



The Scottish Parliament
Pàrlamaid na h-Alba

Official Report

ECONOMY, ENERGY AND TOURISM COMMITTEE

Wednesday 8 September 2010

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Printed and published in Scotland on behalf of the Scottish Parliamentary Corporate Body by
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ECONOMY, ENERGY AND TOURISM COMMITTEE

23rd 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)

Eddie Brogan (Scottish Enterprise)

Riddell Graham (VisitScotland)

Rt Hon George Reid

Dr Geoff Riddington (Grid Economics (Scotland) Ltd)

LOCATION

Committee Room 2

Scottish Parliament

Economy, Energy and Tourism Committee

Wednesday 8 September 2010

[The Convener opened the meeting at 09:30]

Decision on Taking Business in Private

The Convener (Iain Smith): Good morning, and welcome to the 23rd meeting of the Economy, Energy and Tourism Committee in 2010. I hope that you have all had a restful and productive summer recess and that you are all feeling refreshed as we move into the remaining few months of this session.

I understand that Christopher Harvie will be a little late this morning. Other than that, all members are expected to be present, so I hope that Wendy Alexander will be with us shortly.

We have a fairly packed agenda this morning. Because Parliament is meeting at 1 o'clock, we will need to ensure that we keep everything focused and tight so that we can finish the meeting by no later than 12.30.

Under agenda item 1, I invite members' agreement to take in private agenda item 6, which concerns the question whether we appoint an adviser for our review of the enterprise network. We have already agreed to take in private item 5, which concerns our annual report.

Do we agree to take item 6 in private?

Members indicated agreement.

National Trust for Scotland

09:31

The Convener: It is a great pleasure to welcome our former Presiding Officer, the Rt Hon George Reid, to give us a presentation on his review of the National Trust for Scotland. Following the presentation, he will take questions from members.

Rt Hon George Reid: It is pleasant to be back, although it is a little odd to be sitting at this end of the table.

The committee should have a full copy of the report. I want to spend seven or eight minutes on headline stuff, which will inform the subsequent discussion.

The report is called "Fit for Purpose". It was started in October last year and finished at the end of July and contains some fairly radical proposals for reform.

The National Trust has been around for a long time—80 years in Scotland. It is a good thing, and everybody accepts it. It is important for two fundamental reasons. First, there is its vast and wonderfully diverse portfolio of 129 buildings, 200,000 acres of some of the best wilderness in Scotland, islands and battlefields. Further, it looks after more birds than are looked after by RSPB Scotland. That is a wonderful portfolio that is important to the nation.

Secondly, by telling Scotland's story, from Neolithic to contemporary times, it helps to shape the identity, sense of place, sense of time and sense of continuum of all of us. It is also important to the wellbeing of the nation. People of very few nations can get out of cities and on to the land in the way that we can in Scotland. Further, it is not unimportant to the economy of Scotland, with the heritage environment bringing in about £2.4 billion and employing, directly and indirectly, about 40,000 people.

The National Trust is a key issue in how we manage this particular sector.

In November last year, there was dismay in the jam-packed annual general meeting of the NTS at Murrayfield when, out of an apparently blue and cloudless sky, came notice of redundancies, closures and the sale of the headquarters in Charlotte Square in Edinburgh. At the time, the press carried headlines such as, "NTS Crisis", "A Bankrupt Management", "A Decade of Decline", "NTS Must Merge", "Books Don't Balance" and printed stories that said the cuts would result in more of the same being done for less money, that NTS's system of governance was byzantine and that NTS had forgotten its basic purpose.

Into that situation, I came to carry out a fit-for-purpose strategic review, commissioned by the trust's council, which asked that the review be robust and independent and that it do three things. First, it was to consider not only governance, which all previous reviews had done, but resources, to see whether the organisation was able to address current and future challenges. Secondly, it was to do so independently, taking into account all stakeholders' and thirdly, it was to report within a very tight timescale of nine months, which is a tight turnaround for a strategic review. We achieved that target, with the report going to council at the beginning of August.

I will say a word about fit-for-purpose reviews, which seem to be my fate since I left Parliament. I carried out the big governance review in Northern Ireland in 2007 and 2009, I have been engaged in an effectiveness and efficiency review of famine aid to Africa, and now I have done the National Trust review. The model, as you know, was put forward by the Treasury in the 1990s, and was intended to improve service delivery and value for money. I will outline, in a simplistic way, how it works. It is not unimportant to understand the methodology, as other third-sector organisations will have to go through the same process, given the economies in state spending.

First, we asked key questions. What are your vision and values? What are you for? Everyone thinks that that is the easy bit, because they already know the answer. However, once you divide that by the resources that are available to an organisation, you sometimes find that they just cannot deliver what they say they are for, given the resources that they have.

That took a fair bit of time. If you get those elements in sync, you can begin to do a corporate or a strategic plan. However, the NTS did not have one. A strategic plan informs the corporate plan and cascades down through departments to individual members of staff so that everyone from the chief executive to the gardeners knows how they fit in and what value they add to the organisation. Performance indicators enable performance appraisals—using traffic lights: red, amber and green—and determine whether targets have been delivered quarter by quarter. You can report back on that to the stakeholders at the annual general meeting, and the process rolls on for another year.

Given that the trust has 315,000 members, it was important for the process to be an iterative one. One must deal with the individual members and hear their concerns. I therefore engaged in 32 public meetings across the country, and we had a massive questionnaire. Some 12,000 members contributed to the review, which is a sizable number. With the help of the Scottish Futures

Trust, we had a look over the horizon at some of the challenges that are coming in terms of economic cutbacks, climate change—with increased downpours overwhelming Victorian rhone pipes—and, in relation to demographics, how the ageing of the population will affect visitor numbers.

The iterative process comes in four stages. Everyone was asked to identify the issues. Some people in the NTS did not like this, saying that it was giving voice to dissenters. It is very difficult for “Get rid of the chair” to be issue number 1, so we came out of all the meetings with six issues, graded. We then went on to consider options—What do we do about a, b, c and d?—and graded them and took them through to analysis by a steering group that was made up of some pretty weighty people, including Tom Farmer, the Duke of Buccleuch and Susan Deacon, who was helpful in terms of local community engagement, and finally we arrived at a decision in July.

The fitness test asked a series of questions, because I went in with no preconceptions. What resources do you actually have? That was one of the problems. How does your governance move the show forward? That was a difficult area. Are you really communicating with your members, given that you are the biggest third-sector organisation in Scotland? What is the culture of the organisation? I have to say that I found the organisation to be a bit 1920s-ish in terms of corporate bureaucracy.

About three to four months in, I had identified some matters of real concern to me. There was no strategic plan, which makes it difficult to do a fit-for-purpose review. The budget was prepared on a needs-must basis, with planning added on afterwards instead of informing the budget.

There was no single inventory of assets. The cabinet had been stuffed with bits and pieces accumulated over the years, but different divisions held what they owned in separate systems, ranging from file indexes to written records. The work to put that right is almost finished.

For me, the biggest problem of all emerged when I said to the trust, “Give me some idea of the likely costs for maintenance and repair,” only to be informed in writing by senior management that

“The cost of maintaining the estate is unknown”.

That is the key question: how much is it going to cost to keep the show on the road over the next 50 years? The board admitted in writing that

“We have known for five years that NTS is unsustainable”.

There has been an almost preponderant concentration on unrestricted reserves rather than on the operating position and the big question of what the bills over the next 50 years are going to

be like. Of course, there are reasons for that, as indicated in my next slide, which shows just how constrained NTS's finances are. At the moment the trust has quite substantial funds of almost £170 million but its unrestricted funds amount only to £8.5 million. That is all that it has to play with; in fact, on the far side of the economic crisis, those funds had fallen to a dangerously low £3.2 million. In order to keep going for six months, it should have £17 million, which means that, even after the respite, it is only about halfway there.

The reason for that is that most of the money is locked away in endowment for properties, is restricted in use or is designated for specific purposes. NTS can play with only 5 per cent of its funding simply because it has accumulated so many properties over the past 80 years. Someone would ask the trust, "Will you take my castle?" The trust would say, "Yes", and the castle would go into its hands without any accompanying funding or endowment. Such offers were, of course, very tempting when tax breaks were available. However, as the next slide shows, only 12 properties—or 10 per cent—are fully endowed; almost 50 per cent are partially endowed and a vast number are not endowed at all. A former very senior board member told me in writing that the trouble with acquisitions in the past was that they were based on sentiment rather than on financial common sense. That is the fundamental problem.

That led to my next question. Given that the board knew for five years—and plenty of people had been saying for 10 years—that the trust was not sustainable, why had it not done something about the situation? I think that the reason is 1920s corporatism. Before the formation of this Parliament, Scottish legislation—in this case, the National Trust for Scotland Order Confirmation Acts of 1935 and 1938—was based largely on the English model, which was appropriate to a big country. Moreover, the system of governance was appropriate to the 1920s, when people took the train, used telephones and every so often came together in big meetings to discuss things.

In the 1990s, Lord Mackay of Clashfern attempted to sort out the situation by creating for management purposes a board that came out of the council of trustees, but strategic direction was left to the council. There were some very odd things, such as the fact that the audit and risk committee still reports to the council—which is not concerned with day-to-day operational management—and the vast numbers of people involved. I could not find another charity that had 87 trustees and 100 other non-executives to keep the show on the road. As one submission put it, that has resulted in a "Constant Culture of Consultation" and a "dysfunctional system of Governance".

Although I was primarily interested in the stability and sustainability of Scotland's heritage, it became very clear to me that, if the governance did not change, nothing would change. The next slide shows my first set of recommendations, the first of which relates to charity best practice. We dealt with the Office of the Scottish Charity Regulator and charity auditors and the message was that changing the governance was the fulcrum of reform that would allow the trust to be given strategic direction.

It was all a bit slash and burn but, with that approach, the number of trustees was reduced from 87 to 15. That is appropriate and gives a reasonable mix of skills and decision making. No representative organisations—of which there were 30-plus on the council—should be involved in a trusteeship role in the future. No senior staff should be trustees. We must make a clear distinction between governance and management. Previously, chief executives were charged with scrutinising themselves, which does not work. There should be a split between the two.

09:45

God bless the trust; it has got a move on. A new board will be in place by April, or perhaps slightly earlier. Its first task will be to set the five-year strategic plan and to report transparently to the AGM. In other words, if measures such as selling Wemyss house in Charlotte Square are not in the plan, the board must go back to the members to tell them that.

There are a number of immediate issues. The trust needs a new mission statement. People think of that as being public relations—it is not. Fundamentally, it is about the organisation's purpose. There will be a lot of to-ing and fro-ing between the purists, who believe in pure conservation, and people who believe in visitor attractions. They must sort out the matter in the next year. There will be a single inventory of all assets and a rigorous audit of the cost of maintaining the estate, which will lead on to a full property planning process—statements on the significance of each property, business plans and action plans.

The trust already has a transition committee that is putting the changes into effect. Its proposals must be signed off by the AGM on 25 September. I am confident that they will go through, but with membership organisations you never know. None of the changes will be signed off until the end of the month.

In concluding, I return to the big question. The cost of maintaining the estate is an unknown. There are various formulas for working it out. The Chorley formula looks at a property over 50 years,

assumes a 5 per cent return on investment and gives a figure for how much you will have to pay for downpipes, roofs and so on. I have not used the actual estimate because it tends to be on the high side. The trust had a stab at it in the 1990s in the north-east and, again, the figures were far too high. However, the condition audit must go through.

A quick audit, which will give Ken Calman a ballpark figure, is being done now. The trust must look at the significance of each property—how it relates to the story of Scotland, the local community and the landscape. Then, you get on to action plans and business plans.

However, what will get people excited is the issue of inalienability, which some outside organisations have described as

“A Pact with the Nation to preserve properties for all time”.

I see no reason for the trust to keep byres, bungalows and bits and pieces of sheds; those can be used to bolster the general income fund in the short run. However, once the ballpark figure is clear, there are some real questions for the trust to address. The endowment of £67 million will probably need to be doubled; three times as much may be needed. That should not cause panic, because universities have faced exactly the same situation. You do not have to raise the money now—you have 50 years in which to do it. There are good prospects for a big endowment appeal, once the trust has got its affairs in order.

On balance, the trust will have to go for a smaller portfolio—it is too big and too small at the same time. The key issue for constituency members is to look now at alternative management at local level, while retaining National Trust for Scotland ownership. There is plenty of that already. The picture at the bottom of the slide that I am now showing is of the national museum of rural life at Kitchside, a National Trust property that is run by the National Museums of Scotland. The top picture is of Balmerino abbey. The trust has only two stonemasons, but Historic Scotland has masses. Why should such ruinous structures be under the management of the National Trust for Scotland? It does not make sense.

So, under the pressure of the economic cuts that will obviously hit Historic Scotland, Scottish Natural Heritage and other agencies, I am looking for much more joined-up working with Historic Scotland in the form of guardianship, national museums, local authorities, community groups and restoring tenancies.

If we look up the hill to the gardens and properties that lie just this side of Edinburgh castle, we see Patrick Geddes's flat, which is owned by the NTS and is lying empty. We should

restore tenancies of 10 years. There are people who would pay £50,000 a year to live there—it has five bedrooms—but they would have to live there in accordance with agreed conservation conditions.

On going local, the top picture on the slide is of Seaton Delaval hall, which is probably the best example of the English baroque style. The National Trust south of the border took it on after a consultation exercise with 100,000 local people. It is in an area of significant multiple deprivation outside Newcastle. The community raised £1 million in six months. The property was turned over to a large extent to the community. You will not get tea with doilies there; you will get fish and chips, and why not?

There are allotments and adventure playgrounds in the grounds, along with farmers' markets. Children from the local school use the basement for a theatre. The property is being given back to the people and new members are being brought in at the same time. There are heritage properties in Scotland that could be used for community regeneration in the same way. Braemar castle has never been owned by the trust, and the community of Braemar owns its castle. It is the centre of village life, and why not? There are similar good examples of community partnerships at Arduaine, Brodick, Cromarty, Kellie, and Leith hall. Smail's printing works in Innerleithen is now back in the market and producing commercially.

Of course, the challenge is for the centralisers to just let go, and if a number of properties are going to get alternative management, there is going to have to be a letting go.

That takes me to something that the committee has examined in times past: a joined-up team Scotland strategy. The other day, I saw a statement from the minister for culture south of the border saying that heritage is not going to be immune from cuts. He dived around 25-30 per cent, and I think that we all realise that that order of cuts is going to come in Scotland as well; they will have to. Heritage cannot be immune.

There is opportunity in that. As I worked my way around the heritage agencies, I still found an awful lot of the old protective silo mentality—“Oh, we can't do that. We have a different system. We are rather special.” The charity position and VAT were mentioned, and so on. My general conclusion on heritage in Scotland is that there is still far too much duplication and crossover, and too many sectoral interests down silos. That issue must be addressed.

It can be addressed through savings and maximising value for Scotland in such areas as procurement—a lot of the agencies are buying

exactly the same things from south-east Asia, but are putting different sweaters on teddy bears, for example. Other areas include warehousing, common marketing by VisitScotland, Historic Scotland and the NTS, common publications such as leaflets, and building maintenance: Historic Scotland has significantly more staff in building than the NTS. I would love to see a register of all conservationists in Scotland and agencies borrowing them from one another. Garden tours in Scotland could be joined up from the botanic gardens right through to Arduaine. There should be a common electronic point of sale system, and NTS properties should be used as visitor information centres. There are savings to be had and value can be maximised if we have the courage to put all that through.

Lord Mackay of Clashfern said something rather wise when he attempted his review in the 1990s. He said that the NTS had been set up not for the members but for the benefit of the people of Scotland and then said:

"There are times when the interests of the nation have to take precedence over the interests of NTS members."

The National Trust for Scotland is part of a heritage sector that is of substantial benefit to the nation. The sector is worth £2.3 billion in tourism, travel and construction and it employs 40,000 people. It is bigger than whisky. It also provides spiritual and cultural benefit for the nation's health and wellbeing—in Scotland we have a wonderful benefit of space—and for determining who we are as a people. Our heritage and our land shaped us—they made us what we are—and we have an obligation to future generations.

We do not need a plethora of policies, programmes and consultations in heritage. In a small country such as Scotland, we probably need to work towards a single joined-up heritage policy into which all fit, because we all need a future for our past. As I said, the land and the built heritage have made us what we are, and how we conserve that will say what we value as a people and how we pass it on to generations who are still to come.

It has been a tough review. It was not easy to do it in nine months, but it has delivered. I am enthused by the positive attitude to change that the trust has taken. It sees that change is necessary and I think that it will go through. Ken Calman, who is not without skills and strategic direction, is the man to do it, with the backing of Kate Mavor.

The Convener: Thank you for that comprehensive summary of your report. Having read through it, I get the picture of an organisation that was not so much in crisis but in disarray because, over its 80-year history, it acquired properties and liabilities without any clear strategic

direction as to why it was doing so. I also get the picture that, last year, the trust rather panicked about its financial situation and rushed into decisions that were perhaps premature or, in some cases, as the report highlights, ill advised. Is that a fair summary?

George Reid: Yes. Undoubtedly, the trust got a fright with the economic crisis. The value of investments fell radically, as did income, and the general income fund—the trust's unrestricted reserves—fell perilously close to £3 million.

The way that the trust has kept going in the past five years is interesting. It has sold off assets, but it cannot keep doing that to infinity. We are talking about properties of no great heritage value but, each time it sells one, it is gone and the trust does not get that chance again. It has also delayed projects. That is dangerous because, given climate change, the more it puts off essential maintenance repairs, the more expensive the bill will be down the road.

The trust took the decisions that it did at some speed. Some were ill advised. For example, it paid off its painters in Glasgow and it now has to spend much more in contracting out to outsiders. However, taking those decisions did one thing: although it had not addressed the big issue of maintenance, the trust bought itself breathing space. Its reserves are up to more than £8 million at this point.

The trust will not implode, although it got close to that last year, and must now take the much broader, strategic approach that I suggest. It must establish forms of governance that are appropriate to 21st century Scotland, not rooted in some Westminster legislation from the 1930s, and take some courageous decisions about whether it is too big or too small and what its core portfolio should be.

The Convener: From the figures, it appears that the trust's breathing space has been created by increasing income rather than reducing expenditure.

10:00

George Reid: No. Obviously, if there are staff redundancies, there will be a redundancy bill in year 1, but the trust will make savings down the road. Savings have been made, but the trust is now in some difficulty because it must address the question of staff salaries, which it is doing. I understand that it has gone to the Advisory, Conciliation and Arbitration Service this week. That will put more pressure on the general income fund in the year ahead. However, the vast majority of staff are in the bottom quartile for the third sector, and if it does not pay for the people who

have the skills, we cannot be sanguine about its future.

The Convener: You highlight the need for more local control of properties. That was raised with us last year, when we looked at the redundancy situation at, for example, the Hill of Tarvit mansion house. The evidence that we received then was that there was a lack of opportunity for the management to bring in new ideas and new ways of generating income because of the overcentralised approach within the trust. Is that a fair comment, and is that situation changing?

George Reid: Yes, and I endorse what you and Menzies Campbell said about the matter in a very long campaign for Hill of Tarvit. It is now open for a limited number of weeks, and that is possible because of local volunteers. An arrangement has been arrived at with Heritage Catering to use the property, to a large extent, as a wedding venue. However, it is not very far from St Andrews and it strikes me that, if the trust were to think entrepreneurially, there would be opportunities in that area, especially with the Kingarrock Hickory golf course.

What I heard as I plodded around Scotland and attended meetings in remote locations and then had similar meetings in Edinburgh is that, on the periphery, people are accusing the management in Edinburgh of gross centralisation, while the management are saying that the people in the devolved areas do not have sufficient expertise in finance and conservation. I think that there is some truth in both arguments. However, it is clear to me that, in terms of fundraising and engagement with properties, the enthusiasm is to be found in the communities around Hill of Tarvit, Inverewe and individual castles such as Alloa tower. That is where one can motivate local rotary clubs and historians by giving them a sense of ownership. I am enthused by what is happening in the National Trust south of the border. It is bound to happen on the far side of economic cutbacks. We must trust people locally, but there must first be some training in financial management and core conservation. People who work in properties should also be paid a bit more. People are running vast, wonderful country houses on extraordinarily low salaries.

Rob Gibson (Highlands and Islands) (SNP): The challenge that you have laid out is enormous, but it is one that people are at last beginning to take up at the national level. You recommend the idea of having a heritage forum here, in the chamber of the Parliament. Would you like to say a little bit more about that?

George Reid: There are bilateral arrangements all over the place—I list quite a number of those—but they are people working quietly at a bureaucratic level and there is no real national

debate. That would be a very helpful debate to inform the Parliament as to what the trust is for. I think that the core purpose of the National Trust is to be the guardian of a story that never ends—the story of this land from Neolithic times through medieval wars and the industrial revolution. The trust has had no money, so it has not been acquiring—as it should have been—some of the artefacts that we have needed in the past 40 or 50 years. We need a national debate on that and leadership at ministerial level. Mike Russell had a very good day in the Bute hall at the University of Glasgow, and I would like to see more of that. The business community, the disabled community and young Scots are brought into the Parliament to engage, and it might be useful also to hold a heritage forum at Holyrood one day a year, at which issues of wellbeing, economy and national identity are debated from a heritage perspective.

Rob Gibson: That would be a means to motivate people to think about the form of new legislation in two or three years' time.

George Reid: There will have to be new legislation. Whether it is a specific National Trust act or a heritage act—I would prefer a heritage act, given that there are bigger issues—it will need a lead time of something like two to three years. The work that the committee is doing now is therefore part of that. I see no reason why there should not be the odd members' business debate and other debates in the chamber along the way.

In a post-sovereign world, with the remarkable history that we have, we should be discussing issues of time, place, identity and how we fit—and that should lead to a bill.

Rob Gibson: I wish to return to a local matter, although I am conscious that many members wish to speak. Corrieshalloch Gorge is an important visitor stop on the road to Ullapool, but the Highland Council has closed the toilets that are attached to the car park there. That is a classic example, and local people are already saying that they could be running the facility as a business and could look after the gorge, although that is quite a challenge, given its nature. That seems to be a social enterprise job. How would any thinking about the setting up of groups of that sort within the family of the National Trust figure at the organisation's AGM?

George Reid: Very positively. There is a bigger issue here: how Scotland addresses issues of state subsidy, which have applied for so long. The third sector is crucial when it comes to social enterprise, community engagement and devolution out of Edinburgh. That is one way to get some balance back.

If the state provides public value and the banks provide capital, social value comes from

community groups such as those at Corrieshalloch. It is not too difficult, provided that protocols are put in place—some things must be reserved to Edinburgh. Are the proper conservation agreements in place? It is not difficult to write protocols on that. Is there a reasonable business plan? Are people trained?

On the far side of that, I suggest that, when it comes to many of the non-core properties, it is best simply to let go. The amount of enthusiasm at local level is quite extraordinary, and we should be tapping into it.

Rob Gibson: I can attest to that.

Ms Wendy Alexander (Paisley North) (Lab): George, I had the opportunity to read your report in full—that is not always true for committee papers—and I think that it is a simply outstanding piece of work, whose significance in the current climate, as you have suggested, goes beyond the immediate issues at hand. The committee has engaged previously with issues to do with the National Trust and found them intractable. The most important aspect is the way in which a number of outsiders have been called on, collectively, to come up with answers. It has troubled me that Governments of all colours in Scotland have been reluctant to call on outside expertise—perhaps understandably, given that the Parliament is so newly with us. Perhaps unlike the UK model, which usually involves inviting an individual to tackle an intractable issue, there has been a collective effort in this case, which has drawn on some extraordinary expertise, and to outstanding effect. The report is a vastly superior piece of work compared with what a parliamentary committee, the National Trust itself or the Government could have produced.

The report is right for the times, not least because it does not look to Government to provide the answer to everything. Following on from what Rob Gibson has said, I think that our experience of community land ownership suggests that there is wide, untapped potential, with some interesting ideas around.

Having said that, I have two questions. Obviously, the focus on governance has to be right given the situation that you have uncovered, but you have touched on legislation and the wisdom of perhaps leaving it until later. Will you expand a little on whether the issue of inalienability will need to be addressed at some point and whether we can look to the trust to come forward with thoughts on how that issue can be helpfully addressed in the new context?

George Reid: Thank you for your kind remarks.

First, there were people such as Tom Farmer who contributed and were extraordinarily helpful. Tom can read a bottom line on a balance sheet

like nobody else. Susan Deacon, in just thinking her way through community engagement and third ways in terms of the three-legged stool, was very helpful. The Duke of Buccleuch was consistently focused and one of the best facilitators I have come across in a long time.

The second thing was engagement. There was nothing particularly wrong with some of the areas that the previous board looked at but, coming out of the Red Cross, I knew in my lower bowel that in the voluntary sector you cannot do things to people—you have to do things with people. That was the reason for the plod round Scotland. Doing things with people is how attitudes change, and I think that there is a general majority in favour of that.

Governance has to change, and then we come to the big question, to which I cannot give you an answer. If I were to know how much the maintenance of the estate cost, I could begin to address issues of inalienability. I have given you a clue—I think that £67 million is not enough. I think that that amount probably has to be doubled or even tripled. The trust has 50 years to do that—universities have done the same and I think that it is doable, if other cuts are made.

I think that the trust is both too big and too small. It is too big from just accumulating things. One of the founders said that it is

“a sort of cabinet into which could be put valuable things”.

It is jam packed, and some parts of it are better than others. With statements of significance it does not take too long to have a stab at a core portfolio: it will be the great houses, so that they stay for all time.

If we take what I call the B list—properties such as Alloa tower—I think that those buildings should go into alternative management. Alloa tower is in the middle of an estate of multiple deprivation—I know it very well—and it is where, dare I say, bourgeois Alloa meets. I would like to see it used for health programmes and apprenticeship training programmes. There is a wonderful walled garden, which we could turn into community allotments, using the past as a generator of future change. There are a lot of similar opportunities. Such properties would remain in the trust's ownership and there would be no change in inalienability, but there would be a different management structure and we would save money.

We then come on to the last question. As there is no full list at present, my suspicion is that one or two properties that you and I would think should be on the inalienable list are not, and maybe on a damp Friday, somebody moved that property X should be inalienable. There should therefore be some adjustment. That is a presupposition. In time

if at all possible, there may be some marginal adjustment.

One last example of that is Plewlands house at South Queensferry. It is a pretty good Scots merchant's house, but it was never visited—you could not get into it. It was moved to deinalienate it and turn it into remarkably good housing. Why not? A few such properties might be eased away and things such as ruinous structures could fairly easily go to Historic Scotland.

That is down the road. I wish I could give you a full answer but, until I know the ballpark figure, it would be dangerous to try to do so.

Ms Alexander: I have one final question. What can Parliament and Government do to encourage faster progress on the joined-up agenda? As you beautifully and graphically illustrated in the report, with the best will in the world, progress in that arena—under Administrations of all colours—has been somewhat slow. There is clearly a tension between giving time for the evolution of a debate about the historic and natural environment and giving a degree of urgency to the joined-up agenda that mere ministerial or parliamentary invocation has, on its own, not hitherto delivered.

You talked about the landscape. In thinking about the proposed bill, one of the critical issues will be how you appropriately draw the boundaries to get really joined-up approaches that encompass the whole territory.

What do we need to do now to quicken the pace on the joined-up agenda? Thinking about a bill two or three years down the line, what do you think the relationship is between the historic and natural environment and how will we think that through?

10:15

George Reid: You can do things at constituency level. I bring you an offer from Kate Mavor that I think you should take up. She will arrange a briefing for every single member of the Parliament that relates to their constituency or region, which I think would be helpful. That takes you into engendering community awareness and ownership.

Secondly, let us see what the nice Mr Swinney does about cuts and how that works through to Ms Hyslop. You should all be asking questions about that. There are savings to be had. For example, I cannot understand why, when you go to Stirling castle, you have to produce a Historic Scotland card but, when you go to Bannockburn, you have to pay again, because it is managed by the National Trust. The joint marketing is not as good as it should be, and yet, during homecoming, one homecoming pass was available, provided that you lived in the States or Geneva, which gave you

entry to both Historic Scotland and National Trust sites. I am told that it is terribly difficult to bring things together but, if it can be done for people overseas, why can it not be done at home? Ms Hyslop should be pressed on that.

There are lots of other savings. There are dangers in cuts, but opportunities, too.

Gavin Brown (Lothians) (Con): I want to ask briefly about your view on the short-term financial position of the trust? I think that when we took evidence from Kate Mavor about a year ago, the general income fund was about £4 million. Today you tell us—it is in your report, too—that it is about £8 million.

George Reid: It is £8.5 million.

Gavin Brown: I think that you said that it needs to be about £17 million or thereabouts, in an ideal world.

George Reid: Seventeen million pounds would cover six months of operating expenditure and a year of planned repairs.

Gavin Brown: Given what you have done so far, do you think that the trust is on the right trajectory to get there in the next couple of years?

George Reid: I think that the trust has stabilised. The effect of these cuts and economies is that it is stable for the next three years, but the cuts do not address the fundamental issue in the long term.

Marilyn Livingstone (Kirkcaldy) (Lab): I echo Wendy Alexander's comments on the report, which I think is an excellent piece of work. It is obviously very much needed.

On community involvement, what you have suggested would be really helpful. I had the opportunity to speak to you earlier. Many communities are now starting to think very positively about how they can save some buildings, including in my constituency. Until now, there has been a feeling that there has been a great deal of centralisation. How can the trust get the message over to communities that it is now open to having discussion?

George Reid: I think that Ken Calman is well aware of that. People like you can push the trust—that is your job and duty as an MSP.

The trust has done remarkable work. We think of great castles such as Craigievar and Culzean. I take enormous pride and pleasure in the little houses scheme on the Fife coast and in other parts of Scotland. There are two or three semi-derelict Georgian buildings in Peterhead that are being turned into social housing. There should be more of that. There is funding available for that.

You should push at a local level and, if that goes ahead—as it did in England—you will find a whole new range of people willing to become members. The National Trust has been perceived as a pleasant bourgeois organisation; that is its profile. It could perhaps be charged with making the past more pleasant than the present. If you get community engagement, as has happened in Scandinavia and the Baltic states, you bring in people who begin to identify with their place, their time and their community. That is how regeneration begins.

This is a little bit academic—I saw Wendy Alexander smiling a little at my reference to a “post-sovereign world”—but in France, where I lived for a long time, “mon pays”, “ma terre” and “ma patrie” can mean either the state or one’s own village. I was struck, in the part of France in which I lived, by how much people identified with their natural community and how that spreads out to the state. There are real opportunities for that to happen in this country.

Marilyn Livingstone: I should declare an interest—I live in one of the houses on the Fife coast that was renovated in 1969 under the National Trust’s little houses improvement scheme. George Reid is right—the trust is keeping those for future generations, which is so important. Without the National Trust, those properties would be lost.

George Reid: Capability reviews inevitably concentrate on what is wrong, but there is an awful lot that is right, and wonderful work has been done over the years. In some areas, properties would have disappeared, and our story would have vanished if it was not for the National Trust for Scotland. It is full of wonderful, opinionated and committed people and is a resource that can be unlocked, provided that you get the governance structures right and agree on a clear way ahead.

Marilyn Livingstone: Communities are very worried about delays in relation to buildings—we have all seen what delays can do. Some buildings cannot be restored because they have fallen into such a state of disrepair, and that is a great concern for local communities.

As George Reid is aware, I chair the cross-party group on construction in the Parliament. We have lately had representations from the traditional trades, in particular from the Scottish Stone Liaison Group. There is great concern that, although we may make progress on community partnerships, we do not have a workforce that is skilled enough in areas such as traditional lime casting, which is an example from my constituency.

The townscape heritage initiative in my constituency links in with the training of

apprentices. It is now warning us that there is a severe shortage, particularly outwith Edinburgh, of stonemasons, lime casters and so on, and telling us that we should encourage training in the built environment—particularly through the Scottish Further and Higher Education Funding Council—so that we can preserve our heritage.

What discussions did you have during your review on the issue of traditional skills?

George Reid: There are opportunities for modern apprenticeships in stonemasonry. I know that, because I need to have lead flashings fitted—subject to planning controls—on the roof of a Victorian house at present, and it is extraordinarily difficult to find someone who has the skills to do it.

I go back to what I said about ministerial leadership. Conservationists are working away quietly in corners; they should promote themselves a good deal more. Questions should be lodged about training in traditional skills. If it were not for Historic Scotland and Stirling castle, central Scotland would have no one who is skilled at lime washing; the numbers are precariously thin.

Marilyn Livingstone: My final comment is on the issue of joined-up government that you mentioned. The Scottish funding council intended to cut courses on the built environment by either 22 per cent or 26 per cent, but that has been put on hold after lobbying by the Parliament and outside agencies. We need all departments of Government, external bodies and communities to work together. As Wendy Alexander said, the quicker we can get people working in that way, the better.

George Reid: Yes, more of that, please.

One bit of good news in Glasgow is that, when the University of Southampton shut its school of textiles, the school moved to Glasgow. I think that that is terrific. Given the needs of the Burrell collection and of the Kelvingrove gallery, those are valuable skills. We must ensure that the training is in place and is sustained. It does not cost that much.

Stuart McMillan (West of Scotland) (SNP): The first of my two questions, on the silo approach, has already been touched on, so I will not go back to that. The second is on the inventory of all assets. In your wider research looking at other organisations, was the lack of such an inventory a common theme, or was that quite unique to the National Trust?

George Reid: I think that there is a particular issue in the National Trust. In the Red Cross, we had a similar problem with prisoner-of-war cards when information technology came on stream in the late 1980s, as it was not easy to put the details

into a common database. The issue goes wider than the National Trust. I suggest that any heritage bill should be looking at having a common database for the whole of Scotland, with the ability to plug into geopolitical mapping. All that happened in the National Trust, with its volunteer culture, is that people said, "This is my bit"—people can be terribly protective—and did their bit according to their models. Only now is a common matrix being developed so that all the assets can go in together. However, the development should go wider than the National Trust. It should be possible for people to go into a common database where they can look at the artefacts in Alloa tower or look at who deals with the toilets at Corrieshalloch. All that information should be available at a single press of the button, but it is not at present.

Lewis Macdonald (Aberdeen Central) (Lab): George Reid alluded to the impression that the National Trust has sometimes created of having quite a narrow social base. Therefore, I very much welcome and applaud what he said about the opportunities for community engagement. I also very much support his governance proposals, which offer a modernising mechanism. Do those proposals go beyond modernising the management and efficiency of the National Trust and offer an opportunity to broaden out the social base that the organisation is reputed to have?

George Reid: That will be up to the trust's members. It is a democracy as well. We will see who is voted in on the far side of the AGM. I have had several conversations with Ken Calman. It is encouraging that someone with his background from the west of Scotland will now head the National Trust. I know that he has been extremely active at local level, so I am confident.

The problem with the previous vast governance structure was that it was a confederation of interests. One cannot run a show with a confederation of interests, as Lewis Macdonald will know as an ex-minister. One of the extremely bad things was that senior staff got drawn into the political process. I was appalled to find that decisions could be taken by the board and then challenged by a middle manager, who would go and speak to a chum on one of the advisory committees who would then raise the issue again through the council. Frankly, decisions that should have been taken for £4,000 or £5,000—with a stroke of the pen, done—were still doing the rounds two to three years later. I am hopeful that all that will now change. Kate Mavor, of course, is building a new management team that I think shows signs of good collegiality down the road.

The Convener: Let me conclude by asking what response your report has had both from the National Trust itself, which I think you have

indicated has been quite positive, and from Government ministers such as the First Minister and the Minister for Culture and External Affairs.

George Reid: From the National Trust itself, the 12,000 consultees are on board for reform, for localism and perhaps for a slimmer, more focused trust. The board of the trust has unanimously endorsed the report. The slightly larger council had a debate on the report, in which three abstained, three were against—for reasons of purism—but there was a majority of 95 per cent. You never know what will happen at a National Trust AGM, at which 310,000 people could turn up. However, bodies that have been extraordinarily critical, such as In Trust for Scotland, have been very supportive, so I think that that is all right.

The First Minister has a very real interest in this area. Remember that he is not just an economist but a medieval historian who grew up in Linlithgow. I think that he takes the point about identity and time and place. Fiona Hyslop has indicated that she very much hopes that the recommendations will be accepted and will set the trust on a future secure path for the benefit of the people of Scotland.

The Convener: One other point on which you might want to reflect—perhaps you could write back to us or perhaps to the Education Committee—is whether any immediate legislative changes could be made through the Historic Environment (Amendment) (Scotland) Bill that is currently before the Parliament.

George Reid: I do not know, but I will ask the trust's communications manager, who is sitting behind me, to ask Kate Mavor and Ken Calman to send a letter to you on that.

The Convener: Thank you very much for what has been a helpful session. Thank you also for the work that you have done on getting the National Trust for Scotland going in the right direction.

George Reid: And my thanks to all of you. It is nice to be back.

10:31

Meeting suspended.

10:35

On resuming—

Homecoming 2009 and the Gathering (Evaluation)

The Convener: I am pleased to welcome Dr Geoff Riddington, who is the director of Grid Economics (Scotland) Ltd. Members will remember that we commissioned Dr Riddington to carry out an independent evaluation of the evaluation of the homecoming 2009. Dr Riddington will give a presentation on the outcome of that, which will last about 15 minutes, after which we will ask questions.

Dr Geoff Riddington (Grid Economics (Scotland) Ltd): I ought to start by saying who I am and what right I have to criticise others. I taught at Glasgow Caledonian University for a long time and, like many others, I took a little bit of early retirement but kept on working. I am now a teacher at Glasgow Caledonian University and on the postgraduate courses on economic appraisal at the University of Glasgow. I am also one of the sinners, in that I am a consultant who does economic impact analyses. I have done them for the Government, the Department for Environment, Food and Rural Affairs and a whole host of people. I hope that I know what I am talking about, but I might be found out—you never know.

The remit that I was given was to consider the research on homecoming Scotland and the gathering and to report on the quality and appropriateness of the evidence, the appropriateness of the methods, the rigour with which they were applied and the validity of the conclusions that were drawn. Those of you who have waded through what was actually an edited version of my report will know that some of those conclusions were not terribly valid.

In my 15 minutes, for those who have not managed to get through the paper, I will quickly explain the concepts and methods that were used and then consider how those were applied in the case of HS09 and the gathering and the limitations that I perceive in that. Probably more important, I will then open the discussion on how we should use economic impact analysis.

It is important to recognise that impact analysis is a forecast and forecasts can be wrong. It provides information, but it is not an evaluation methodology. It can be used in two ways. One is to say what we expect as a result of an action; the other is to say what would have happened if we had not taken an action and to try to evaluate what has happened on that basis.

It is important to recognise that impact analysis relates to a specific time period. For example, if

we were considering the Trump development in Aberdeen, we would look at a particular figure that related to a specific time in the future—not tomorrow, but in the future. Often, the figures are never reached. For example, the economic impact analysis for the Loch Lomond Shores development relates to some mythical time in the future when there are two hotels and 5,000 shops and so on. The analysis relates to a point in time. Normally, the proposer chooses the maximum, so it is not particularly useful information.

However, it is extremely important to recognise that impact analysis does provide useful information—on jobs, value added and regional effects. The method is part of the evaluation process, if it is post-evaluation, or part of the decision-making process, but it is not the one thing on which decisions should be based.

The procedure is fairly straightforward. One tries to work out the direct change—ex ante or ex post—then sits down and tries to say what would have happened if we had not done the activity. That is very important in the case of something such as homecoming Scotland. We take the total change that we think was the result of the activity and see what effect it had in the wider economy. We normally use input output analysis or multipliers to do that. That estimates indirect effects, which are effects on companies that supply directly, and induced effects, which relate to the wages that go through the system.

A full model can forecast employment. It can also forecast gender distribution and full-time or part-time structures, but that is not normally done, because most models are not so sophisticated. The value added in each region can also be considered. If an event takes place in Edinburgh, the model can say, “As a result of that thing in Edinburgh, we expect so much more in Falkirk.” The ripple effects from an event such as the gathering can be traced. That is an important feature, but it is not normally used, which is disturbing.

In the presentation of such analyses, there is tremendous confusion about what we call output. Output is the aggregation of all the sales so, if we are not careful, it double-counts. It depends on the length of the supply chain. Outsourcing increases the output, without anything being done.

Output is always rotten to use, but everybody uses it. In impact analysis, everybody tries to show that output is wonderfully big—it has become a hype thing. I worry that output has become so associated with hype and with selling projects or institutions that it has become degraded, although it need not be. Output is a starting point. We are not talking about output as we understand it in terms of the national economy. If we consider the economy's output, we want to examine the gross

value added or the income, but the output that we are discussing is not that.

I met people at EKOS, which conducted the analysis of homecoming Scotland. I must admit that I was impressed—I had confidence in the guy who was responsible. EKOS did two tasks. It looked at the events, the people who went to them and the people who said that they would not have been there except for homecoming, and it allowed for multiple attendances. Those figures are very reliable. The problem is that homecoming Scotland was a series of events and a marketing campaign. EKOS found that a number of people who said that they were attracted by homecoming Scotland did not go to events, so EKOS had to try to estimate those figures, which is extremely difficult. EKOS's way of doing that was to hook itself to an internet survey that VisitScotland undertook.

VisitScotland has a huge database of inquiries. Every year, it finds out through an internet survey how many inquiries were converted into people coming to Scotland, which gives it an idea of how many people from the database came here. Of course, that does not tell VisitScotland how many from the database did not come to Scotland, which is quite important. The survey is also probably biased—the people who are likely to reply to the internet questionnaire are those who came here. I guess that the survey is biased towards a high conversion rate, so I would not trust the rate. Those are the two reasons why I find the figures a bit problematic.

EKOS looked at the proportion from the survey who did not go to an event, which gave it some idea of how many people who came as a result of homecoming Scotland did not go to an event. The number who were not on the database and who did not attend events is not covered and might be quite large—we do not really know. On the other hand, I think that the survey was biased towards people who came here for homecoming Scotland. The area is problematic.

10:45

I tried to check that using the tourist statistics, but anyone who knows tourist statistics knows that they are terribly difficult to work with because they are not particularly accurate. I had a bit of a debate with Scherie Nicol about how reliable I thought they were, but I am fairly sure that the report's figure of 72,000 extra tourists is about right. That is just a feeling; I would not swear to it, but I think that there is a good probability that the number is of that order. It is certainly not more than 100,000, and I do not think that it is less than 50,000. A figure of 72,000 is about right.

Estimates of tourist expenditure per head are fairly standard, and the figures that EKOS obtained are fairly standard. The additional gross expenditure figure is pretty good, but then we encounter a problem, which arises all the way through. If someone came to Scotland and said that their main reason for coming here was to go to the gathering, should we allocate everything that they spent on their trip to Scotland to the homecoming Scotland factor or should we just do an events-based allocation?

The report allocates all such people's spending to homecoming Scotland—in other words, it adopts the whole-trip approach. That is fine—it makes a lot of sense—but the problem is that the economic impact studies that other people have done, such as the wildlife trips study that was done last year, have been done on an activity-day basis, whereby if people came and took a wildlife trip, the economic impact is said to be all those people. However, some of those people will have said that they were here because of homecoming Scotland, so we have a conflict. I tried to figure out how to resolve it, and in the end I decided that we should combine both approaches—we should take the whole trip and break it up into the various activity days, which is quite possible to do.

The other advantage of the activity-day approach is that if someone came to Edinburgh for an event but also spent 10 days outside Edinburgh, we can say that they spent such-and-such an amount of time on the Clyde coast, for the sake of argument, whereas with the whole-trip approach everything would be attributed to Edinburgh. To me, that information is valuable. We want to know what the impact was in the regions, because that is extremely important as far as employment is concerned, which is primarily what we are concerned with.

Incidentally, the local figure that is given for Edinburgh in the gathering report is, as far as I can see, completely bogus. The fact that whole trips have been allocated to Edinburgh, when a lot of that time may well have been spent elsewhere, is totally misleading.

I have no argument with EKOS on any of those issues. EKOS has an agreed methodology, whereby it does X, Y and Z and then uses the Scottish tourism multipliers. It takes the total expenditure and multiplies it by the multipliers to get "the output", then it says that the output to cost ratio is X. The problem, basically, is that the figures are wrong. I know that EKOS did not realise that they were wrong. That is a consistent feature; the Scottish tourism multipliers have been used for years—they were first published 18 years ago, since when things have changed quite dramatically.

Moreover, the initial work on the Scottish tourism multipliers was wrong, so we have a problem. That the multipliers are wrong is about as much as one can say. They are out of date, they do not treat retail correctly and they deal with VAT inappropriately. Basically, they include VAT, so if VAT increases, the output of the economy apparently increases, too, which is clearly not true. We have a big problem there. The effect of that is to overestimate output and employment by a significant amount, so the figures that we have got are not right.

There was a bit of a dispute about the cost. VisitScotland and EventScotland said, "Okay, we were given £5.5 million. That was our budget and this is how much we spent," but another £3 million was spent on homecoming Scotland in recurrent budgets. The question is, should that amount also have been included? After a bit of a debate, I decided that I was sure that it should have been. The £3 million was diverted from promoting walking or sailing, for example, to promoting homecoming Scotland. If walking or sailing is not promoted, the expected effect would be that fewer people go walking or sailing. If that was not the effect, there would be no point in doing the promotions. One problem is that the tourism statistics give a net result, whereas EKOS looked at additional numbers. In the end, as I have said, the figure should have been £8.5 million.

The assessment of the gathering went the other way. It included various grants in the costs for developments that related to people who were not additional visitors. The costs for the gathering were overestimated. EKOS used a ratio of output to cost, which it calls return on investment. I see that done all over the place, and I hate it, because it tries to associate some sort of measure of output and cost with the rate of return on investment, which is the investment analyst's way of looking at how well an investment does. It is a cost, not an investment; it is an output—accumulated sales—not profit or return in any sense. I hate it; it should not be used. If you are going to have fixed multipliers, you might as well use some sort of gross expenditure to cost criterion, although I do not think that you should do that. If you are interested in measuring employment, the cost per job is a better measure to use. The development agencies have been using it for a long time. Doing that allows comparisons to be made. The return on investment measure is totally inappropriate.

The location and quality of jobs are critical. That measure should have been used, but it was not.

The other point is that if we are interested in how many visitors we generated and how much that cost, we should calculate that. Doing that, we see that we spent £118 per visitor and on average we got back £438 per additional visitor. That may

be good or bad—I do not know—but that is what the measure says, whereas the return on investment says nothing at all. I could say, "It is four," but that means nothing.

I also do not like the single period aspect. If we are talking about investment, we are looking at what occurs over time. Impacts occur over multiple time periods. For example, one wonders to what extent visits were brought forward to 2009 from 2010. On the other hand, if a lot of advertising was done in the States, it might have enhanced visits in 2010. We do not know. However it is done, it is important to look at the time dimension.

One obvious question is whether homecoming Scotland should be repeated in 2014. The economic impact analysis says that it was quite a cheap way of generating jobs, if that is what you want. However, it is critical to say that the jobs were temporary, were not of high quality and might have been located in areas of full employment. There is no point in the Government putting money into tourism in Edinburgh. That is not a very sensible way of spending money. That said, there are lots of reasons why we should promote Scotland's heritage. There are a lot of internal reasons why the event should occur. We should not be saying that jobs are the only thing that we are interested in. That is the only thing that an economic impact analysis is interested in, but it is not the only thing that we or any decision maker should be interested in. We need an extended framework.

As an old quantitative economist, I always return to cost benefit analysis. A lot of work is going on in areas such as the arts and culture to try to get an idea of benefit in monetary terms. That forces decision makers to value their objectives, which is a very good thing anyway, but I can see the difficulties and the way that people react when you try to put a value on energising the diaspora, which was one of the objectives of homecoming Scotland. I can see why there are problems there.

I feel that as a staging post, we should be moving to a situation in which we have some sort of standard appraisal guidelines. Those should include economic impact and job creation, but those should firmly be seen as only part of any appraisal.

The other issue that worries me is who does the evaluation. I was worried when I talked to EventScotland, because it was fairly obvious that it was being very defensive. It had commissioned the reviews, and it was being defensive because it was its responsibility to ensure that HS09 worked. In principle, I do not think that the paymasters should commission the evaluation. I know that the English Government is going completely the other way—it wants to privatise the Audit Commission and get organisations to do their own evaluation—

but I do not like that. Evaluation should be done by a third body. Obviously, Audit Scotland would be the ideal body. Perhaps there are too many evaluations to do, but something like it should be the third body.

The message—which Jim Dewar said I should tell you—is that EKOS was competent and professional in its assessment, and I do not want to criticise it. The output model that was used to gross up was basically flawed. In any case, whatever we say about these things, the appropriate measure was not necessarily used. We should have a better evaluation methodology that incorporates economic impact assessment.

I hope that that was not more than 15 minutes—my apologies if it was.

The Convener: Thank you very much for that summary. I have read your report, and your summary has helped to clarify some of the issues that I was slightly unclear about, given my rather distant half a degree in economics.

To summarise your summary, would it be fair to say that EKOS did a good job in its analysis of the overall impact of HS09 using what is currently the standard methodology, and that its assessment is therefore useful for comparing with similar events, but that the current standard methodology is not very useful in giving us meaningful information?

Dr Riddington: Yes, that is fair comment. EKOS used the same multipliers. Given that, it does not really matter that much if they are wrong, because what we are really interested in is output versus cost.

The Convener: Is it your view that one outcome from the exercise is that the Scottish Government should consider a new model for evaluating tourism-related projects and perhaps other matters, such as the development agencies, which you mentioned? We are looking at the enterprise network as part of our work, and one issue is how we judge the development agencies' effectiveness in using public money. Is it time to consider how we evaluate those agencies and the economic benefits that they provide?

Dr Riddington: The museum and art gallery sector has just started on exactly that exercise. EKOS used the agreed standard methodology; it just happens that the figures that it used were not right. However, the approach is too narrow anyway. Museums are in the same situation. A museum or art gallery does not exist solely to generate employment; it exists for lots of things. Knowing that it generates employment is useful and important information, but that is not its purpose. One could say exactly the same for homecoming Scotland or the gathering. They did not exist to generate employment; they existed for

lots of reasons, and our evaluation mechanisms should look at all of them.

Rob Gibson: The experience is most interesting because, as we investigate the tourism industry, we know from the inquiry that we carried out previously that there are concerns about how to measure the success or otherwise of projects, and that that is not established. If the 1993 model is to be brought up to date, your suggestion about activity days and so on seems an interesting development. Would you say that, as has been suggested to us, with bodies in the tourism area, large-scale events tend to be improved upon for the future, after the event, rather than during the time when they are being run?

11:00

Dr Riddington: I am not sure that I understand the question.

Rob Gibson: The gathering and the homecoming were assessed by EventScotland and others as they went along. Were lessons learned during that process or, as is more likely, after it?

Dr Riddington: I think that it is both. Obviously, one hopes to learn after the process, but one problem is that, because of the way in which the process is set up, the evaluation is almost a judgment of what has been done. Naturally, agencies want to say, "We've done a marvellous job," so it is not as if they learn anything from the evaluation; too often, all that the evaluation does is defend what they have done.

For example, with homecoming Scotland, and particularly the gathering, an awful lot of the big events were focused here in Edinburgh. Was that appropriate? Is the reason why a regional analysis was not done that it would have shown that the impact in areas where one would have hoped for a big impact—the sparsely populated areas, for example—was absolutely minimal? As the event was concerned with clan gatherings and what have you, one would expect a big impact in Skye or the north-west Highlands. However, I guess that it had very little impact there, and if a regional analysis had been done it would have shown that, which, I suppose, you would have been a little upset and annoyed about. However, that work should be done, because it is important information.

Rob Gibson: The gathering of that information is interesting. As a member who represents the Highlands and Islands, I must say that the perception was that the homecoming did improve business in that year. If we want to find out how, we must in future find a method to do that.

Dr Riddington: The method exists. It would not be difficult to do that next time the event happens, assuming that it happens again. It is a question of trying to find out what visitors did when they were not in Edinburgh looking at clans walking down the street.

Rob Gibson: I move on to the investment of £5.5 million that the Scottish Government made through VisitScotland. You want to include in the analysis the £3.5 million from VisitBritain and VisitScotland. However, they would have spent that anyway, whereas the £5.5 million was new money. Any calculation of the success of homecoming must be measured against the new money and not against recurring funds. No matter how we explain the spending of VisitBritain and VisitScotland to encourage people to come to Scotland—with the homecoming as a theme—we are not clear, from what you previously said, what activities they were involved in. Therefore, it is surely not correct, in criticising the success and the methodology that was used to interpret that, to aggregate the £5.5 million with the £3.5 million to get an overall picture. In fact, the evaluation should have been, and was, made on the basis of the new money.

Dr Riddington: We asked what effect the action had. If we take £3 million from one source and say, “We’re not going to do that; we’re going to do this,” we have to say what happened as a result of not including that. Let us assume that that £3 million would have been spent on promoting outdoor activities in Scotland in Europe. There is undoubtedly a loss if such promotion does not happen, or we would not bother to do it—I do not know the size of the loss. If we do not include the £3 million with the £5.5 million, we have to exclude its effects. What we see in the tourism statistics is the net effect, which is why it is lower than the effect that EKOS looked at. EKOS looked at just one thing; if it was going to look only at new money, it should have taken off the effects of the diversion. Does that make sense?

Rob Gibson: I understand why measuring the effects is complex. At this stage, when people are raking over the coals, it is helpful to have your view that the issue is complex and to have it recognised that from before devolution until now, one Government after another has been happy to accept the approach to measurement that we have been discussing. Should we say to the Government that it is time for a change in how we measure the success of events such as homecoming Scotland?

Dr Riddington: Yes, absolutely, if you are talking about return on investment, which is a horrible phrase and does not mean anything—it is not investment, although I suppose that it is cost.

The Convener: When we were following up our tourism inquiry it was suggested to us that the evaluation of homecoming did not start quickly enough. We were told that to have effective evaluation we really need to evaluate 2008, 2009 and 2010.

Dr Riddington: That is a fair comment. We certainly need to go back and consider what happened in 2010. Of course, the figures are not out yet, but a significant fall in the figures from North America and Australasia would tell us something about what has gone on. We need that information.

Lewis Macdonald: In many respects your critique is devastating, although some of your comments on your criticisms have been very polite. I want to understand the balance between areas in relation to which you think that information has been “bogus” or “misleading”, as you said in the report, and areas in relation to which you are satisfied with the methodology that was used.

When I read the report, two things jumped out at me. First, at the end of your report you expressed concern that the organisations that had spent the money sponsored the EKOS assessment. Secondly, if I recall this correctly, you said that the decision to commission EKOS to evaluate homecoming followed the submission of EKOS’s evaluation of the gathering, which was extremely positive. I think that you described the assignation of benefit to Edinburgh from the spend on the gathering as “completely bogus”.

Dr Riddington: I did say that.

Lewis Macdonald: You did. I am keen to understand that. It is clear that the gathering generated some benefit for somebody. The businesses that were left out of pocket were principally Edinburgh businesses. One of the defences for its approach that the Scottish Government mounted was to say, “Ah, but look at all the benefits that came to Edinburgh.” On the basis of your understanding of the EKOS assessment and your critique of its methods, can you offer an alternative estimate of the benefit in the local area that might have come from spending on the gathering?

Dr Riddington: I would not want to do so. It all depends on how many days the people who went to the gathering spent outside Edinburgh. The key people who generated the money were the people who were on two-week packages, who were spending an awful lot of money. It is unlikely that all those people spent the whole of their two weeks in Edinburgh. We know that an awful lot of people do that, but we do not know how many. That is the problem. People tell me that VisitScotland has done surveys that tell it how

much goes out, but I do not have that information. Could I offer an alternative estimate? I do not know. No—I cannot really. The truth is that I have not done that, but it could be done relatively easily.

Lewis Macdonald: I think that you said that, when EKOS used multipliers that were ill founded, it was not aware that it was doing so. Did EKOS understand that ascribing the whole benefit of someone's trip to Scotland to the Edinburgh economy might be, as you say in your report,

"potentially extremely misleading and should not be undertaken"?

Dr Riddington: No. EKOS applied a standard routine with a local multiplier for a city such as Edinburgh, which produced a figure. So, the answer is no—it probably did not understand that. I think that the analysis was undertaken as a matter of routine without the consequences being thought through. EKOS used a standard methodology that has been developed, in part, for things such as bringing the rugby league cup final to Murrayfield, whereby people come to Edinburgh, spend two days here and then go away again. Its use is perfectly legitimate in that context; however, the situation is very different when somebody comes from Australia for two weeks for an event such as the gathering. They say that that is the reason why they are here, but we know that they spend a lot of time in the Highlands and Islands, tracing their roots or what have you.

Lewis Macdonald: Also in relation to the assessment of the gathering, you were concerned about the way in which the Scottish Government loans that were written off were not ascribed at all as a cost of the gathering. Why did EKOS decide that those loans were "irrelevant", as it described them, to the investment in that event?

Dr Riddington: I go back to my exchange with Rob Gibson. EKOS was looking at the impact of the investment that VisitScotland and EventScotland made; it was not interested in the impact of public funding as a whole. The simple answer is that EKOS was not concerned with the cost; it was concerned with what it termed the investment and the additional money. Personally, I do not think that that is appropriate. We should try to get information about how much those extra jobs cost.

Lewis Macdonald: So, in your interpretation, the fault lies not with EKOS but with the remit that it was given. From your description, it sounds as though EKOS was given a very narrow remit that was concerned only with one or two organisations' budget outgoings, rather than with the total cost to the public purse.

Dr Riddington: In part, it was about applying a standard method to a non-standard activity. There

are great advantages in having a standardised approach to everything, but sometimes that does not work at all. This example is at the edge of where it works. I have seen the same thing in other situations. For example, I have looked at the results of a cost benefit analysis of railway signalling and wondered how the people doing the analysis could conceivably ignore the potential for a massive crash—a disaster. They told me that that did not fit in with their standard routine and that they made no provision for such things. It was absurd and there is an element of that in this case. Applying a standard routine for good, comparative purposes was not adequate in this particular case.

Lewis Macdonald: Let us move on to the homecoming evaluation. EKOS's project of evaluating the homecoming followed the submission of its report on the gathering, but you found what seem to be some enormous discrepancies. The one that jumped out at me is your conclusion, on page 21 of your report, that

"EKOS overestimates the number of jobs created or supported through HS09 by around 75%."

That is an enormous gap, not a marginal methodological quibble. You are saying that, fundamentally, EKOS's conclusion on jobs was way off the mark. Can you explain why you came to that view?

11:15

Dr Riddington: There were two reasons. First, the multiplier was far too big. The multiplier that was used would have been okay if VAT had been stripped out right at the beginning. I looked at the original documentation for the Scottish tourism multiplier study, which said that VAT should be included; basically, the original manual was wrong. The multiplier should have been something like 1.35, instead of 1.7, so there was a very substantial overestimate.

Secondly, the figure for the output that is required to generate a job—effectively, the cost of each job—was really wrong. That is predominantly down to the changes that have occurred over the years. The figure was updated for inflation but not for changes in structure—such as the fact that tourism jobs have become much more sophisticated and people are paid much more in 2010 than they were in 1992. The situation is fundamentally different, which produces an enormous difference in the figures.

Lewis Macdonald: One of your less critical conclusions was that the EKOS study was broadly accurate on additional visitor numbers and spending per visitor. Did you assess its methodology and decide that there was plenty of evidence that it was right, or did you simply

conclude that there was no particular evidence that it was wrong?

Dr Riddington: I did some work on the national statistics. Initially, I applied standard econometric models and reached the conclusion that there was no statistical improvement; I could not prove one. However, if you use a 5 per cent confidence interval, you come up with one answer, whereas if you use a 30 per cent confidence interval, you come up with different one. I found weak statistical evidence that there had been an increase. I could find evidence in the changes from year to year, but those are horrible figures to use. As Scherie Nicol pointed out, we can say that growth in Scotland was 10 per cent greater than growth in England, but if we compare Scotland with Wales, we find that Wales is doing even better. Perhaps England was doing particularly badly, rather than Scotland doing particularly well. The evidence is not convincing, but I was fairly convinced that the 10 per cent figure was real. The numbers for Wales are so small that you have to be a bit hesitant about using them. The independent statistical evidence that I had pointed one way—in the same direction as EKOS's findings, if that makes sense.

Lewis Macdonald: Right. However, you drew that conclusion on the basis that it was a reasonable assumption, rather than on the basis that you were able to demonstrate that it was accurate.

Dr Riddington: That is fair. There is a statistical basis, in the national statistics, for saying that growth occurred, but that evidence is weak.

Gavin Brown: I return to the question of jobs created and employment. Lewis Macdonald mentioned the overestimate of about 75 per cent for homecoming in general. EKOS said that the figure for the gathering was 288 full-time equivalent jobs; you suggest that it was 115. My maths is not great, but that is a disparity of substantially more than 75 per cent. The reasons that you have given for the disparity in the figures for homecoming relate to the treatment of VAT and the output that is required to generate a job. Why is there an even bigger disparity in the figures for the gathering?

Dr Riddington: Goodness, that is a horrid question. I would have to look at that. To be honest, I do not know the answer. One takes the numbers and multiplies them by various things. I do not know. The EKOS study deals with different groups of people with different total expenditures per head and so on, so that might well be the explanation. However, I would need to trace it through. I cannot answer the question now.

Gavin Brown: Will you submit a brief explanation to us in writing?

Dr Riddington: Of course.

Gavin Brown: It would be an explanation of why there is such a big difference. You explained the 75 per cent figure, but it would be interesting to me as a local member for Edinburgh to know why there is a bigger difference for the gathering.

You explained that the difference in employment or jobs created results relates to the multiplier analysis and an out-of-date approach. Do experts and economists simply disagree with one another on the approach that ought to be taken or do you think that if we had a panel of experts from the same field before us today they would all agree with your analysis? Would EKOS hold up its hands and say, "No, actually, we applied the agreed methodology, but the approach Dr Riddington is suggesting is the one that we probably ought to apply going forward"? Or do you think that it would dispute how the approach should be applied? I know that you cannot answer for EKOS, of course.

Dr Riddington: EKOS will say that the Scottish multiplier approach that it used was out of date and should be changed and that it should adopt a new approach. Arguments about whether HS09 should have cost £5.5 million or £8.5 million will rumble on. I hope that EKOS will be convinced by my suggested approach, but I am not necessarily sure that it will.

I am fairly confident that an independent analyst would agree with what I did—I can see no reason why they would not. I did not set out to rubbish anything; it just came. That is it, really. The problem is that there is a tiny world of people who understand the techniques of national accounting and the way that it applies to local input-output tables and so on. I happen to be closely associated with one of those people—I would not know any of this stuff if I had not made all the mistakes that EKOS has made. Eight or 10 years ago I would have done exactly the same sort of thing. It is still being done.

We are looking at some museums and galleries work at the moment and exactly the same sort of thing occurs. People are saying, "Here's a multiplier. Let's multiply by 1.7 or 1.63," without understanding where the multiplier came from. Even if they understand the basic matrix methods that lead to a multiplier, which I think not many do, they do not understand the accounting system that underpins that. It is a very specialist area and people do not want to know about it. They want to give an estimate of how many jobs have resulted, so they start off with a certain number of jobs, multiply it by a certain number and then get X jobs. That is what they want. It is rare that you get a chance to come forward and say, "Hang on a bit, you're doing it all wrong." I suppose that I am in that lucky—or unlucky—position. I am sure that I am not particularly popular with some people, anyway. The analysis needs redoing: that is all

there is to it and I think that EKOS would accept that.

Gavin Brown: I have a final question. You also talked about the economic impact on Edinburgh of the gathering and suggested that the figures were not correct because the whole-trip cost had been applied to the Edinburgh economy as opposed to the wider Scottish economy. Do you have any sense of how big the margin of error is in that case?

Dr Riddington: I think that Lewis Macdonald asked me exactly the same question. I do not know, but it is large. We know that the people who generated the impact were those who were on the long trips, which are unlikely to have been wholly in Edinburgh. Perhaps it is an overestimate of a third, or a double estimate. I do not know. I would think that the impact was something like a half of what EKOS said, but that is a guess. In the write-up, EKOS mentions the general Edinburgh area, but I think that it is a little bit uncomfortable about doing that, for good reason.

Stuart McMillan: On page 11 of your report, you highlight that the homecoming might have generated income for England as well as for Scotland because people might have visited England as well. On page 12, you go on to highlight what I suggest is a positive point for the tourism sector as a whole in Scotland:

"On this evidence it is difficult to argue that the Scottish tourist industry was dependent upon the success of Homecoming Scotland."

With those two points in mind, would you say that homecoming Scotland was a positive thing for Scotland in 2009, or would you say that it was a negative thing?

Dr Riddington: I am confident that we had an increase in tourism as a result of homecoming Scotland. As I said, there was always the problem that there might be a significant fall in 2010 as a result of things being brought forward into 2009, but it might be too early to say. The question is whether we got value for money, is it not, rather than whether we got any value? We certainly got extra people, but whether that was value for money, I do not know.

Stuart McMillan: It could be argued that there are major challenges in trying to promote a year-long event. In fact, I do not think that anyone could suggest otherwise, but the organisers were doing something that was really quite unique. It has never happened before. For those reasons, we might not get it perfect first time. Any lessons from 2009 should certainly be learned for 2014.

Dr Riddington: If we take the return on investment thing, I do not know why they were saying, "If we go ahead and say the return is 4.2 and not 8.5, that will be terrible." I am not sure why

you would say that, because there are so many other good reasons for doing something like homecoming Scotland, not least that it helps us to learn how to do these things. The point that I was trying to make is that economic impact per se is limited in determining what we should do. We should not say that, because we will not get a return of 8:1 or whatever, we should not do something. That would be silly. That is the message that I am trying to get across. That is not the way to evaluate things. It is only a partial measure. One always worries that we judge based only on things that we can measure, and that is what we have done in this case, in effect. I do not think that that is sensible.

Stuart McMillan: That point illustrates what you state on page 24 of the report:

"there were significant other objectives to the campaign most of which seem to have been substantially met."

It is not just about the money.

Dr Riddington: Absolutely.

Stuart McMillan: The bigger picture is the whole concept.

Dr Riddington: Yes—it is more than that. The EKOS report relates particularly to overseas visitors, but benefits sprung from the event for ordinary citizens, such as people in Edinburgh who got something out of it. It is not just about jobs. People got the chance to see the clans walking up the street, the Highland games and what have you. There are other significant benefits, and we are silly if we do not take those into account.

Stuart McMillan: That being the case, would you recommend a second homecoming in 2014? Would you go to any of the events?

Dr Riddington: Thank goodness I do not have to recommend it. I think that I would, to be honest, but I would predicate that on going back and thinking about whether and how we could improve regional dispersion.

There is no point in repeating things. I am not sure whether I would repeat the gathering, for example, but I certainly would not repeat it in Edinburgh, because that is not a sensible way of spending money. I realise the accommodation difficulties that would arise if it went to anywhere except Glasgow and I recognise Edinburgh's significance as a location, but I would want to rethink the whole event because it is not particularly clever to put yet another event in Edinburgh in the middle of summer.

I recommend a linked theme, but I am not sure that I would include golf. That seems to me to be pretty spurious to the objectives. The event would

be about history, genealogy and culture; golf does not fit in any of those categories.

It would be well worth considering another homecoming. Castles and kilts are parts of tourism.

Stuart McMillan: I suggest that, if there is going to be a new gathering event, it could be held somewhere such as Greenock. There, we have a historic custom house, from which hundreds of thousands of Scots left to go the new world.

Dr Riddington: That is the sort of idea that we should pursue. I like the idea of focusing on the expatriates.

The Convener: Thank you very much for your presentation and for answering our questions, Dr Riddington. It is worth emphasising that you were not asked to redo the research but simply to evaluate how it had been conducted. Your report highlighted some interesting issues with how we evaluate the value of investment in tourism.

Does the committee agree that it would be useful for me to write to the Cabinet Secretary for Finance and Sustainable Growth and the Auditor General to ask whether they have any comments on the points that Dr Riddington's report raised?

Lewis Macdonald: I certainly agree with that. It would also be helpful to draw ministers' attention to the weaknesses in the EKOS assessments that were clarified in today's evidence. There are lessons for future assessments, but the assessments have been fairly comprehensively discredited in some respects by the things that Dr Riddington had to say.

Christopher Harvie (Mid Scotland and Fife) (SNP): Has any assessment been made of the impact that world financial collapses have had on Scottish tourism? Mervyn King said to us that 2008 was the worst setback that the economy had experienced since 1914. I do not expect Dr Riddington to go back to 1914, but I expect some—

The Convener: Chris, you will have an opportunity to ask that of the tourism officials who are coming for the next item.

On that note, we will suspend briefly while we change witnesses.

11:32

Meeting suspended.

11:35

On resuming—

Tourism Inquiry

The Convener: We are fairly tight for time, so we need to resume. I welcome the witnesses for our next item of business, which concerns progress on the results of the committee's tourism inquiry. I am pleased to welcome to the meeting Richard Arnott, who is the head of the tourism unit at the Scottish Government; Eddie Brogan, who is the head of the Scottish Enterprise tourism team; and Riddell Graham, who is director of partnerships at VisitScotland.

We have a copy of the progress report from the Scottish Government. I propose to go straight to questions unless any of the witnesses wish to make any brief points by way of introduction.

I will start with the first, fundamental question: how likely are we to achieve the overall target of increasing Scotland's tourism output by 50 per cent by 2015?

Richard Arnott (Scottish Government Culture, External Affairs and Tourism Directorate): Having heard all the discussion about statistics and economics, it is clear that one can ask many questions about tourism statistics. We base our measurements on nationally available statistics from the Office for National Statistics and it is clear that we are not on a trajectory towards achieving a 50 per cent growth in the decade up to 2015, which is the target that was set in 2005. That is probably widely accepted to be because there have been significant changes in world economics and several other events that affected tourism in the period. One never knows what would have happened if we had not done what we have done. That is one of the things that it is always difficult to analyse.

Although 2009 was a difficult year economically, it is accepted that tourism performed better than many other sectors in Scotland. The figures for 2009 showed a 2.6 per cent increase on the previous year in visitors from the UK to Scotland and a 2.1 per cent increase in international visitors to Scotland. There was a 2.7 per cent fall in the spend by UK visitors to Scotland, but a 10.3 per cent increase in the spend by international visitors.

We are not on target for a 50 per cent increase. It is still too early to have complete national figures for 2010, but there seems to be a mixed picture in Scotland. Some areas report good business and that tourism is performing well, but other areas seem to be performing less well.

That is my summary.

The Convener: Given that it is accepted that we are not on a trajectory for a 50 per cent increase in spend, what is the current trajectory? Where will we get to by 2015? Can we or should we do anything now to get us closer to the 50 per cent?

Richard Arnott: I am not sure that we can do anything now to project us immediately back on target to 50 per cent growth—£6 billion in revenue—by 2015. We can still make improvements to tourism, but it is difficult to predict the impact that they would have on growth.

The Convener: Do you have an estimate of where we are on the trajectory?

Richard Arnott: I have not brought the figures with me, but I think that we are at almost the same level as in 2005.

The Convener: So, rather than there being a 50 per cent increase, we are on a level trajectory.

Richard Arnott: Yes, we are.

The Convener: Before opening up the discussion, I will ask a more specific question on the section on transport. In the progress note, on page 49 of paper 4, you refer to the Norfolkline merger with DFDS and state:

“All Scottish delivery partners remain fully committed to supporting the route and helping it build up its freight and passenger customer base.”

Since that report was written—I guess—DFDS has indicated that it is withdrawing from the passenger service. What response has been made to that, and are we trying to find any other means of getting a passenger ferry service to the continent?

Richard Arnott: It is obviously unfortunate that DFDS has had to announce that it is ceasing the passenger service by Christmas. My colleagues in transport have been working very closely with DFDS and have been looking at alternative means of running the passenger service, but I am not in a position to report progress on that.

The Convener: On a related transport matter, there is obviously some concern about the potential withdrawal of direct rail services from north of Edinburgh to London because of the possibility that there will be electric-only services on the East Coast trains route, which obviously cannot go very far north of Edinburgh at the moment. What impact would that have on tourism north of Edinburgh, particularly in Inverness and the north-east?

Richard Arnott: I agree that there is a need to improve the transport infrastructure to the north. It would be very disappointing if the high-speed rail link does not bring passengers up to Scotland, and I know that there have been discussions with the UK Government about pressing for those improvements to be made.

The Convener: I was talking specifically about the existing service, rather than the new high-speed service, and the fact that the 125 diesel locomotive services might not be replaced with diesel trains. That would mean that services could not go north of Edinburgh and that passengers from Fife, Dundee, Aberdeen and Inverness would have to change at Edinburgh for services to London. Specifically, do you have any indication of what the impact on tourism in those areas might be if those services are withdrawn?

Richard Arnott: I do not have that analysis at the moment. I would have to investigate whether it is available, but I can look at that.

Rob Gibson: I echo the fact that we need action on the direct rail link to London. People from the north and north-east are extremely concerned about it.

I turn to the development of skills training and, in particular, I welcome the completion of and activity at the centre for hospitality and tourism, which was opened by North Highland College at Burghfield House hotel in Dornoch. That facility can train 25 to 30 students at a time. Are there examples of similar initiatives from colleges around Scotland that are about to take place?

Richard Arnott: I am aware of a development in Glasgow. My understanding is that there used to be a catering school at the university and that there are discussions about revitalising it in some form or other, but I am not closely involved in those discussions.

The committee will be aware from discussions earlier in the inquiry that there were proposals for a hotel school—or leadership school, as it developed into. My understanding is that those discussions have continued during the year and are close to reaching fruition, but an announcement is not ready yet.

Rob Gibson: It is important to recognise the model in Austria, which has given a lead in that country by ensuring that it has the full infrastructure for tourism development. Is there any likelihood of our hearing something concrete from the proposals that have been discussed through the Scottish Government, Scottish Enterprise and Highlands and Islands Enterprise?

11:45

Eddie Brogan (Scottish Enterprise): Arising out of the committee's recommendation about hotel schools, the most substantive project that we are involved in is the industry-led project, which is chaired by an industry steering group led by Peter Lederer of Gleneagles. Since we were last before the committee, Scottish Enterprise has funded the undertaking of a feasibility study and a business

plan for that hotel school. The steering group has secured the support of one Scottish and two international academic institutions to take the project forward, and they have recently submitted an application to the Scottish Further and Higher Education Funding Council for support. That application is pending and is subject to discussion and negotiation.

In the meantime, a lot of work has been done on course content, and good progress has been made to date. Obviously, there is still some way to go, particularly with the securing of necessary funding, but the industry group has made a lot of concrete progress with support from Scottish Enterprise and other public agencies.

Rob Gibson: Is there a tie-up between what is being delivered at Burghfield House hotel in Dornoch and the discussions about what the proposed new course should deliver?

Eddie Brogan: There are close communications between the industry people who are involved in the leadership school proposal and all other hotel school-related projects. A lot of information is being shared. However, the focus is quite different. As its title suggests, the leadership school is focused on what the industry perceives to be the priority issue of the development of leadership skills, particularly for the talent that is coming through to be the industry's future management and leadership. I understand that the focus of Burghfield is more on practical hotel management and craft skills.

Rob Gibson: On the achievement of growth, it seems that music festivals—rock and traditional music festivals, such as T in the Park or Blas—are maintaining the audiences that they have had in recent years. Is there a strategy to build on what could be seen as a staycation approach? I suppose that most people come to such festivals from the relatively local area. Is there a strategy to build on our heritage of music of all sorts to help us reach some of the targets that we have talked about?

Riddell Graham (VisitScotland): I can answer that one. At the beginning of the week, we launched VisitScotland's autumn campaign, which is focused on people who live and work in Scotland. A key aspect of that is promotion of events on our website and, within that, promotion of the musical heritage and traditions of Scotland. We play on that factor quite heavily throughout the year with our sister agency, EventScotland. Events attract visitors from outside the country, but, as Mr Gibson rightly said, they form a key part of the local experience.

Interestingly, our research shows that half of all people who take a holiday in Scotland in the autumn are from Scotland itself, and we are

playing to that agenda, too. We recognise that events are an important aspect of the tourism experience, and that they play to a local agenda as well as to the visitor agenda.

Eddie Brogan: The major project in Glasgow is the new concert arena at the Scottish Exhibition and Conference Centre, which is receiving substantial funding from Glasgow City Council and Scottish Enterprise. That is part of an effort that is focused on Glasgow to make more of our musical heritage and the modern music that is, in fairness, associated with Glasgow. That major new facility will help to bring concert business into Scotland and raise Scotland's profile as a popular music concert venue.

Marilyn Livingstone: In our earlier evidence session, we heard from George Reid on the review of the National Trust for Scotland. He talked about the need for joined-up government and joined-up working across Government agencies. Page 12 of the review mentions work involving the National Trust for Scotland, Historic Scotland and so on. How well is the tourism sector doing at not working in silos but instead putting together joined-up policies? How far down the road are we with that?

Riddell Graham: I will attempt to answer that from a VisitScotland perspective. We share our business plans with Scottish Enterprise and HIE, and there are areas in which there is an opportunity for us to work closely together. That cascades down into specific action plans. In fact, later this afternoon, Eddie Brogan and I will give a presentation to the tourism leadership group—a new industry-led body—on destination organisations throughout Scotland. We very much have a joined-up approach to local delivery in that regard.

A good example of our work with bodies such as Historic Scotland and the National Trust for Scotland is the historic properties group, which meets four or five times a year and on which I sit as a representative of VisitScotland. It is chaired by Historic Scotland or the National Trust and includes the independent Historic Houses Association Scotland. One of Eddie Brogan's team sits on the group, too, so Scottish Enterprise and VisitScotland are at the table. One idea behind that is to improve co-ordination and joined-up working. An initiative that has been developed as a direct result of that group is a joint ticket for access to properties throughout Scotland.

More widely, we have a strong relationship with Scottish Natural Heritage and we have just launched new joint initiatives with it on marketing its national nature reserves. We work hard on joint initiatives and we have tapped into opportunities already, but we recognise that we can always do more. For instance, we have been discussing with

the National Trust and Historic Scotland the provision of information at the local level. It does not always have to be VisitScotland that runs the information centre network. We are discussing closely with those bodies the opportunities in that area. A range of initiatives exist at the local level that involve working with those agencies, but more can be done in future.

Marilyn Livingstone: I am glad to hear that—I read quite a bit about that in our update paper. However, I am thinking about the big picture for tourism. On transportation, we need to get the message out that cutting train links and direct services to Fife, which the convener and others have mentioned, will do nothing to help tourism, certainly in Fife, which is the area that I represent.

I am also concerned about skills and training, because we still do not have the right approach, particularly for adult returners. Another issue is planning. One big recommendation in our report was about the need for more planners. However, the Scottish funding council has suggested cutbacks to training subsidies in that area. At the local government level in my area, there is huge concern about cutbacks in our planning department. We are calling for a joined-up approach, yet other agencies are taking decisions that will harm the tourism industry in Scotland. What influence do or can you three have to try to get a joined-up strategic approach to tourism?

Richard Arnott: The best answer that I can give is that there are difficulties in trying to grow tourism because it is affected by many other aspects of life in Scotland that will not necessarily be improved merely to support tourism. We must understand that tourism is an important spin-off and will gain from improvements to those aspects. We work as closely as possible with our transport colleagues and we emphasise to them that the transport strategy acknowledges that tourism is important. However, I must say that a ministerial influence is more likely to be brought to bear than that of officials, although we work closely with our colleagues.

Riddell Graham: One encouraging thing is the leadership of the industry through the tourism leadership group, which is in the process of refreshing the tourism framework for change—the national tourism strategy that has been in existence for several years.

Interestingly, the group wants to pick up on the three issues that Marilyn Livingstone identifies. Transport is right at the top of the agenda—the group has identified it as something that must be tackled more holistically, rather than have people work in silos. The skills and training agenda is right up there, too, as something that the group sees as important, and at every meeting that I attend with tourism businesses, planning comes

on to the agenda. I want to reassure you that that is at the front of the minds of the industry people who are leading the refresh of the strategy. That is absolutely right. There should not be a public sector—Scottish Government—strategy for tourism; there should be an industry-led tourism strategy with public sector support.

Your concern about cutbacks in other areas simply identifies the interrelationship with what happens locally in other agencies and the impact that that can have. We are acutely aware of that. From an influencing point of view, our new chairman has made it very clear that he wants to ensure that such issues are brought to the attention of bodies that can make a difference. For instance, I think that we will be asking the transport department to look at a separate tourism transport strategy that identifies the importance of tourism within the overall strategy for transport in Scotland. I reassure you that that is very much at the front of our minds as part of the refresh.

Eddie Brogan: Two specific things are relevant to the question that Marilyn Livingstone asked. We have a new tourism leadership group, which is about bringing the industry and the public sector together. It is very much industry led and it aims to deliver by the end of January a refresh of the industry strategy, with a focus on a more limited number of priorities that will drive some step change in the industry. The Scottish Government is keen to see sitting behind that a sector delivery plan, not just for tourism but for each of our key sectors, that pulls together the public sector response to the industry demands and opportunities that are set out in the strategy. That will bring together not just the main agencies involved in tourism—ourselves, VisitScotland and Highlands and Islands Enterprise—but the likes of Skills Development Scotland, for its contribution on skills, and Transport Scotland.

The other significant aspect is the partnerships that are evolving locally, which are bringing together businesses, public sector agencies and local authorities as major players. When the industry and the councils get round the table and understand better the economic development opportunities that are associated with tourism and the issues that inform the planning process, that common understanding fosters an attitude and approach that are more conducive to tourism development. That brings together not just the agencies that we have just mentioned but, where important, other Government agencies such as the Forestry Commission Scotland, Scottish Natural Heritage and other local bodies—in relation to supporting mountain biking and access to the countryside, for example.

Marilyn Livingstone: Thank you.

The Convener: Colleagues, we are very much against the wire time wise, so I ask that all other questions and answers be as brief as possible.

Gavin Brown: The committee recommended that the Austrian and Swiss models for a tourism investment bank be looked at. Scottish Enterprise conducted a detailed review of the Austrian investment bank, which concluded that the model was not replicable in Scotland. Why did you reach that conclusion?

Eddie Brogan: There are a number of reasons. One of the main issues is that the Austrian investment bank built up its capital on the foundation of a post-war economic recovery programme. It is therefore sitting with a huge fund—I cannot remember the exact amount—that has become a revolving fund as it makes loans and, to some extent, grants and investments to businesses and then recovers that money. We could not readily see where the funds for that level of investment could come from—either in the private or the public sector—at this time.

The second issue is that state aid regulations would make it difficult to replicate such a scheme in Scotland.

We also felt that it was important to take a step back from the mechanism and try to understand what the fundamental challenges are in terms of finance for investment in the industry. It transpired that a lot of the issues are not to do with the fact that the money is not there, but with the perceived risk of investment in the sector, particularly now.

12:00

Traditionally, much investment in the tourism sector has come from the banks and has been secured on assumptions about increasing property values. VisitScotland organised some discussions with the banks, in which concerns were raised about the leadership and management skills of many people who were seeking finance for investment and about the quality of investment proposals. Such concerns reinforced the perceived and, to some extent, the real risk of investment in the sector.

Those were the main conclusions that emerged from our work on the Austrian investment bank. They have led us down the path of focusing our efforts more on supporting initiatives such as the tourism leadership school, to build leadership skills in the industry, and on doing what we can to support the companies with which we are working to develop stronger, more effective investment proposals in the future.

Gavin Brown: In summary, is the Austrian model not replicable at this time or not replicable full stop?

Eddie Brogan: Most things are doable, but we could see no practicable means at this time of establishing a fund on the scale of that which the Austrian investment bank currently has. Another issue is whether it would be acceptable to have a fund specifically for the tourism sector and not for other sectors. One of the issues when we considered the idea—I guess that it still applies—was that tourism is not alone in facing difficulties in raising finance for investment. That is another factor that was taken into consideration.

Christopher Harvie: I begin with an observation. After the banks' performance over the past two years, it is interesting to find them regarding other people as not being capable of formulating adequate investment policies.

One general problem with rail is that many people who come north to Scotland are travelling on concessionary first-class fares from the continent—something that I used to do during my professorial days in Germany. They will be distressed, to say the least, when they have to change at Edinburgh to one of the Turbostars to continue their journey to Inverness.

My second point relates to bicycles. Whenever anyone suggests moving from one form of transport to another—for example, from boat to train—we should always add in the three words “bicycles, prams, wheelchairs”. How do you see those fitting into the new arrangements at Stranraer, which will mean that people will have to decant into a bus at Cairnryan and then into a train at Stranraer?

There seems to be a certain ambiguity relating to the abandonment of the passenger service on the ferry. In 2007, we were told that passenger figures were good but freight figures were disappointing. This time around, we have been told that freight figures are good, after a considerable slump, but passenger figures are disappointing. Is any further investigation of the issue being undertaken?

Richard Arnott: I will address the questions in reverse order. I am afraid that I am not aware of further investigation being undertaken into the reasons for the slump in passenger numbers, but I undertake to ask my transport colleagues to look at the issue. You mentioned Stranraer, in particular in relation to transfers. I hear what you say, but people's concerns are not confined to Stranraer. Provision of facilities for bicycles, prams and so on is often a concern in all areas of public transport. As I mentioned earlier, it is not a problem only for tourists. My transport colleagues are aware of the issue and are trying to improve integrated travel arrangements, but the problem is not easily tackled in a short time when funding is likely to be short.

You mentioned that first-class passengers are disappointed when they travel north of Edinburgh. That is a concern, but the regular service is more important than the first-class service, and the transport people should consider that in the main.

Christopher Harvie: I mentioned earlier that Mervyn King told us when we met him in London that the events of the past two years were not only worse than 1929, but on a level with 1914. Has there been any investigation into the impact of the financial earthquake not only on the general tourism market, but in relation to the withdrawal from Edinburgh of high-end banking and the various tourism operations that depended on that flow of activity?

We are now seeing, in a broad sense, the effects of the removal of headquarters to London. More jobs have been promised, but they will probably be call-centre or back-end-of-business jobs. What impact will that have on the basic tourism facilities at that level of hospitality during the next few years?

Richard Arnott: I am not sure that I can answer the question directly. Most of the information that we have on the impact on tourism around the world comes from the United Nations World Tourism Organization, which produces data that allow us to compare the performance of tourism in Scotland and the UK with the situation in the rest of the world. It is clear that the economic difficulties have had a severe impact everywhere. I am not aware of any studies that have been carried out here on the impact of—as you describe it—banking jobs no longer being in Edinburgh.

Riddell Graham: The straightforward answer is that the biggest impact is undoubtedly on the corporate market. Hotels that rely on business tourism—conferences, meetings and incentives—have taken a hit, which can be directly attributed to the economic downturn. We have clear evidence of that, which we are happy to share with the committee.

I am delighted to say that that is changing, and the sector is moving in the right direction, although we do not know whether it will ever recover enough to reach previous levels. In the cities—particularly Edinburgh and Glasgow—that relied heavily on business tourists, there was a clear relationship between the downturn and the amount of business that they were receiving.

Ms Alexander: To return to the possibility of a tourism investment bank, I note that there has been no mention of the planned Scottish investment bank, which will be lending by the turn of the year. Is it anticipated that tourism businesses will or will not be significant beneficiaries of the Scottish investment bank?

Eddie Brogan: My understanding is that tourism businesses will be eligible for funding from the bank. The main challenge is that the form of funding that I understand the bank will offer is not currently used to a high degree by tourism businesses.

I understand that the bank aims to bridge a gap in the finance market between loan and equity funding. In the tourism sector the vast majority of small to medium-size businesses are orientated towards traditional bank finance. Many are family businesses, which are traditionally reluctant to take on equity funding, but that is one of the routes that we need to go down to address some of the finance-for-investment challenges in the sector. We need to encourage tourism businesses to be a wee bit more open to considering the need to attract equity finance.

It must be said that a great deal of equity finance venture capital seeks opportunities that are harder to deliver in the tourism sector. It seeks scalability, monopoly positions and high-risk, high-return operations, which are not always possible in relation to tourism.

Ms Alexander: I have a question for Richard Arnott, as the head of the sponsoring department for VisitScotland. Is there a timetable for the appointment of a new chief executive? Does the sponsoring department have any concerns about the prolonged delay?

Richard Arnott: There is a timetable, and we hope that movement will be fairly swift in the next month or so. We are not unduly concerned at present about the time that is being taken. The acting chief executive has been taking things forward quite successfully in the meantime.

Ms Alexander: It has historically been the case that the sponsoring department has been represented—either in a full capacity or an observer capacity—on the panel to appoint the chief executive of VisitScotland. Will the department be represented on the appointment panel on this occasion?

Richard Arnott: I am not in a position to confirm or not to confirm that at the moment.

Ms Alexander: It might be helpful if you could write to the committee to confirm whether ministers have sought to be represented on the appointment panel, either in a full capacity or an observer capacity, with reference to precedent.

Richard Arnott: I will do that.

Stuart McMillan: Mr Graham, I will be interested to hear your comments on what I have to say. Last week I had family from England staying with me and they came through to Edinburgh for a day trip. They visited the Parliament and afterwards we tried to get some

food somewhere within a stone's throw of it. One place said that the kitchen had closed early; one said that the kitchen was closed at that time, even though it advertised that food was served between 12 o'clock and 7 o'clock; and the third place would accept only cash and not cards.

How can any Government—it does not matter who is in power—attempt even to get close to the 50 per cent growth target that has been mentioned when venues operate in such a manner?

Riddell Graham: Sadly, your experience is not isolated. One of the biggest challenges that we face in the industry is getting consistency in service delivery and the recognition of customer needs. To return to what I said earlier about the tourism leadership group, we as public agencies are challenging the industry to take a long, hard look at those issues.

As public agencies, we do not deliver the visitor experience directly—although local authorities certainly do at a local level—but there is a lot that can be learned from the bad as well as the good. In the 30-odd years in which I have been involved in tourism, the only thing that I would say in its defence is that the quality of the experience is an awful lot better than it used to be. However, there is still a long way to go, and your experience reflects the challenges that we face.

The Convener: I thank Riddell Graham, Richard Arnott and Eddie Brogan for coming along this afternoon and updating us on certain aspects of the tourism industry. The committee will continue to keep those matters under review.

At our next meeting we will consider approach papers to our enterprise network inquiry and to the Protection of Workers (Scotland) Bill, and the issues that have arisen in relation to the financial services reforms since the committee published its report on the banking industry.

12:13

Meeting continued in private until 12:28.

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