examining where the organisation was going in its leadership of the industry in the coming period. Its view was not in any way a critical assessment of Philip Riddle's performance as chief executive. As I understood Dr Cantlay's statement to the committee a few moments ago, the board was considering how the organisation is to move forward and what the best skill set is for a chief executive to take the organisation forward.

So, there was not, as you characterise it, “a sudden change” of heart about the chief executive's performance. As I understand it, no issue has been raised about Philip Riddle's performance. Dr Cantlay has been clear openly and publicly about the enormous contribution that Philip Riddle has made to the leadership of

VisitScotland during a difficult period, and I endorse that. When Philip Riddle started in the role, VisitScotland was in a poor place and he strengthened the organisation considerably.

Dr Cantlay's point was that the board was considering the best way in which to meet the challenges of the future and that, as a consequence, it felt that a change of chief executive was appropriate. Therefore, I am not at all surprised not to have heard of complaints from the board because, as far as I understand the matter, the board had no reason to be critical of Philip Riddle's performance to date. However, in considering the challenges that were being set for the industry in the future, the board found that there is a need for fresh leadership. In essence, that is the difficult issue that the board is considering.

Lewis Macdonald: Dr Cantlay told us this morning that the board's unanimous view was that now is

"probably the right time for a change of chief executive".

Is it your understanding that there was a meeting of the board in which it considered that item and came to that unanimous view?

John Swinney: I understand that there was a board meeting on 14 May. I was not there and I do not have a detailed account of it. I heard Dr Cantlay say that to the committee, and I have no information to the contrary.

Lewis Macdonald: As far as you are aware as the minister responsible for the agency, it was a formal board view.

John Swinney: Dr Cantlay told the committee this morning that—if Mr Macdonald will give me a moment—he wanted the committee to

"Be absolutely clear that, while the Scottish Government and ministers have been kept informed as appropriate, this was a unanimous decision by the board of VisitScotland."

That was in relation to the point that it was

"probably the right time for a change of chief executive".

Lewis Macdonald: So the critical decision had been taken before you first read about the matter in the newspapers. As you will be aware, VisitScotland's management statement requires the board to

"ensure that the Scottish Ministers are kept informed of any changes which are likely to impact on the strategic direction of VisitScotland or on the attainability of its targets".

Given that the meetings that we have heard about today suggest an apparent lack of discussion with ministers on those matters, are you satisfied that you have been kept properly informed?

John Swinney: The difficulty here is that the committee is considering—I quite understand why,

and I have no issue with its doing so, but I must make this observation—an issue that relates to the employment of an individual. Quite understandably, there are a huge range of privacy and contractual issues that are involved in that process. As a consequence, the committee does not and cannot have—because the issues simply cannot be put in the public domain—a detailed account either of the nature of all the discussions that took place between the chair and chief executive of VisitScotland, or of the position of the board.

I cannot confirm to the committee whether a decision was taken by the board to conclude the contract of the chief executive—I do not know whether such a decision was taken. I know that the board was engaged in a discussion with the chief executive about his future. Therefore, I do not think that there was any information that should have been drawn to my attention that was not drawn to my attention in that intervening period.

Clearly, if the newspaper article had not appeared in the *Sunday Herald* and further discussions had taken place, I would without a doubt have expected to receive information on the matter because, as Mr Macdonald quite correctly said, the management statement states that such issues of significance should be set out to ministers when they are properly formulated.

Lewis Macdonald: As the cabinet secretary will appreciate, the private affairs of Mr Riddle and the contractual issues are not our primary concern, but we have very significant concerns. This morning, Dr Cantlay told us that the reason for the board reaching that decision was in part a view that there was a need for a "fundamental change" of strategy and direction. I think that those were the very words that he used in his statement to us this morning. If the motivation for those discussions was in part to achieve a fundamental review of strategy and direction, does not that come within the ambit of the requirement on the board to keep ministers informed of changes in strategy and direction? In other words, is not the critical point in terms of strategy and direction not when the discussions are concluded but when the board determines that a change of strategy and direction is required? Should you not have been told at that point?

John Swinney: Let me just pick up Mr Macdonald on one issue on which we perhaps have a fundamental difference. Mr Macdonald has suggested that ministers should be told only when discussions are concluded—

Lewis Macdonald: No. I said that it is not the case that ministers should be told only when discussions are concluded. Ministers should be

told at the point at which a change in strategy and direction is decided upon.

John Swinney: Perhaps Mr Macdonald and I are more in agreement than we think we are. I certainly do not believe that ministers should be advised only when the proposals are concluded. I think that ministers should be advised when there is an appropriate point of formulation of the proposition. As Dr Cantlay said to the committee,

“Those discussions had barely begun when a malicious leak led to press speculation on the future of the chief executive.”

That is the nub of the issue for me. A discussion had been opened up with Philip Riddle, but it had not been progressed to any significant extent. As I understand it, there had been an initial discussion on 14 May and there had been no further follow-up discussion with Mr Riddle before the *Sunday Herald* article appeared on 30 May because he was on annual leave.

Lewis Macdonald: Nonetheless, I presume that the critical point at which the board came to the view that a fundamental review of strategy and direction was required was on 14 May. Is not it remarkable that that was not communicated to ministers in line with the management statement?

John Swinney: No, because that gets us into the issue that I highlighted to the committee about the sensitivity of the discussions. For example, an outcome of that conversation could well have been that Mr Riddle just took the view, “Well, I’d be quite interested in moving on”. I am about to go into a terribly sensitive area here. At that stage, Mr Riddle might have clearly said to the chairman, “I want to move on and do something else in my working life” and the issue could have been concluded in one very brief conversation. I do not know whether that was the case, but I think that Mr Macdonald’s assumption is that discussions had reached a sufficiently developed stage for a proposition to be put to advise ministers. That was not the case.

Lewis Macdonald: You have referred to the appointment and the discussions with Mr Riddle as being simply a personnel matter for VisitScotland. As you will appreciate, the chief executive of VisitScotland is not just another member of staff, but the agency’s accountable officer. Who, today, is VisitScotland’s accountable officer?

John Swinney: The accountable officer is Malcolm Roughead.

Lewis Macdonald: So, as Dr Cantlay described in his evidence, that is a matter not for him but for you.

John Swinney: It is not actually a matter for me. It is a matter for the permanent secretary.

Lewis Macdonald: At what point did the permanent secretary indicate that Mr Roughead would replace Mr Riddle as VisitScotland’s accountable officer?

John Swinney: I understand that the permanent secretary issued a letter yesterday deeming Mr Roughead to be accountable officer with effect from 3 June.

Lewis Macdonald: In effect, it is a retrospective appointment of accountability.

John Swinney: Mr Roughead was appointed acting chief executive officer on 3 June and was carrying out the functions of the chief executive, who was the then accountable officer. The permanent secretary has provided formal confirmation of the assumption of responsibility as accountable officer, which is carried with the existing responsibilities of the chief executive that Mr Roughead inherited on 3 June.

Lewis Macdonald: He took over those responsibilities on an interim basis on 3 June.

John Swinney: Yes—he took over as acting chief executive.

Lewis Macdonald: This is an important point. I presume that, in law, Philip Riddle remains VisitScotland’s chief executive, even though he is not acting in that role.

John Swinney: Mr Macdonald is absolutely correct to point out that Malcolm Roughead is the acting chief executive and that, in law, Philip Riddle remains the chief executive of VisitScotland.

Lewis Macdonald: We heard today that Mr Mather was informed on 22 April of the board’s views in relation to Mr Riddle and the agency’s leadership. Is the cabinet secretary able to enlighten us as to why Mr Mather did not feel it appropriate to include that information in his recent statement to Parliament?

John Swinney: What Mr Mather made clear was the fundamental distinction at the heart of the matter: its handling, consideration and direction have been for the chairman and board of VisitScotland. That is where responsibility rightly and properly rests, in accordance with the operation of VisitScotland’s management statement.

11:15

Gavin Brown: Cabinet secretary, you said that all matters surrounding the chief executive are matters for the board alone. What is your basis for saying that?

John Swinney: My basis for saying that is, in essence, the contents of the management statement.

Gavin Brown: In the tourism minister's statement to the Parliament, he referred to the documents that govern the relationship between the Government and VisitScotland and he expressed that same view—that personnel matters are purely a matter for the board. However, in the document that governs the relationship, the chief executive is treated entirely separately. As Mr Macdonald pointed out, the chief executive is also the accountable officer, which is of some consequence. I am going from memory but, in the section on the chief executive, the document states that even things such as setting objectives for the chief executive are for the board to do in consultation with the sponsoring department. Given all that information in the document, do you genuinely think that it is absolutely clear that something as significant as the removal of the chief executive is a matter for the board alone?

John Swinney: Yes it is, in terms of arriving at that decision and deciding to pursue the issue. There will be wider consequences of the removal of a chief executive and ministers will be involved in some of the succession arrangements. However, my reading of the management statement supports my position.

Gavin Brown: Does it not seem to be a bit strange that although even setting an objective for a chief executive must be done in consultation, removal is a matter for the board alone? Does that strike you as odd?

John Swinney: No—it strikes me as being entirely consistent with the management statement.

Gavin Brown: Have you sought legal advice on that specific point?

John Swinney: Mr Brown will appreciate that ministers of all Administrations never disclose whether they have taken legal advice on any particular issue.

The Convener: I am not sure that that is true. They do not disclose legal advice.

Ms Alexander: We heard from Dr Cantlay that he met Jim Mather on 22 April and at that point shared with the minister the anxieties that he had heard round the board table. We also heard that Dr Cantlay met you on 12 May, 48 hours in advance of the critical board meeting. In advance of that meeting with Dr Cantlay on 12 May, had your officials made you aware of concerns in the VisitScotland board about the chief executive?

John Swinney: They had not.

Ms Alexander: Were you aware that the issue of the chief executive was to be discussed at the board meeting on 14 May?

John Swinney: I was not aware of that.

Ms Alexander: So sponsoring officials were aware of widespread concerns on the board about the chief executive, but your officials did not tell you that in the intervening two weeks following the ministerial meeting.

John Swinney: That is correct.

Ms Alexander: Do you have anxieties about not being kept informed, given that you are the minister for the sponsoring department?

John Swinney: That does not give me concern because, to return to the point that I have concentrated on with the committee, as Dr Cantlay said in his statement, the discussions had “barely begun”. That is the difficulty with which we are wrestling. The issue had hardly formulated itself before it was in the media. With the greatest of respect, if the issue had not been in the media, the committee would not be questioning me about it today. Clearly, I have to be properly advised on different issues as they develop. On this issue, it would have been very difficult for my officials to advise me of the concrete detail of the course that the issue was taking.

Ms Alexander: I am asking not whether they informed you of the concrete detail but whether, when you met Dr Cantlay on 12 May, your officials had informed you of the concerns about the chief executive—concerns that the chairman and the junior minister had discussed at the meeting of 22 April.

John Swinney: No. I had not been informed of that. It is also important to say that that was essentially my introductory meeting with Dr Cantlay as chairman of VisitScotland. Unfortunately, I had had to cancel a previous arrangement for us to meet because of another commitment. I cannot recall the circumstances of that, but—

Ms Alexander: Volcanic ash—

John Swinney: How could I have forgotten that? [*Interruption.*] I am advised that it was the convention of the Highlands and Islands that thwarted me. Essentially, the meeting was an introductory meeting for Dr Cantlay and I to consider these questions.

Ms Alexander: Following the meeting of 14 May, at which we now know that the future of the chief executive was discussed at board level, were you briefed by officials that such a discussion had taken place?

John Swinney: No. That is why I was surprised to read the *Sunday Herald* article on 30 May.

Ms Alexander: As a former occupant of a similar post, I find it extraordinary that Scottish Enterprise, HIE or VisitScotland could have a board-level discussion on the performance of its chief executive and that the sponsoring department officials were not aware that that discussion had taken place. I find it equally inconceivable that those sponsoring department officials would not at least alert the minister that such a discussion had taken place. I am not making mischief; I simply find the proposition an extraordinary one.

John Swinney: Regrettably, there is an inaccuracy in what Wendy Alexander has just said. Sponsoring officials were aware that a discussion had taken place. As Dr Cantlay said to the committee earlier, the discussions with Philip Riddle had barely begun when this appeared in the press. There is a clear distinction between the issue arising and when officials think it appropriate to brief ministers. Officials have to make a judgment on this. Obviously, the fact that Mr Mather had been aware of the board's concerns at the discussion on 22 April is one matter. I would not have expected to have heard details of that unless the issue was in a more developed form than Dr Cantlay has told the committee it was in.

Ms Alexander: Officials were aware that a discussion had taken place on 14 May about the chief executive, but they did not brief ministers.

John Swinney: That is what Dr Cantlay confirmed this morning.

Ms Alexander: You were not briefed by officials following the board meeting of 14 May.

John Swinney: No. I was not.

The Convener: Was Mr Mather briefed?

John Swinney: I do not think so. [*Interruption.*] I am advised that the answer is no.

Ms Alexander: I was in the minister's position at the time of some controversy when Philip Riddle became chief executive of VisitScotland. I am aware of the complexities of the relationship between a sponsoring department and an organisation. We heard today from Dr Cantlay that he had, understandably, sought details of the chief executive's contractual position because, as others have mentioned, the management statement allows for the chief executive to be in a different position from other employees. Dr Cantlay told us that he had sought legal advice. Did officials from your department tell you that the chairman of VisitScotland had sought advice, in general terms, on those matters?

John Swinney: No.

Ms Alexander: You were unaware that the chairman of VisitScotland had sought advice from

sponsoring department officials on the contractual terms of the chief executive of VisitScotland.

John Swinney: That is correct, yes.

Ms Alexander: Was Mr Mather informed that details had been sought from the sponsoring department's officials about the terms and conditions of the chief executive?

John Swinney: Mr Mather was advised that Dr Cantlay had asked officials about those questions.

Ms Alexander: What was the timing of that?

John Swinney: From what Dr Cantlay said this morning, I think that that was in advance of 14 May.

Ms Alexander: In conclusion, would it not have been wise to reveal in the statement to Parliament all those details: that the future of the chief executive had been the subject of discussion on 22 April between the new chairman, who had been in post for three weeks, and the Minister for Enterprise, Energy and Tourism, who had been in post for three years; that you had had a meeting about the future of tourism on 12 May; that your officials were aware that there was an issue with the future of the chief executive, although that had not been discussed with you; that legal and contractual advice had, understandably, been sought from the sponsoring department and that the minister had been informed of that; that all of that took place in May because due process demanded it; and that, yes, it was unfortunate that the details were subsequently leaked? All that seems to me to be in the nature of the business of government and in the nature of relationships between a sponsoring department and a major executive agency. I just think that it would have been helpful if those details had been shared in the ministerial statement.

John Swinney: I think that Mr Mather gave a very full statement to Parliament. He certainly made the fundamental point, which is at the heart of the issue, that there are matters that non-departmental public bodies such as VisitScotland are empowered to take forward. I can foresee other circumstances—I am sure that Wendy Alexander will appreciate this point given her experience as a minister—in which ministers might be criticised for being unduly close and involved in what happens within non-departmental public bodies. I can remember howls of protest at different stages at ministers being too closely involved in the running of non-departmental public bodies. The relationship is difficult and complex, which is why judgment needs to be applied on when is the right time for ministers to be involved. The management statement gives VisitScotland a very significant level of autonomy, and rightly so. If ministers do not observe and respect the distance that is implicit in that relationship, they will readily

be criticised for being far too close to what is essentially the operational management of non-departmental public bodies.

Ms Alexander: Convener, in the interests of time, I will leave it there.

The Convener: I ask Marilyn Livingstone to be brief, if possible.

11:30

Marilyn Livingstone: I am trying to get an understanding of the issue. It would have been helpful to have had a written copy of Dr Cantlay's statement today, as we have had to go on memory and on what we managed to write down in our pads.

We are told that within three weeks of Dr Cantlay being appointed, he had gone out and spoken to board members, although there had been no board meeting, and VisitScotland had decided that it wanted a change of strategic direction. You have assured us that the decision involved no criticism of Philip Riddle's management before that date but was about VisitScotland's strategic direction. Where the argument falls down is that from all the evidence that has been referred to, if the issue was strategic direction, ministers should have been informed. It cannot be both sides of the coin. Either there was an issue with Philip Riddle's management or there was not, and we have heard from you that neither Peter Lederer nor the board had made any comments about his performance. This was about the board wanting someone different for the future. That decision was made within three weeks, but the board did not inform ministers.

Like Wendy Alexander, I find that absolutely strange. If the issue was not a personnel matter but the strategic direction of the organisation, ministers should have been informed, especially because, as you have confirmed to the committee, there was never a complaint about Philip Riddle's management.

If I were in your position, cabinet secretary, I would be concerned about the speed with which the decision was made. Where was the debate if there was only one board meeting? From memory, I think that Dr Cantlay said that when discussions were first taking place with Philip Riddle, the decision had already been made to remove him. You can understand that I am having difficulty with all this.

John Swinney: It would be more appropriate for Dr Cantlay to comment on your final point. As I have insisted to the committee, questions about the chief executive's role are properly for the board of VisitScotland, especially because of the

management statement under which I am obliged to operate.

I dealt with a lot of the theory and thinking behind the remainder of your question in my answer to Wendy Alexander about the relationship between the Government and an NDPB. There is a distance in that relationship and they are set up to be like that. On a number of occasions, Parliament has insisted that ministers should properly respect that distance. To me, that is the nub of the answer to Marilyn Livingstone's point.

Marilyn Livingstone: I just keep coming back to the fact that if we are all agreed that the decision was about strategic direction, the operating plan makes it clear that ministers should have been informed.

John Swinney: The issues around the notification to ministers are contained in Dr Cantlay's comment this morning that the discussions had barely begun. That is the point. The debate was just beginning to be formulated.

The Convener: I struggle with that argument. The board of VisitScotland's decision to change chief executive because it wants to change direction was taken on 14 May. I accept that the detail of how that would be done was in the early stages of formulation, but the decision had been made to change the chief executive of VisitScotland and I am staggered that the sponsoring department had not informed you, as cabinet secretary with overall responsibility, that that was happening. That is staggering.

John Swinney: The difficulty here is in the nature of the issue with which we are wrestling, because it is caught up with employment law. You said, convener, that a decision was made on 14 May. I was not present at that board meeting, so I cannot give you an account of it. Perhaps Dr Cantlay can help you with the question about the nature of the conclusion that those discussions reached.

The Convener: He made it clear in his statement that that was the decision that was made.

John Swinney: The essential point that Dr Cantlay made was that the board had taken the view that it was probably the right time for a change of chief executive, and the board delegated the communication of the board's view to Dr Cantlay. An employment lawyer would have to consider very carefully the contents of that statement, and that is why I cannot shed any light on the nature of the board's position.

Lewis Macdonald: Can Richard Arnott shed any light on the situation? Is it his understanding that a board decision was taken? Was the information that a decision had been taken to

begin discussions with a view to achieving a change of strategic leadership and direction within VisitScotland available to him and his colleagues, as officials advising ministers?

Richard Arnott (Scottish Government Culture, External Affairs and Tourism Directorate): Government officials were not at the board meeting either. We were informed that the board would discuss the chief executive's position, that it had done so and that Dr Cantlay was then having a discussion with Mr Riddle. My understanding is that, because Mr Riddle went on holiday at that point, he did not give a reaction and, therefore, no final decision was taken at that point.

Lewis Macdonald: Will you confirm, as the cabinet secretary told us, that you were aware in advance of the meeting of 14 May that the matter would be on the agenda and after 14 May that the decision had been taken but that you did not so advise ministers?

Richard Arnott: That is correct.

Rob Gibson: I missed Dr Cantlay's statement as I had to attend to other business. However, I am concerned about the line of the committee's questioning, which seems to be interested in process—to what aim, I am not quite clear—rather than VisitScotland's objectives under its new chairmanship.

Will the cabinet secretary dwell a little on the recent discussions on policy on homecoming, which would involve VisitScotland, and on the Government's overview of the part that VisitScotland would play in that? With a new chairman, there will be a new impetus to achieve some of the objectives. Is it the case that the proposals for a second homecoming have been discussed for several months and have been passed between the cabinet secretary's officials, the cabinet secretary and the board of VisitScotland?

John Swinney: The Government views tourism as a fundamental sector for Scotland's economic future. It plays and can play a significant part in economic recovery in Scotland. The year of homecoming achieved a significant economic impact in Scotland and came at a time when the Scottish economy needed that economic impetus. The Government could not recognise more clearly the significant opportunity that exists for tourism to contribute to economic growth and that comes from the unfulfilled potential of the industry.

On how we relate to the industry, we set ambitions for what we want it and VisitScotland to achieve. To implement many of those priorities, the Government is encouraging greater collaboration among the different enterprise agencies—VisitScotland, Scottish Enterprise,

Highlands and Islands Enterprise and Skills Development Scotland—to ensure that we have a cohesive approach and that the tourism sector is not, in any way, left on its own, outwith the scope of economic development in Scotland, but is incorporated into its body politic. That lies at the heart of the Government's agenda.

Rob Gibson: Those matters were being discussed when Peter Lederer was chair of VisitScotland.

John Swinney: In essence, those are the core elements of the relationship between ministers and VisitScotland that exists to ensure that the organisation contributes towards achieving Scotland's tourism potential.

The Convener: I will let Christopher Harvie ask a question if he is extremely brief, as we have to protect time for the next item.

Christopher Harvie: I will be brief.

I understand the separation of notions of personnel from notions of policy, and I am aware that your position, cabinet secretary, is bound by the need to distinguish between the two and that the two should not be allowed to be confused by ministerial intervention at an inappropriate time. It seems to me that that separation was maintained in the case that we are discussing. You will have to reflect on the situation in the context of matters that have emerged since the articles were published in the press, but my understanding, based on my experience of similar organisations, such as universities, is that such ministerial distance is appropriate.

John Swinney: With universities, the distance is even greater, because universities are self-governing institutions.

It is a fact of non-departmental public bodies' construction that ministers must respect distance. There have been many celebrated occasions on which ministers have become too close to the operation of non-departmental public bodies. We have to act within the nature of the relationship within which the organisations operate and according to which they have been constituted.

The Convener: I am conscious of time, but Stuart McMillan has indicated that he would like to ask a late question. If he can keep it to one line, I will allow him to ask it.

Stuart McMillan: Bearing in mind what has happened, is there an argument for bringing non-departmental public bodies such as VisitScotland closer to the Government, to ensure that ministers have a more hands-on managerial approach to the organisations?

John Swinney: There are judgments to be made about whether the non-departmental public

body structure is appropriate in certain circumstances. We have a number of non-departmental public bodies. The Government has embarked on a process of reducing that number, but we have no proposals in that respect for VisitScotland because there is a clear rationale for having such a body with a board that is led by individuals with a great deal of knowledge about and experience of the tourism industry, who are able to relate the organisation to the industry. That input is clearly beneficial.

The Convener: I thank the cabinet secretary and Mr Arnott for their input. The committee will consider at a later date what action we wish to take.

I will suspend the meeting briefly while the cabinet secretary changes his team.

11:43

Meeting suspended.

11:43

On resuming—

International Trade Inquiry

The Convener: We are running slightly over time, but the cabinet secretary's office has indicated to us that he can remain with us until around quarter to 1. I hope that that is the case.

The next item on our agenda is our international trade inquiry, for which we are pleased to be able to take evidence from the cabinet secretary. I invite him to make some opening remarks.

John Swinney: In the interests of time, I would be delighted to move straight to questions.

The Convener: Thank you.

One of the main reasons for our inquiry is that we think that the internationalisation of our economy will be an important factor in getting us out of the recession. Another reason is that Scotland's record in exports is quite poor in comparison with the rest of the United Kingdom—I think that we account for about 5 per cent of the UK's exports, and the proportion of businesses that are involved in exports is relatively small. Do you share those concerns? What is the Government doing to address those issues?

John Swinney: I very much agree with the committee's perspective on the importance of internationalising the Scottish economy. That forms a fundamental part of the Government's economic strategy, and it is one of the focal points of the Government's economic recovery plan. Encouraging more Scottish companies to be involved in export activity and international activity, and implementing measures and mechanisms to support that are important parts of the Government's agenda.

On performance, we certainly want to increase the level of international activity. The figures that were published just last week show that in the year to March 2010, Scottish exports rose by 3.5 per cent, in contrast to UK exports, which fell by 5.3 per cent. We want to achieve higher levels of performance, but the most recent statistics give us some encouragement on the interventions that we are making.

In relation to interventions, the committee will be familiar with the work of Scottish Development International, which is at the heart of the Government's approach to international activity, although a number of other players across the public sector are involved in that activity. One of the key issues that I have worked to progress has been the need to ensure that we encourage much greater collaboration and partnership among the different organisations that are involved in this

area of activity so that we maximise the impact of that work across the board.

The Convener: I know what you are saying about the export figures, but the reality is that although the value of Scottish exports has risen, for whatever reasons the volume of exports continues to decline. Generally speaking, apart from a slight blip, there has been a steady decline. The overseas trade figures that we have received from SDI show that there was a decline in exports between 2002 and 2007, followed by a slight improvement in 2008. We do not have the 2009 figures. That does not suggest a long and steady improvement in our exporting. Have we got the strategy right or is there more that we should be doing?

John Swinney: Over the past few years, we have seen an improvement in export performance, which is welcome. The Government takes encouragement from the fact that the approach that has been taken is to give assistance to the private sector, but I accept that we must engage more companies in the process of internationalisation. Many companies feel that it is a big step to get involved in such activity, so we must tackle and challenge that perspective to ensure that more companies aspire to internationalise their business activity, and we must provide them with the support to enable that to happen.

As far as the arrangements that we have in place to do that are concerned, we have a great deal of confidence in the work that SDI does. Following external assessment, the organisation has rightly and deservedly been on the receiving end of significant plaudits for the effectiveness of its work, which is encouraging, but we must achieve higher levels of activity, and that is what the Government is focused on doing.

The Convener: Ernst & Young described Scotland's performance on exporting as "dismal".

John Swinney: All sorts of people say all sorts of things. I certainly take comfort from the fact that independent assessments of the performance of Scottish Development International have been very positive about its success and effectiveness. On the way ahead, we should be positive about the data that show an improving performance on exports and about the fact that Scottish exports have risen while exports across the United Kingdom have been falling.

Rob Gibson: We are told that it is important to have ministerial leadership in trade delegations and Government visits to various important new markets. How effective do you think the spending for ministerial visits abroad has been in recent times? Do you think that it is more effective than it was under any previous Administration?

John Swinney: The value and effectiveness of the expenditure is a fundamental issue. In 2006-07, there were 51 ministerial external visits at a cost of £104,236. In 2008-09, there were 59 visits at a cost of £92,139, so the average cost of these visits is coming down. Having taken part in a number of visits, my feeling is that ministers should be involved so that they can reinforce particular contacts that our people out in the field have developed. Many of the opportunities, particularly for inward investment, are the product of a great deal of patient activity to build up a relationship with a company that is based in another market, to encourage the development of that relationship and to encourage other economic possibilities for Scotland. Ministerial activity in that regard should be focused on adding value to the contacts that have been cultivated over time.

Advocating on behalf of and promoting Scottish companies in external markets is a significant part of the work that ministers try to do. That work has to be focused and based on developing particular contacts and opportunities. That is very much the approach that ministers take.

Rob Gibson: Do you have any measurement to compare outcomes with those for other countries, given that Scotland is quite successful at inward investment? For example, SDI and ministerial efforts bring in £X per £1 invested. Do you have any comparator figures for competitor inward-investment countries?

John Swinney: A number of surveys and studies are undertaken to assess our comparative performance. The assessment of Scottish Development International has emanated from those. I am quite happy to share any detail on that that we have not already shared with the committee.

The Convener: I invite Wendy Alexander to ask the next question, as she has to leave soon to be elsewhere.

Ms Alexander: Thank you. I have just one question on governance. SDI is a Government joint venture, not a non-departmental public body. How long has the post of chief executive of SDI been vacant and when do you expect it to be filled?

John Swinney: The post has been vacant since Lena Wilson became chief executive of Scottish Enterprise about seven months ago—she left in November. David Smith has been the acting chief executive of Scottish Development International. He has appeared in front of the committee. The selection process to appoint a chief executive is under way. I cannot give a definite time for when the process will be concluded, but I want it to happen as soon as possible.

Ms Alexander: So the post has been vacant since the start of November, and we do not yet have a date for a replacement.

John Swinney: We have an acting chief executive in post.

Ms Alexander: Thank you.

Gavin Brown: You talked about export statistics that were released last week and with which you are pleased. Where are those statistics from?

John Swinney: They are in the national statistics quarterly UK regional trade update from Her Majesty's Revenue and Customs.

Gavin Brown: Those statistics showed that 2009 was, indeed, better than 2008. What did you make of the statistics that were published by the same organisation on the same day about the performance in 2010 so far?

John Swinney: Clearly, we are in very difficult economic territory. We have to look at complete years to compare the relative performance, and the Government will do that when we have the comparative data.

Gavin Brown: What did you make of performance in the first quarter?

John Swinney: As I said, we are in a challenging environment. If we select one quarter and make a final judgment based on its being indicative of where we intend to end up, we are not looking at the issue with the perspective and according to the timescale that we should use.

Gavin Brown: On that basis, do you think that it is better to look at a long-term trend than a one-year trend?

John Swinney: At the very least, we should look at year-on-year trends, because they will determine whether we are making progress.

Gavin Brown: I ask that because the actual statistics behind the press release show that the quarter 1 performance in 2010 was worse than any quarter in 2009, 2008 or 2007. I accept the argument that we should not look at one quarter in isolation, but when performance is down about 10 per cent on the first quarters of previous years, I find it surprising that you have only quoted the 3.5 per cent increase comparing 2009 and 2008 and have ignored the statistic, which I think is worrying, that shows that it is the lowest figure in any of the national statistics data.

John Swinney: Essentially, we are comparing a like-for-like position on an annual basis. It is difficult to select individual quarters and arrive at a position. As I have said to Mr Brown already, we are in very challenging economic territory, and we have to look at the information on a like-for-like

basis, which is exactly what the Government will do.

Gavin Brown: What else does the Government intend to do in trying to overcome the long-term trend? The convener referred to the ITEM club report, which was covered in most of the Sunday newspapers last week and which basically painted our performance since 2000 as disappointing—the convener used the word “dismal”. How are we going to achieve a step change in our performance?

John Swinney: Part of what we have to do is to recognise the absolute requirement to motivate and support more companies to be involved in export activity. That lies at the absolute heart of the Government's economic strategy and economic recovery plan. We do that by increasing the collaboration between the organisations that are involved in company support. For example, Scottish Enterprise and Highlands and Islands Enterprise are actively involved in company support and development. From that work, and working closely with Scottish Development International in the process, we need to identify the key candidates that contribute towards export development and growth in Scotland. That is the effort that we need locally.

As we progress work in the markets in which our personnel are involved, we have to identify opportunities for market development in different areas and we have to support companies in their efforts. A wide range of interventions are carried out on that. That forms the heart of the role and responsibility of our economic development agencies.

12:00

Gavin Brown: My final question is on the smart exporter project. Do we have a precise date for when that will go live?

John Swinney: It will be the end of August 2010.

Christopher Harvie: I have three questions, but first I have an observation on the point that Gavin Brown made about performance in the first quarter. It might be interesting to examine the first quarter of, let us say, 1946, 1963 and 1979, which were quarters in which there was terrible weather. Having been stuck in the Borders for a week myself this winter, I can imagine that getting export goods to points of dispatch—harbours and the like—must have been pretty freakish at times. Perhaps that could be factored into the analysis.

My first question is about foreign direct investment success, which played quite a part in our discussions with SDI. FDI is usually associated with multinational companies moving in

or taking over concerns. Should we not be careful in relation to the accounting of such companies when it comes to movement of goods and services within them? One knows from experience of many multinational companies that what matters to them is tax levels in different countries. Internal transactions within a company are often angled to minimise taxation. Is the Scottish Executive appraised of that when it considers the accounts of multinational companies with substantial activity in Scotland?

John Swinney: The cautionary words that Professor Harvie expressed on quarter 1 are interesting. The retail sales figures for January were undoubtedly affected by the bad weather. In quarter 1, we also had issues with volcanic ash, which affected the ability to move goods and services. That is why the cautionary words from Professor Harvie about one quarter versus another are apposite.

On the point about internal transactions, we gather statistical evidence on a multiplicity of areas, and there is no shortage of data in the field. We must capture the correct and appropriate data that will inform us about the performance of Scottish exporting. If the issues that arise out of that manner of transaction being undertaken develop as a significant dimension, of course we should be fully aware of that.

Christopher Harvie: My second question is about small and medium enterprises, with which we have had a few evidence-taking sessions. Probably everyone on the committee is impressed by their energy and resilience, particularly in marketing things that have a natural connection with Scottish raw materials. One of the points that emerged from the foodstuffs businesses at our Aberdeen session was their preference for exports over the domestic market. If you export, you have a greater chance of getting a good return on your product, whereas, internally, you tend to be at the mercy of an oligopoly of big supermarkets whose interests are to keep the manufacturers' return at the lowest possible level in order to pile it high and sell it cheap. Is it worth keeping an eye on that? I observed that although many of the couthy exporters are now shovelling out substantial outputs, it is not in a way that would be regarded as terribly orthodox according to our usual pattern of sales and markets.

John Swinney: SMEs play a critical role because they represent the overwhelming majority of the company base in Scotland. If we are not reaching and motivating SMEs to take part in exports and international activity, we are clearly missing an enormous opportunity. The committee has been advised of figures from SDI that show that 90 per cent of businesses supported by SDI are SMEs.

A particularly interesting example of an SME is Mackay's of Arbroath. In the past 10 years, it has been involved in exporting and its turnover has increased from £1 million to £8.5 million, with 35 per cent of its products exported. It is a family-run business that makes preserves—it is not what one would consider to be high tech—but it has an international appeal and can trade on the reputation of Scottish quality produce. It is an interesting example of how good companies can deliver exceptional performance by being imaginative in how they go about their activity.

Christopher Harvie: When we were in Aberdeen we talked to supply companies that are currently involved with North Sea oil, but which have the potential to work in other areas of renewables. We were struck by their response to our questions that what impressed them about their experience of working with North Sea oil was that they had a single agency buying and supplying out to production platforms, for example. It would initially have been the Offshore Supplies Office and then the British National Oil Corporation. Despite those real examples of local capitalism, the witnesses thought that having one agency was an excellent idea because it simplified who you dealt with. A strong view was put forward that renewables required a similar agency of a public-private nature that could undertake that role and that SMEs would thrive under such control, rather than having a face-off under the extremely fluctuating control of big multinational concerns whose policies can vary intensely depending on their world commitments.

John Swinney: One of the interesting points about the experience of the oil and gas sector has been how the sector has developed its production phase in the north-east of Scotland into having a new and further strand of activity that is concentrated on the exporting of intellectual capability and products that have been developed in the North Sea sector for which people are now seeking wider application. The diversification of the sector from core production activity to the exporting of products, skills and intellectual capability has been an interesting journey, and it has contributed to Scotland's export performance.

Part of the focus of the Government's thinking on renewables has been clearly articulated in the national renewables infrastructure plan. Essentially, it is to encourage a level of development of renewables that can generate a dedicated supply chain very close at hand, which can create employment and wealth in individual localities. The national renewables infrastructure plan captures the sense and the importance of that development—the plan underpins how the Government believes that we can capture more and more of the undoubtedly enormous

opportunity that exists in renewables around the coastline of Scotland.

Christopher Harvie: Ought we to be thinking about some sort of golden share arrangement with an organisation called statewave or Scotwave, or something like that, that could give us some steering potential and which could be equivalent in size to a multinational company? The companies involved around the world are sympathetic, but they are also enormously committed to projects around the world. I am thinking about discussions that have been taking place with E.ON in Düsseldorf, for instance. People are very well informed about North Sea oil and the various projects that are going ahead, but one felt that there was a need for something that was, after all, common to Ted Heath and Tony Benn—the idea of a substantial agency that could negotiate with companies strategically.

John Swinney: That is an interesting proposition, and I understand exactly the motivation behind Professor Harvie's suggestion. We have to be able to capture this economic opportunity in an effective way for the Scottish economic interest. Whether that must involve a structural solution of the type that has just been advanced by Professor Harvie, or the use of public resources to focus and encourage development in various locations, which would generate a greater degree of entrenched economic activity as a consequence, is a question that the Government will have to consider carefully. We want to encourage and motivate as many private companies as possible to get involved in this area of activity, to be based in Scotland, and to use Scotland as a base for developing their contributions to the renewables sector here as well as for exporting further afield.

Lewis Macdonald: I completely understand your view that policy should not be based on response to a single quarter's results. Nonetheless, given Professor Harvie's suggestion and your comments about the effects of the bad weather and of the volcanic ash cloud, have you sought advice from officials about possible explanations for the disappointing fall in exports in the first quarter of this year?

John Swinney: We will undertake that piece of work. We examine the relevant data regularly. In commenting on analysis, I have mentioned the importance of taking into account all factors, and we should continue to take that approach to the data.

Lewis Macdonald: So your references to the weather and to the volcanic ash are made prior to an examination of the data and to receiving advice from officials—they were not based on such advice.

John Swinney: We keep the issues under consideration so that we can properly examine all the questions arising from the data that come to us.

Lewis Macdonald: We have already heard questions about oil and gas services this morning. In your view, and that of SDI, how significant a part of the Scottish export scene does the oil and gas services sector appear to be?

12:15

John Swinney: It represents a very significant element of Scotland's export activity. The data in front of me indicate that in the past eight years the proportion of international sales in the oil and gas supply chain increased from 28 per cent to more than 40 per cent, which is a very welcome contribution.

Of course, that brings me back to the point that I made to Professor Harvie. The sector has been on what I would call the ideal journey; in other words, the development phase that it has gone through in Scotland has clearly reached a mature platform and it is now beginning to take its skills, products and innovations to a wider market. That gives us a very significant advantage.

Lewis Macdonald: The statistics for Scottish economic activity sometimes overlook the scale of the oil and gas sector's contribution. How would you estimate its significance relative to other important export sectors in the Scottish economy as a whole?

John Swinney: As far as Scotland's exporting performance is concerned, oil and gas form part of the second most significant export industry, which is the chemicals and petroleum sector. Based on the latest data, its value represents about half the volume of export activity in the food and beverages sector.

Lewis Macdonald: So, in summary, our exports are essentially whisky and oil.

In Aberdeen, we heard from a representative of the oil and gas training academy OPITO, which has a very high level of engagement from employers and trade unions in the sector. According to its own description of its export activities and its success in promoting its standards and training internationally, its work clearly rests on the sector's buy-in to the significance of exporting. In Catalonia, as one of my colleagues said earlier, we found that many businesses have a very focused approach to export orientation. Outside the oil and gas sector, is that kind of approach somewhat deficient in Scotland? Is there more that Government or, indeed, others need to do to promote an export mentality across the whole economy?

John Swinney: I entirely accept the importance of promoting an export mentality across the economy, which is why the internationalisation proposals are at the heart of the economic recovery plan, why exporting activity is very much implicit in the Government's economic strategy and why all that is not only reflected in the role of SDI but percolates through the responsibilities of and approaches taken by countless other public sector organisations. We have to act in a fashion that encourages the internationalisation of the Scottish economy.

Lewis Macdonald: The committee has received what might be described as an uneven response from business organisations with regard to the priority that should be given to internationalisation. Does that concern the Government? In other words, do you, as the relevant minister, think that it is an agenda item significant enough to raise with business organisations?

John Swinney: Do you mean that some business organisations are equivocal as to whether exporting is a good idea?

Lewis Macdonald: Perhaps they attach less importance to it than you do.

John Swinney: Exporting and international activity in general are very important to the Scottish economy and are key elements in improving its productive strength. As such, they are very much at the heart of my priorities.

Lewis Macdonald: Is it part of Government's role to communicate that message to private sector partners?

John Swinney: I think that we do so. Indeed, I have to say that, no matter whether I am on a public or private platform, there are very few occasions when I am doing anything other than arguing for the greater internationalisation of the Scottish economy. For example, internationalisation was the theme of the most recent meeting of the national economic forum, which took place a couple of weeks ago at Heriot-Watt University. We were treated to a magnificent address by Sir Bill Gammell of Cairn Energy. As a case study, Cairn Energy's performance in international activity has been quite extraordinary, and we had excellent feedback from those who were there to hear Sir Bill's contribution on that occasion.

That is an example of how the Government makes practical use of opportunities to bang the drum, if I can put it in that way. The national economic forum is attended by 150 to 200 people from throughout the business sector. Various public and private sector organisations attend the forum, and all the business organisations that Mr Macdonald mentioned would have been invited or

represented there. It was a great opportunity to promote the message.

Stuart McMillan: Earlier in the meeting, I mentioned the committee's delegation to Catalonia. One of the key things that we noted on that visit is the Catalans' willingness to promote greater co-operation between Catalonia and Scotland. The fact that there are, once again, direct flights between Edinburgh and Barcelona has helped to open up the transport links. Does SDI focus too much attention on Asia and elsewhere, rather than targeting countries and areas that are closer to Scotland?

John Swinney: There is always a balance to be struck in the focus of SDI's activities. If I read my newspapers correctly, the Government has been criticised for some of its external spending—I noticed that in the media the other day—based on the analysis that was undertaken by the Parliament's European and External Relations Committee. However, the biggest element of the expenditure on overseas engagement is the spending on SDI, which has been a focus of the Economy, Energy and Tourism Committee's inquiry, and which I assume it considers to be a good thing. If we spend money in the field, we will undoubtedly face some criticism for doing so.

On the distribution of personnel, we have about 29 Scottish Development International staff working in the field in Europe, the Middle East and Africa, 30 in North America and 21 in the Asia-Pacific area. Those are enormous areas of activity for a relatively small number of people to cover, but it is important that we are represented in a range of different areas, that we have people who are active in building relationships in marketplaces, and that we also use the structures of UKTI, which we are entitled to work with, to try to advance the Scottish interest. There is a delicate balance to be struck in considering where we should concentrate our efforts, but we certainly have to be mindful that the personnel who are located in the field must be located in places where they can demonstrate a positive and productive economic impact as a consequence of their work.

Stuart McMillan: I was about to come on to UKTI. What is your understanding and impression of SDI's working relationship with UKTI? I pose that question because we heard in Barcelona that there had been no contact between the SDI representative in Paris and the UKTI Barcelona representative for more than 10 months, which struck me as a wasted opportunity.

John Swinney: I am happy to address specific points from Mr McMillan, but my information is that SDI personnel have been involved in dialogue with UKTI in Barcelona in the recent past—in February

and March this year. Dialogue has certainly taken place.

More widely, a set of protocols has been negotiated to regulate relationships with UKTI, because clearly we are entitled to a certain amount of access to and collaboration with UKTI. It is important that we use that resource to further the economic interests of Scotland. The Government will work to do that where we can.

The Convener: Before I ask Gavin Brown to come in, I will follow up on that point. One of the fundamental questions that has arisen in the course of this inquiry—I am not sure that we have a clear answer to it—is whether we are better to have locational offices or whether bricks and mortar are of no relevance and what we need is people on the ground working in a particular area. The case of Barcelona highlights that, because it is served from the Paris office rather than having someone who is permanently based there who knows the local economy and how the system works and can provide direct advice to people who wish to come in. The committee has not reached a conclusion on that issue, but it is of interest.

Have you had any thoughts on whether SDI's current strategy on the location of its offices is the right one or whether we need to reconsider it, given that the Scotland House experiment was not proceeded with because it was decided that it was not value for money to have Scotland Houses in various locations, and rather we should have people on the ground?

John Swinney: Obviously, we are interested in what the committee thinks. It is immersed in the inquiry, and we look forward to reading its thoughts on the issue. We must keep the matter under review, because we must ensure that our resources are deployed in areas that can deliver maximum benefit. Those areas will change from time to time, because at particular stages some economies provide greater opportunities and have a greater propensity for us to make progress than do others. We have to consider where our resources are deployed and be confident that they are deployed in effective locations.

We also have to be aware that there is public scrutiny of expenditure. As I said, I have seen press commentary on and criticism of the amount of money that the Government is spending on what was described in a recent newspaper article as "overseas engagement", but 43 per cent of the total is SDI's budget and, the last time that I looked, people were pretty supportive of its work—the fact that the committee is holding an inquiry into exporting activity reflects that.

On my visits to different markets, when I have been wheeled out to try to help discussions with inward investors, I have been struck by the fact

that the contact has been cultivated—in some circumstances for years—before it has got near to the point of a minister being in front of the company. Interest has been nurtured to persuade the company to become involved in Scotland or to collaborate with Scottish companies. It is not possible to do that through a presence that is here today, gone tomorrow; the presence must be much more persistent. However, the Government is interested in the committee's views about whether that should be done through fixed offices or by people who move around.

12:30

The Convener: A related issue on which we have heard some evidence is the option of co-locating with UKTI or locating within UK Government consulates or embassies. When I was in Beijing with SDI in October, I met the Scottish Government representative there, who felt that it was of great benefit to be located in the British embassy because it gave her access to information about what was happening on economic development. Some SDI offices are co-located with UKTI in India. Might there be benefits in considering locating SDI staff in more embassies or UKTI offices?

John Swinney: We should be perfectly prepared to do that, convener. There are clearly opportunities that suit in certain circumstances. There may be other considerations, but we should certainly keep an open mind on that question.

Gavin Brown: Cabinet secretary, I accept entirely your point that you cannot set too much store by one quarter's results, but I urge your office to consider the figures for the first quarter of this year and to try to establish why they were the lowest in three years. I sound a note of caution on the weather, because the weather was a UK-wide issue, but the UK had its best first quarter in the three-year series, so I am not sure how much the weather explains Scotland's performance. I am also a little cautious about blaming the ash cloud. It was around in April, so I am not sure how much it affected quarter 1 exports.

John Swinney: I am interested that Mr Brown suggested that we should not focus too much on one quarter when, in fact, he focused almost all his questions on one quarter. We are happy to explore the matter.

The Convener: I will pick up a couple of other issues that have come up in the inquiry and on which the committee might reflect. The first is whether the business support field is too cluttered. We have SDI, the SCDI and Scottish Chambers International, which is SCI. Are too many organisations involved, are they working

effectively together and do we need some other initials besides S, C, D and I?

John Swinney: With the greatest respect, I fear that the committee should go into that territory more courageously than I should.

For the bit for which I carry responsibility in the public sector, the one thing that I want to be absolutely clear about is that we should provide a cohesive approach that focuses on the needs of individual customers, whether they are companies in Scotland that we are encouraging to internationalise or foreign direct investors from outside the country whom we are trying to encourage to do business here. If you are putting to me the proposition that public sector agencies are not working together effectively to support such customers, I am interested in that perspective. It must be an absolute requirement that companies that come to the public sector for assistance receive a cohesive, joined-up service. If they do not, we must address that fact.

The SCDI has a long track record of organising trade missions to different parts of the world, as does the Scottish Chambers of Commerce. Those ventures command a lot of private sector interest and support, and the public sector gives them some support and co-operates with them. The important thing is to ensure that we pursue that cohesively. I certainly hope that we create the climate in which the organisations that we have mentioned can co-operate effectively with the public sector on organising trade missions.

I will pass no judgment on the organisation of the organisations.

The Convener: One other issue that has come up in some of the evidence is that, on FDI, looking after the companies that are already here in an effort to ensure that they continue to invest is almost as important as trying to attract new companies. Are you satisfied that the aftercare service that we provide to parent companies in their home countries through Scottish Enterprise, Highlands and Islands Enterprise, SDI and UKTI is sufficient to ensure that we are aware of what those companies might want to invest in worldwide, with a view to encouraging them to make such investment in Scotland?

John Swinney: Yes, but we must be mindful of the fact that companies can change their priorities and their focus. From time to time, companies that are located here may consider whether this is the most appropriate place to be and whether they want to develop their operations here. We have had some difficult news from foreign direct investors that have been based here but which have taken the view that their prospects lie elsewhere. The key to addressing that issue is to ensure that we have very regular dialogue with the

companies involved. That is the core part of the account management function of Scottish Enterprise and HIE. Through them, we must ensure that we are aware of all the considerations of FDI companies and are supportive of their plans.

Christopher Harvie: In our dialogue with the Flanders authorities when we visited Brussels, a point came up about the opening of the north-east passage. Flanders is, of course, an extremely prosperous area—I will not go into the complexities of Belgian constitutionalism, but the relationship between Flanders and Belgium is not dissimilar to the situation in Britain—and it has the second-largest port in Europe, Antwerp. It came up in dialogue that the opening of the north-east passage—in which climate change has been a factor—for, I believe, about two months of every year enables Chinese goods to come to the west round the top of Russia, which lops about 4,600km off the length of the alternative route. Break bulk possibilities exist in Scapa Flow and Sullom Voe, whereby such cargoes could be broken down and put on to 1,000 tonne boats that could then go south, directly into the European river and canal system. The Flandrians are just about to open another link in their canal chain that will enable such boats to sail right through to central France. That possibility intrigued them, and we could make a bit of cash out of it.

John Swinney: That is another opportunity to add into the discussion about a transshipment hub in Scapa Flow. The Government has been encouraging Orkney Islands Council—not that it needs much encouragement, if my discussions with the council on Monday are anything to go by—to pursue the idea of a transshipment hub in Scapa Flow, which can be seen as a readily accessible point for the cargoes of significant vessels to be broken down into smaller units. The proposal opens up significant economic possibilities for the Orkney Islands, so there is merit in it.

The Convener: As there are no other points, I thank the minister for giving evidence, and I also thank Ed Payne from SDI, whom I forgot to introduce. I suspend the meeting for a few moments to allow the minister to depart.

12:39

Meeting suspended.

12:39

On resuming—

Protection of Workers (Scotland) Bill

The Convener: We are all keen to conclude the meeting, so let us move on to item 5. Members will be aware that the Parliamentary Bureau has recommended that the Protection of Workers (Scotland) Bill be referred to us. I have now had an opportunity to look at the bill, and I find it extremely difficult to see how its subject matter falls within the committee's remit. Parliament's standing orders state:

"Once a Bill has been printed, the Parliamentary Bureau shall refer it to the committee within whose remit the subject matter of the Bill falls."

It seems clear to me that the bill deals with a criminal justice issue, so I cannot see how it can fall within our remit. I point out that prior to the bureau making its decision, there was no consultation with me or, as far as I am aware, the clerk. Therefore, I request permission to write to the bureau to ask it to reconsider its decision. Is that agreed?

Members *indicated agreement.*

The Convener: Thank you.

Subordinate Legislation

Census (Scotland) Regulations 2010 (SSI 2010/211)

Census (Scotland) Amendment Regulations 2010 (SSI 2010/215)

12:40

The Convener: Item 6 is consideration of two negative instruments on the census. Does anyone have any comments?

Gavin Brown: I have no specific comments, other than to note that the briefing paper says that we will get an oral update on the Subordinate Legislation Committee's report. I wonder whether the clerk has anything to tell us.

The Convener: My apologies—I should have asked the clerk to give us an update.

Stephen Imrie (Clerk): I am happy to do so. I apologise for not doing so before the meeting, but the relevant meeting of the Subordinate Legislation Committee took place only yesterday, so we were not able to include the relevant information in the paperwork for today's meeting.

The Subordinate Legislation Committee had raised a number of concerns about the Census (Scotland) Regulations 2010, which were corrected by the Census (Scotland) Amendment Regulations 2010. Yesterday, the Subordinate Legislation Committee considered the Census (Scotland) Amendment Regulations 2010, was happy with the changes that had been made and the speed with which that had been done, and raised no further issues of concern.

The Convener: On that basis, do members agree that the committee has no recommendations to make on SSI 2010/211 or SSI 2010/215?

Members *indicated agreement.*

The Convener: That concludes today's meeting; we meet again next week.

Meeting closed at 12:42.

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

Members who wish to suggest corrections for the archive edition should mark them clearly in the report or send it to the Official Report, Scottish Parliament, Edinburgh EH99 1SP.

PRICES AND SUBSCRIPTION RATES

OFFICIAL REPORT daily editions

Single copies: £5.00

Meetings of the Parliament annual subscriptions: £350.00

WRITTEN ANSWERS TO PARLIAMENTARY QUESTIONS weekly compilation

Single copies: £3.75

Annual subscriptions: £150.00

Printed and published in Edinburgh by RR Donnelley and available from:

Scottish Parliament

All documents are available on the Scottish Parliament website at:

www.scottish.parliament.uk

For more information on the Parliament, or if you have an inquiry about information in languages other than English or in alternative formats (for example, Braille, large print or audio), please contact:

Public Information Service

The Scottish Parliament
Edinburgh EH99 1SP

Telephone: 0131 348 5000

Fòn: 0131 348 5395 (Gàidhlig)

Textphone users may contact us on **0800 092 7100**.

We also welcome calls using the Text Relay service.

Fax: 0131 348 5601

E-mail: sp.info@scottish.parliament.uk

We welcome written correspondence in any language.

Blackwell's Scottish Parliament Documentation

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

Telephone orders and inquiries

0131 622 8283 or

0131 622 8258

Fax orders

0131 557 8149

E-mail orders, subscriptions and standing orders
business.edinburgh@blackwell.co.uk

Blackwell's Bookshop

**53 South Bridge
Edinburgh EH1 1YS
0131 622 8222**

Blackwell's Bookshops:

243-244 High Holborn
London WC1 7DZ
Tel 020 7831 9501

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

Accredited Agents

(see Yellow Pages)

and through other good booksellers