

# **EDUCATION, LIFELONG LEARNING AND CULTURE COMMITTEE**

Wednesday 19 March 2008

Session 3

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## EDUCATION, LIFELONG LEARNING AND CULTURE COMMITTEE 7<sup>th</sup> Meeting 2008, Session 3

### CONVENER

\*Karen Whitefield (Airdrie and Shotts) (Lab)

### DEPUTY CONVENER

\*Rob Gibson (Highlands and Islands) (SNP)

### COMMITTEE MEMBERS

\*Aileen Campbell (South of Scotland) (SNP)

\*Ken Macintosh (Eastwood) (Lab)

\*Christina McKelvie (Central Scotland) (SNP)

\*Mary Mulligan (Linlithgow) (Lab)

\*Jeremy Purvis (Tweeddale, Ettrick and Lauderdale) (LD)

\*Elizabeth Smith (Mid Scotland and Fife) (Con)

### COMMITTEE SUBSTITUTES

Richard Baker (North East Scotland) (Lab)

Hugh O'Donnell (Central Scotland) (LD)

Shirley-Anne Somerville (Lothians) (SNP)

\*attended

### THE FOLLOWING GAVE EVIDENCE:

Neil Butler (UZ Events Ltd)

Dave Clarke (Slam Events Ltd and Soma Recordings Ltd)

Calum Davidson (Highlands and Islands Enterprise)

Adrian Gillespie (Scottish Enterprise)

Richard Marsham (The Leith Agency Ltd)

### CLERK TO THE COMMITTEE

Eugene Windsor

### SENIOR ASSISTANT CLERK

Nick Hawthorne

### ASSISTANT CLERK

Andrew Proudfoot

### LOCATION

Committee Room 2



## Scottish Parliament

### Education, Lifelong Learning and Culture Committee

*Wednesday 19 March 2008*

[THE CONVENER *opened the meeting at 10:02*]

### Decision on Taking Business in Private

**The Convener (Karen Whitefield):** Good morning and welcome to the seventh meeting in 2008 of the Education, Lifelong Learning and Culture Committee. I remind committee members, witnesses and visitors that all mobile phones and BlackBerrys should be switched off, as they interfere with the sound system.

The first item on the agenda is a decision on taking business in private. Do members agree to consider in private item 3, which is our approach to the Creative Scotland Bill?

**Members** *indicated agreement.*

## Creative Industries

10:02

**The Convener:** We move to item 2, in which we return to the subject of the creative industries in Scotland. I am pleased to welcome our first panel of witnesses, which comprises Adrian Gillespie, the director of the electronic markets department in Scottish Enterprise, and Calum Davidson, head of the knowledge economy department in Highlands and Islands Enterprise. Thank you for joining us this morning and for giving us your written evidence in advance. I am sure that members have many questions to ask you.

First, I ask both of you to define the creative industries in Scotland today, as your organisations see them.

**Adrian Gillespie (Scottish Enterprise):** There are several definitions of the creative industries, but I guess the most commonly used is the Department for Culture, Media and Sport definition of 1998, which covers many different markets in which the businesses originate from and are founded on creative talent.

Scottish Enterprise has supported the creative industries over a number of years, starting with the publication of our creative industries strategy in 2000. In the intervening period, we have found that most of the opportunities for growth and most of the areas where Scottish Enterprise can assist businesses are in the broad range of digital media. However, the landscape has changed a lot over that time. The emphasis and the market drive now is more around the use of technology and the different ways of producing and distributing content digitally. Our definition of creative enterprises means that Scottish Enterprise focuses its efforts in the areas of digital content and related technologies.

**Calum Davidson (Highlands and Islands Enterprise):** Like Scottish Enterprise, HIE uses the Department for Culture, Media and Sport definition broadly, but we tend to focus on slightly different sectors, primarily because of the market conditions in the Highlands and Islands. Our sectoral priorities are focused on music, screen industries and broadcasting, because of the opportunities afforded by the new Gaelic media channel. We are focusing increasingly on designer fashion, writing and publishing.

**The Convener:** It appears from the evidence that because HIE has a more diverse definition of the creative industries, it is able to give a more comprehensive range of support to new businesses in the creative industries. I am slightly concerned about the more restrictive definition of creative industries that Scottish Enterprise uses to

determine whom it offers support. There might be lots of creative industries that are not in the Highlands and Islands and do not get support from Scottish Enterprise because they do not fall into the digital sector. I am interested to know why HIE has taken a more all-embracing approach and why Scottish Enterprise's definition is more restrictive.

**Calum Davidson:** HIE has not followed the stratification and account management route that SE has followed for the past five or six years, although that is changing dramatically as we speak. Our focus has primarily reflected the conditions in the Highlands and Islands. We are predominantly a microbusiness economy, given that 86 per cent of our companies have fewer than 10 employees. It is much easier for us to focus on how we support small and medium-sized businesses in all sectors throughout the Highlands and Islands.

The creative industries are particularly interesting, because HIE has a dual role of community/social development and economic development. A lot of our success has come about because we have invested heavily over a long period of time, going back to the 1960s and 1970s, in community facilities and promoting culture and arts. That has provided us with the feedstock of creative entrepreneurs and creative young people in particular, and has given us the interesting problem of how we support bright, creative young people and creative people who move into the area. In many cases, creative entrepreneurs think that they are different from tourism businesses or someone selling food and drink.

Our focus has been to try to develop a range of support services that are mainstream. However, over the past five years or so, the primary focus has been on developing industry associations, of which we highlighted a number of examples in our submission. Those associations involve specialists who are outside the mainstream of our front office staff or business development staff and can provide the specialist support that creative industries need. Examples include Highlands and Islands labels and Go Events. We support companies through the HIE network but not directly through people in the front office.

**Adrian Gillespie:** Our definition of the creative industries is not meant to exclude any particular areas; it just sets out the broad market areas that relate to what Scottish Enterprise is asked to do, which is to support the growing markets and companies that can have a disproportionate impact on the economy. That is where the opportunities lie, but that is not to say that we would not support any emerging market areas that fall outwith the definition.

In the creative industry sector, the key market drivers are in technologies, given the opportunities

that they open up. Although we take a sectoral approach, we work with individual companies that are growing, no matter what sector they are in, through our close account management relationship and through the business gateway. We also established the cultural enterprise office to support individuals from a creative background who want to support their creativity through the development of businesses. We offer a broad range of support in the sector, but our remit is to work with the companies and markets that are growing quickly.

**The Convener:** Is there a risk that creative individuals—who might employ only themselves or themselves and one other individual in their new businesses, which might nevertheless have substantial turnovers—might think that, because your definition is so tight, there is no point in going to Scottish Enterprise for help? Does that create a barrier?

**Adrian Gillespie:** A lot of the work that we have done with the business gateway in the past few years has been to establish a national brand and identity, to make clear what services the business gateway provides. As you probably know, the business gateway is to go outwith Scottish Enterprise to local authorities. When that happens, it will be important for us to keep the relationship with Scottish Enterprise strong. The cultural enterprise office and the business gateway provide a broad range of support to creative companies and others.

Another key issue to highlight is the role that creative Scotland will play when it is formed. Calum Davidson and I have been very involved in working with creative Scotland to identify any gaps in which it might become involved.

**The Convener:** Several members will return to the creation of creative Scotland later, so I will not stray into that area.

I appreciate and support the business gateway's work, which is valid and much needed. However, as Scotland's enterprise agency, Scottish Enterprise is missing an opportunity to take the lead in supporting creative industries fully. I appreciate that you want maximum benefit, but a glaringly obvious gap seems to exist in what you do.

**Adrian Gillespie:** Our remit is clear from the Government's new economic policy. We are being asked to work with growing companies and industries. I am not aware of any key growth markets that we are not supporting that we should support or of any companies that we are not supporting that we should support through our account management or the business gateway. If companies were in such a position, we would want to investigate why.

**Rob Gibson (Highlands and Islands) (SNP):** I have looked at a list of the Department for Culture, Media and Sport's interests, and from it Scottish Enterprise seems to be missing out on the arts and antiques market, crafts, design, music, performing arts and publishing in a big way. Could you learn from Highlands and Islands Enterprise in seeing such activities as part of community initiatives? Is Scottish Enterprise missing the creativity that is in every community?

**Adrian Gillespie:** Creativity plays a part not just in the creative industries but in several of our priority industries. We must have a close link between our cultural policy and our enterprise policy, which is why we are engaged with creative Scotland. However, Scottish Enterprise cannot particularly support the sectors to which you referred under its remit and in what it is asked to do, which is to help companies to internationalise and develop through, for example, innovative technology, high growth and investment. We do not have the demand from those sectors, so it is difficult to see how we would engage more closely with them under our remit. However, I repeat that creative Scotland could play a role in that.

**Rob Gibson:** Creative Scotland might have a role, but you are missing a trick. For decades, Highlands and Islands Enterprise has had a social remit. If you can, will you extrapolate from Highlands and Islands Enterprise's figures how much creative activity could have taken place in the Scottish Enterprise area if you had supported it? After doing that, you could ask yourself what structure would bring that out best. Is a change in structure needed?

**Adrian Gillespie:** I do not believe that Scottish Enterprise's structure needs to be changed. Our role has just been clearly defined. However, we are still having many discussions about the role that creative Scotland will fulfil. As I have said, if a gap exists, we will look to work with creative Scotland on it, but creative Scotland would probably take the lead.

10:15

**Rob Gibson:** Does Highlands and Islands Enterprise have any advice to offer, Mr Davidson?

**Calum Davidson:** In some ways, we have it a little easier, in the sense that we work with smaller companies. Over the years, we have had a community remit, which means that we have been able to make a seamless transition from one side to the other. Our other big advantage is that, because our population is relatively small compared with Scottish Enterprise's, it is easy for us to support small companies, because they are all exporting and selling outwith our region or Scotland. It is easy for us to make the case to

support such companies, because their markets are not in the Highlands and Islands; they are international.

**Aileen Campbell (South of Scotland) (SNP):** I would like to explore some of the gaps that might have been left by Scottish Enterprise. You mention in your submission a number of areas in Scotland where you are trying to be active. However, one massive area that is not covered is the south of Scotland. What work are you doing with the creative industries in that area, which faces similar problems to those in the Highlands and Islands?

**Adrian Gillespie:** The creative industries are concentrated in the major urban areas, which is no different from any other country, so the majority of our focus is in such areas. I refer back to the support that we give through the business gateway and our local account management, which still exists. There is no barrier to creative companies accessing national support programmes, such as the ones that I mentioned in our submission.

**Aileen Campbell:** I have a slight problem with the suggestion that there is little creative industry in the south of Scotland, because there is a massive textiles industry there and other industries that need to be rejuvenated. In addition to your not concentrating on so many areas of the creative industries, I wonder whether missing out large chunks of the country might be problematic.

**Adrian Gillespie:** Textiles is a really good example of how creativity plays into several industries. We have a textiles team in Scottish Enterprise that supports that sector, and it does an awful lot of work with textiles companies in the south of Scotland, much of which is around creativity and innovation, particularly from a design and technology point of view. I should mention that part of my area's remit is to ensure that technological innovation plays into all our industries, just as creativity does. So we have a textiles team in an area that is important to us, but we define it as being in the textiles market rather than use the sectoral focus in the DCMS definition.

**Aileen Campbell:** So you are confident that you are doing all that you can for the south of Scotland.

**Adrian Gillespie:** I believe that we are, within our remit.

**Elizabeth Smith (Mid Scotland and Fife) (Con):** Good morning. Mr Gillespie, I want to ask about the tension between the economic objectives, which for some companies have been to develop technological economies of scale that have benefited them by making them part of an international economy, and ensuring that we do not lose some of the fantastic creative efforts of Scottish industry. What will Scottish Enterprise do

to ensure that the Scottish flavour of that creativity is not lost in an international economy where there is huge pressure to take advantage of economies of scale?

**Adrian Gillespie:** I am not sure that I understand the question.

**Elizabeth Smith:** I will rephrase it. As the Leith Agency mentioned in its submission, there is a huge economic advantage in digital companies' taking advantage of the international economy, which gives them economies of scale in their trade—in other words, a lower cost advantage. However, at the same time it is sometimes the case that the bigger a company gets, the more likely it is to lose its individual Scottish identity. I am asking what policies you would put in place to try to encourage such companies to retain their Scottish identity, which is sought after in the international market.

**Adrian Gillespie:** Scottish Development International, as part of Scottish Enterprise, does a lot of work in that area. Quite often, the identity that you are talking about can be an enabler in international markets. We work with a lot of Scottish companies, particularly in the creative sector, to broaden their market development horizons. However, I do not know of any specific attempts by Scottish Enterprise to brand Scottish creative industries.

**Elizabeth Smith:** Are there any examples of Scottish companies with a high and well-deserved international reputation that also perform well from a Scottish base? What about the textiles industry, which you mentioned a little while ago?

**Adrian Gillespie:** There might well be examples in that industry, but I am not directly responsible for that area and I am not all that familiar with it. However, I am sure that there are some large textile companies in that situation.

**Elizabeth Smith:** My point is that one of the biggest challenges facing the industry is addressing the tension between, on the one hand, driving the economy and seeking to secure benefits from making Scotland an international competitor and, on the other hand, the social and cultural identity that Mr Gibson highlighted.

**Calum Davidson:** As our submission points out, the creative industries tend to be located in what we call urban choke points, such as the west end of Glasgow, SoHo in New York and San Francisco. Indeed, the problem that you have highlighted is common not only to Scotland but to any relatively rural northern European area.

We have tried to address the problem through cross-regional cultural links that recognise, for example, that the Highlands and Islands, the Shetland Islands and the Orkney Islands have

many similarities and, crucially, can sell into markets such as the Basque country, Northern Ireland, Wales and Cornwall. We are also developing links with Scandinavia—for example, we have been working with the music industry in Norway and Finland—New England and other emerging markets. Indeed, Go Events recently put on a large showcase event in Russia called Go Moscow.

It is crucial that we develop links, build on the cultural and economic strengths of small companies and expose our relatively small companies to the wider business unit. For example, after appearing at Go Moscow, an Inverness-based band called Jyrojets was chosen to provide songs for the soundtracks of two major Russian movies. They were not very good movies, but they were quite big in Russia. Because of those links, the band is now being picked up in San Francisco and, in particular, Los Angeles.

In short, we have to identify the problems that Adrian Gillespie has highlighted; make clever cross-linkages, particularly with northern European countries and similar areas, in order to bypass some of them; avoid, as the Leith Agency said, the stifling nature of the large scale; and use the small scale to our advantage.

**Elizabeth Smith:** If you do not think that there should be a structural change in Scottish Enterprise to deal with matters, would you consider asking the Government to review your remit? After all, size is important. Indeed, as Mr Davidson has just made clear, some issues are easier to deal with when you are slightly smaller—the tensions emerge when you expand.

**Adrian Gillespie:** What you suggest would mean significantly changing a clear remit. Instead, we should try to find the most appropriate delivery body to address the issues.

**Rob Gibson:** I am quite interested in the public sector support that is available to the creative industries. You say that you have high hopes for creative Scotland, but is the available support adequate and well focused?

**Adrian Gillespie:** Our cultural enterprise office takes a sectoral approach, particularly to company start-ups, which is not used in other sectors. The office was established in response to concerns about scale and the needs of creative companies. It has good links with the business gateway, and there are many referrals in both directions.

We have identified a gap and put a structure around it. The cultural enterprise office was intended to be an intermediary body between the cultural economy and the enterprise agencies. We are in the process of handing it over to the Scottish Arts Council—which is to become creative Scotland—against the background of

Scottish Enterprise's focus, which we have talked about.

There is a wide range of support through the individual company delivery bodies and the sectoral initiatives that we have funded over the years.

**Rob Gibson:** Perhaps Calum Davidson has something to say about the adequacy and focus of support.

**Calum Davidson:** Our level of support within the HIE area has been appropriate up till now. Throwing money at some of the issues has not been the best way to proceed so, in effect, we have been trying to build capacity. As I mentioned, we have focused our support primarily through industry associations to build a body of expertise in the region—not only within the enterprise agency, but primarily in the sector itself.

The Government has clearly tasked us as well as Scottish Enterprise with focusing on high-growth companies. The next stage will be to determine how we can wrap new packages of support around some of our better, larger companies that have significant opportunities in international markets as they mature. We need to consider how to get those companies investor ready, identify appropriate management teams and try to move some of them from being relatively small microbusinesses into being much more mainstream companies, while, as Liz Smith identified, keeping them focused on their core strengths—their creativity and innovation—so that they do not simply become further mainstream organisations. In the HIE network we are at an interesting cusp, as we focus much more on high-growth companies. It will be interesting to see how we wrap packages of support around them over the next two or three years.

**Rob Gibson:** I am fascinated by how that might pan out. It looks as though delivering support to the creative industries will still take different forms when the responsibility for cultural enterprises moves to creative Scotland. How will HIE articulate with creative Scotland?

**Calum Davidson:** We are in the process of doing that. Adrian Gillespie and I were in a fairly long meeting on Monday in Dundee at which we tried to get to the nub of that question with creative Scotland. A number of interesting issues face us. The cultural enterprise offices tend not to operate in the Highlands to the same degree because we have an organisation called Highlands and Islands Arts—HI-Arts. How do we integrate bodies, build on our strengths and determine how, as creative Scotland develops, it can add value to our activities in the Highlands and Islands? We are confident that we can move towards that fairly rapidly.

**Rob Gibson:** I assume that you would not want HI-Arts and Highlands and Islands labels to be subsumed into an all-Scotland body. Their success is based on being more focused.

**Calum Davidson:** It comes back to the appropriateness of those bodies. There needs to be Scotland-level activity as we move forward and the industry develops. HIE would be keen to continue with some of the regional activities that we have developed in the Highlands and Islands, but they need to feed into what team Scotland does as we move the whole sector forward.

**Rob Gibson:** That is fine in theory. I will take a final example. The music industry has often told us that rock bands that are trying to get on want to be part of the Highland sound. Because they are not situated in the Highlands, they try to associate themselves with Perth College, for example, because it is in the UHI Millennium Institute network. Obviously, the way in which bands that have the Highland sound have been promoted is attractive. How will that be affected?

**Calum Davidson:** I can think of several successful Highland bands that nominally are from Stornoway but actually are based in Glasgow. We need to focus on the wider economic unit if we are to capitalise on four bright young guys who are in a good band and happen to be from Stornoway but who, for a variety of good reasons, base themselves in Glasgow. Where is the publishing? Where do they record? Are other institutions getting value from the creativity of those individuals? We do not want them simply to move to Glasgow, London and New York and take everything with them. They might not be physically based in the Highlands and Islands, but as long as the surrounding industries—the label, the management and so on—are based there, you get the best of both worlds.

10:30

**Christina McKelvie (Central Scotland) (SNP):** It has been suggested that there is a culture gap between the creative industries and the public sector. What are your views on that?

**Calum Davidson:** I am not sure that I understand the question. Are you talking about the public sector finding it difficult to understand the creative industries?

**Christina McKelvie:** The Cultural Commission felt that there is a culture gap between the public sector and the creative industries, in terms of the emphasis on flair, innovation, creativity and risk taking in the creative industries.

**Calum Davidson:** When there is a—to be blunt—bank manager culture on one side and someone on the other side who would never be

seen dead in a suit, issues arise. There will always be such tensions. The trick is to develop structures that almost put buffers between the two sides by having organisations that have people who can chat to artists and translate what the people who are making decisions about money say.

The creative types—when I am not wearing a suit I am one of them—are sometimes their own worst enemies, because they think that they are special. In some cases they are, but in many cases they are just businesses, and they need to know about balance sheets and how to access cash and markets. In the Highlands, we have focused on that by setting up industry associations—for fashion, music, writing and so on—that, effectively, act as official translators between the two sides. They are able to get business plans and deliver them to account managers and encourage individuals in the creative industries to become more professional in their outlook when it comes to business.

**Adrian Gillespie:** I cannot speak for the whole public sector, but the issue has arisen in the past. Scottish Enterprise focuses on growth, but that is not always the focus of companies in the creative sector, which sometimes have very different ambitions and priorities. That is why we have established the other mechanisms that I mentioned.

That is not to say that the creative sector is not important—that is not the message that we are sending out. The creative sector is enormously important to the economy, in terms of employment and the contribution that it makes to the—for want of a better phrase—non-creative sectors. Recently, the National Endowment for Science, Technology and the Arts identified the enormous contribution that the creative industries make. The big prize is to understand how the creative community can play into our key industries and how economic and cultural policies can be more closely linked. That is what we are working on at the moment with creative Scotland.

**Christina McKelvie:** Would an example of that be video games, which involve creative animation and so on but also involve the business side and the digital media side?

**Adrian Gillespie:** That is a great example, as the computer game industry blends creative skills and what would traditionally be perceived as techie skills. In Tayside, we have some great examples of companies that have done that successfully. Companies face issues around the differences between the factions, as it were, in their organisations. It is fair to say that people have different views on corporate growth. However, the prize will be won by understanding people's ambitions and seeing which organisation can best support those ambitions.

**Jeremy Purvis (Tweeddale, Ettrick and Lauderdale) (LD):** HIE's submission states that the creative industries in the Highlands and Islands are worth about £75 million and support 3,500 jobs. What is the figure for lowlands Scotland?

**Adrian Gillespie:** For which period are those figures?

**Jeremy Purvis:** I think the figures are current.

**Adrian Gillespie:** Are they per annum figures?

**Jeremy Purvis:** Highlands and Islands Enterprise's submission states:

"The value of the creative industries in the Highlands and Islands is estimated at around £75 million and they support around 3,500 jobs."

**Adrian Gillespie:** The turnover of the creative industries across Scotland is £8 billion a year.

**Calum Davidson:** Within Scotland, I think that the amount for the Highlands and Islands is about 5 per cent of gross value added.

**Jeremy Purvis:** What proportion of that would be made up by the 61 account-managed companies that your team supports?

**Adrian Gillespie:** I do not have the exact figure. We do not break down the sector in that way; rather, we consider what companies are of the type that we might best engage with.

**Jeremy Purvis:** What is the turnover of your account-managed companies?

**Adrian Gillespie:** I do not have the figure to hand, but I can make it available.

**Jeremy Purvis:** It would be interesting to see the figure. Of course, there will be a big difference between the two figures.

**Adrian Gillespie:** Some companies have no turnover at the moment because they are new and growing, and some have turnover but little or no income, depending on their stage of growth. The figure might be interesting, but it might also be deceiving.

**Jeremy Purvis:** On growth levels, what are the new thresholds for becoming an account-managed company? Will there be a difference between now and the situation after April, given the changes that the Government has made to the enterprise network?

**Adrian Gillespie:** The broad definition of an account-managed company is a company that is capable of achieving £1 million sales growth over a three-year period. There is flexibility in that, which is where the key sectors come into play. The key sector team that I head up can ask for companies to be account managed and for particular attention to be paid to sectors that we

believe have high growth potential, even if the companies do not meet the criteria that we would normally apply to account-managed companies.

We have broad criteria and an industry focus. We also consider how closely a company wants to engage with the enterprise network. It is important that there is a mutual understanding of what each side is going to contribute.

**Jeremy Purvis:** Has that threshold changed?

**Adrian Gillespie:** It has not changed enormously. We have defined it more clearly, but it is not a hard-and-fast rule. It is used to describe broadly to companies the type of area that Scottish Enterprise is focusing on.

**Jeremy Purvis:** What is the threshold today, compared to what you have told us about what it will be after April?

**Adrian Gillespie:** At the moment, the situation is the same, in that we do not have a hard-and-fast rule. Over the years, our criteria have changed somewhat. This is not a hard-and-fast new enterprise structure—it is more the result of our continuing policy. Various figures have been applied over time and it has not always been about turnover growth. We could give you the figures that we have used, but they have varied over the years.

**Jeremy Purvis:** I am just trying to get a sense of whether there will be a change.

**Adrian Gillespie:** There will not be a fundamental change. The change that we want to bring about is to account manage about 10 per cent more companies than we currently do.

I do not want to make too much of the £1 million turnover: I want to emphasise our sectoral focus, within which there is room for manoeuvre.

To answer the question in broad terms, we will focus more on our key sectors. Although the criteria will remain, we will seek to account manage more companies from our key sectors, even if they do not meet the criteria.

**Jeremy Purvis:** I might be wrong, but I had thought that there are two categories at the moment: client managed and account managed. I understood that client-managed companies were expected to grow by about £400,000 and that account-managed companies were expected to grow by more than that. What is being proposed is that we get rid of the client-managed category, leaving the account-managed category.

**Adrian Gillespie:** That is correct, but there will be more companies overall.

**Jeremy Purvis:** There will, as long as they have a growth target. A small theatre group that is looking for support is going to have to be one hell

of a small theatre group to achieve £1 million growth in sales over three years.

**Adrian Gillespie:** That is true.

**Jeremy Purvis:** I have a question about the structure that is coming in. At the moment, a new start-up would go to the business gateway, which is part of Scottish Enterprise. It is likely to have links with the cultural enterprise office, which is Scottish Enterprise. If it is looking at growth of £400,000, it is likely to be client-managed by Scottish Enterprise. If it needed to develop skills, get training or get a qualification, the likely agency would be Careers Scotland, which is part of Scottish Enterprise. The structure is clear—it all lies within the enterprise function.

However, from April, the business gateway will be administered by local councils and might or might not link with creative Scotland—which will be a new and separate body—so a new start-up would also have to go to creative Scotland to get support. It would have to go to Scottish Enterprise to get into the account-managed category, and if it wanted to develop skills, it would have to go to skills development Scotland. Instead of a new start-up going to one body, it will have to go to four bodies. Is that correct?

**Adrian Gillespie:** Those are the proposals.

**Jeremy Purvis:** Is that what they call “de-cluttering the landscape”?

**Adrian Gillespie:** Are you asking me for my opinion?

**Jeremy Purvis:** Yes.

**Adrian Gillespie:** That is the Government's policy, not Scottish Enterprise's. We understand that we face the challenge of maintaining links, particularly with the business gateway, to ensure that companies can make the leap, if you like, from business gateway to being Scottish Enterprise account-managed. We will have a role in bringing together the priority industries around the industry-led strategies that are mentioned in our submission, and in ensuring that the different parts of the public sector are clear about their contribution to those industry strategies. We also have a role in ensuring that all the various parts of the public sector contribute to the development of our industry by co-ordinating on behalf of the industry.

**Ken Macintosh (Eastwood) (Lab):** I will continue along the same line of questioning. Where have we reached with the movement of responsibility from the enterprise companies to the new body?

**Adrian Gillespie:** In terms of key projects, the cultural enterprise office is in transition at the moment, and it will move over to the Scottish Arts

Council as planned. Creative Scotland will be formed by then and the cultural enterprise office will become its responsibility next year.

That will be the key handover of the things that we are funding at the moment that we envisage creative Scotland will fund in the future. However, our focus has been on working with the creative Scotland transition team to understand what is being provided at the moment—we have talked about some of those things today—where there might be gaps in the creative and cultural sectors, and the role that creative Scotland can play. We are currently helping creative Scotland to define where it can make the biggest impact.

**Ken Macintosh:** So some of the clients that you are currently supporting are in transition. While all this is happening, is Scottish Enterprise still supporting and developing new companies or taking on new contracts?

**Adrian Gillespie:** The cultural enterprise office is still going about its business, as is the business gateway. There should be no impact on the cultural enterprise office. That is just a funding handover; no structural changes are proposed.

**Ken Macintosh:** The funding handover will be in April 2009.

**Adrian Gillespie:** Yes.

**Ken Macintosh:** How much is the budget?

**Adrian Gillespie:** It is about £100,000 per annum. I can get the exact figure for you.

10:45

**Ken Macintosh:** I have another question for both of you that sort of follows from what Jeremy Purvis asked earlier. After creative Scotland is set up, what contact will you have with the creative industries? Will creative industries come to Scottish Enterprise or Highlands and Islands Enterprise for support?

**Calum Davidson:** I would be surprised if we saw any significant reduction in the number of companies that deal with us or our organisations. A business gateway is being set up in the Highlands and Islands, but local authorities already do a fair amount of local economic development, particularly in the island groups of Orkney, Shetland and the Western Isles, which have strong local authority development departments.

Things are pretty joined up at the moment, and we do not plan to transfer any budgets. As far as I am aware, HI-Arts is jointly funded currently by the Scottish Arts Council and HIE, and we envisage it being jointly funded in the future by creative Scotland and HIE. It will perhaps deliver more functions in the future and draw on tools, systems

and methodologies that have been developed in cultural enterprise offices throughout Scotland. However, we do not envisage any dramatic change in local delivery. We are keen to assess how an enhanced creative Scotland can add value to our area.

**Ken Macintosh:** Mr Davidson talked earlier about building capacity over the past few years. Will that be your job or creative Scotland's job from now on?

**Calum Davidson:** Highlands and Islands Enterprise will continue its community role of development at the edge. We envisage continuing our strong capacity-building role in the arts in our fragile communities at the edge and in communities right across the Highlands.

**Ken Macintosh:** Will Scottish Enterprise have the same level of contact with the creative industries following the establishment of creative Scotland?

**Adrian Gillespie:** We will have a heightened involvement with creative Scotland. Our involvement with it has already increased dramatically over the past six months. We are talking about areas or gaps in which creative Scotland can add value and we have recently put in a considerable amount of time on that. We will have a strong engagement with creative Scotland because it touches not only many of our key industries but on areas such as our innovation policy. It can do a lot to support innovation in Scotland. If we get it right, which we are working to achieve, our contact and involvement with creative Scotland will increase. For example, there is potential for joint projects because areas in which creative Scotland will be involved will be of interest to Scottish Enterprise. It is very much our intention to work together in such areas.

We will still have a lot of contact with creative companies through the account-management work that we do and the key industry sector projects that we are developing. We will have contact on a number of levels.

**Ken Macintosh:** I have a final, possibly long, question. The creative Scotland operational budget for running offices, for example, may be £100,000, but my understanding was that the overall budget ran into millions.

**Adrian Gillespie:** Yes, it does.

**Ken Macintosh:** Will that money be administered through your organisations or through creative Scotland? If it is to be the latter, because it appears that you will not be doing less, what will creative Scotland do? How can you continue to give the same level of support as you did previously if millions of pounds of funding that

previously went through you will go through creative Scotland?

**Adrian Gillespie:** It is correct that we are not doing any less. I believe that creative Scotland can add value in linking our cultural policy to our enterprise policy, which is so important for today's economy, although that is just my opinion. We are still working through that because we want to ensure that there will be no confusing overlap.

In the Scottish Broadcasting Commission's interim findings, the major observation about public sector support was about the lack of clarity around it. We want to improve the situation and, with the formation of creative Scotland, to work towards removing that lack of clarity. Does that answer your question?

**Ken Macintosh:** Not exactly. If I were a small business in the creative industries, such as the small theatre company that Jeremy Purvis talked about, a rock band or a publisher, I would not be clear about who would support me to develop. Would it be Scottish Enterprise and Highlands and Islands Enterprise or creative Scotland?

**Calum Davidson:** The Government has made it clear that there is one economic strategy for the whole of Scotland and that the creative industries is a key sector. HIE, Scottish Enterprise and creative Scotland will not have their own creative industries strategies—we will instead jointly deliver one strategy. The trick for us as public servants is to ensure that we do that as efficiently and effectively as possible. We are working towards delivery of one strategy to the whole of Scotland. Although we will have our own range of operational activities to ensure that it is delivered effectively, we need to work together to make sure that it happens.

**Ken Macintosh:** I will have one last stab at my question. Creative Scotland will take on all the responsibilities of the Scottish Arts Council so it will be the new agency's job to support theatre companies, their productions and a range of activities that might be described as investment in the arts, which is sometimes called subsidy to the arts. However, my impression was that business development was also being passed to creative Scotland, whose job it would be to develop small businesses in the industry. You seem to be saying, however, that the business development role will remain with the enterprise companies and will not be transferred to creative Scotland.

**Adrian Gillespie:** Yes, that role will remain with the enterprise companies and the business gateway will go to the local authorities. We would not support adding business support to that landscape. There might be an opportunity to look at the support that the cultural enterprise office offers to see whether there is scope to develop

that. However, those are issues for creative Scotland. We offer support, advice and input into such considerations.

**Jeremy Purvis:** Just to be clear, how much money will be transferred from Scottish Enterprise to creative Scotland? How much money that was used previously for skills in creative areas will be transferred to those who have responsibility for skills development in Scotland?

**Adrian Gillespie:** We do not believe that our activities to support companies and industry sectors will change significantly. We do not believe that any funds should be transferred from Scottish Enterprise to creative Scotland. The cultural enterprise office was an exception—we put it in place because nobody else was carrying out its function. We have put in place some transition funding, but we do not believe that it should be Scottish Enterprise's role to core fund that activity. At present, we do not propose any transfer of funds from Scottish Enterprise to creative Scotland.

**Jeremy Purvis:** Okay. You said that you will not be doing anything differently, which is hard to get my head round when your functions are being reduced, although it is perhaps easier to understand if you are not transferring any money. You said that you have 61 account-managed companies and that there have been more referrals from the business gateway. What will the figure be in three years?

**Adrian Gillespie:** I think you mean the number of account and client-managed companies. We do not have a specific target in the sector for what the number will be. It is my responsibility to grow the number significantly, which would be a key success factor.

I mentioned in our submission that we are about to embark on development of a new strategy for the digital technologies. Part of that strategy will articulate clearly our aspirations for the number of account and client-managed companies. It is work in progress.

Jeremy Purvis raised another point about our not doing anything differently. I was referring to the industries focus; it is clear that the business gateway is transferring to local authorities and the funds will transfer with it.

**Jeremy Purvis:** Has it been decided yet?

**Adrian Gillespie:** No. Not that I am aware of, anyway.

**Jeremy Purvis:** Finally, convener, if I may. With regard to—

**Adrian Gillespie:** Sorry—I should come back on that. We are on the same ground in respect of the business gateway funding. It has been widely

reported that the issue is more to do with regeneration.

**Jeremy Purvis:** Indeed.

With regard to the digital media and creative industries sector, what is the overall budget for which you are responsible? The budget has not been set for the next financial year, has it?

**Adrian Gillespie:** No.

**Jeremy Purvis:** You can tell us what the budget is for this financial year. How much of the money is for digital media and how much is for other creative industries?

**Adrian Gillespie:** Our budget for this year is £2.5 million—subject to the overall budget's being agreed. We do not divvy the budget up with each sector being entitled to a certain amount; rather, the money is allocated according to where the good projects come from and where industry engagement is clear. That is our plan for this financial year.

If we were to develop and progress more projects, which I hope to do, the organisation will examine them and decide which should be prioritised. My aspiration—as the sector's champion, if you like, at Scottish Enterprise—is to grow our share, which would be a sign that we are coming up with innovative projects.

**Mary Mulligan (Linlithgow) (Lab):** I return to the comments that you made about many of the industries being small. They are not all small. Is there an issue about recruitment to those industries? How might that be affecting progress?

**Calum Davidson:** Skills and recruitment is always an issue, because skills change so quickly. Over the years, we have collectively worked for bodies such as sector skills councils to address such issues.

There are traditional skills. For example, Sabhal Mòr Ostaig trains television technicians for the Gaelic television industry, which is great. In many cases, the issue is how to get the feedstock of bright and creative individuals. I know that, for example, software companies on Skye tend not to look for computer graduates—they try to identify the right sort of person to train internally. One company has done that quite successfully and has its head office in Skye and its sales office in Oxford.

It is about how the support networks round about help the companies to identify clever people and provide workforce training to develop their skills. There is a role for traditional training and for media studies courses at universities, but there is also a role for a focus on how such companies can identify lifelong learning opportunities and package them to take the matter forward. That is always a

challenge. Again, it comes back to the industry organisations and the wider network of individuals. People will coalesce round projects and drift apart. In many cases, it is up to individuals to keep their skill levels high and learn new skills.

**Adrian Gillespie:** I think that it is highly sectoral. For example, in broadcasting we produce enough home-grown talent, but we currently lose a lot of it. In Tayside, there is a shortage of skills to support the games sector, although we are involved in some projects that will address that. I cannot give you an across-the-board answer because the situation varies among sectors, but it is a major issue.

**Mary Mulligan:** What measures would you put in place to address it? What kinds of things have you done when there are gaps?

**Calum Davidson:** With the development of the new Gaelic Media Service in the Highlands and Islands, we identified a clear gap in scriptwriting skills and in ideas generation and content. We went to the BBC and asked for a secondee, so for the past 18 months one of its senior producers has been seconded to Highlands and Islands Enterprise and has been working with the industry on workshops on script generation, ideas generation and related skills. The aim is to build up a feedstock of people who can take it forward.

We have worked on the broadcasting side with Channel 4. Scottish Enterprise and HIE, jointly with Channel 4, identified the ideas factory project a number of years ago, which was aimed not at producing people with broadcast skills but at the stage beneath that. A lot of it was focused on producing short movies for the web. It is about looking at the bottom—at where the coming problems are and where the opportunities are aligning themselves over the next few years—and trying to work with the industry to take things forward.

**Adrian Gillespie:** Another example is Dare to be Digital Limited in Tayside, which is an excellent instance of an enterprise agency, education and the private sector coming together to develop something that produces graduates whom employers will interview immediately, based on the qualification that they receive. Eighty per cent of the people who go through Dare to be Digital go straight into industry. The other 20 per cent go, in the main, into postgraduate work in the sector. That is an example of how we can bring together a number of partners and identify what role we each play in it.

**Mary Mulligan:** That is helpful. Like Ken Macintosh, I seem to have made some incorrect assumptions. Will you continue to play that role after the establishment of the skills agency, or

would those responsibilities pass to the skills agency?

**Adrian Gillespie:** We will retain a role on issues such as management development, but workforce development will be the job of the new skills body. Particularly in terms of our industry strategies, it is another agency that we will have to work closely with. However, the work that we do with industry to identify industry demand on issues such as skills will be useful in ensuring that we have a joined-up public sector approach.

**Mary Mulligan:** Is that the same for HIE?

**Calum Davidson:** Yes—it is very similar.

**The Convener:** That concludes the questions from the committee. Thank you for your attendance. I am sure that the committee will reflect carefully on what you have said. We will return to some of the issues as we consider the Creative Scotland Bill.

11:02

*Meeting suspended.*

11:07

*On resuming—*

**The Convener:** I welcome our second panel. We have been joined by some people from industry: Richard Marsham is the managing partner of the Leith Agency; Neil Butler is the director of UZ Events; and Dave Clarke is the managing director of Slam Events and Soma Recordings. Thank you for taking time out of your busy schedules to join us today and answer our questions. Thank you also for your written submissions, which tell us a bit about you as individuals and about the companies that you have established and operate in Scotland.

I ask each of you to define the creative industries in Scotland, as you see them. What should the creative industries be, and what definition should we use?

My questions have met with a stunned silence.

**Dave Clarke (Slam Events Ltd and Soma Recordings Ltd):** I do not mind starting. My definition of the creative industries is that they involve the arts, including music, literature, theatre, acting, broadcasting and design—anything that creates something that is more of an intellectual property or a concept, or which verges on being part of the entertainment industries. The creative industries are not necessary for day-to-day life, but they are nourishing for the soul and the intellect.

**Neil Butler (UZ Events Ltd):** All the arts, entertainment and the other industries that support them—I am with Dave Clarke on that. *[Laughter.]*

**The Convener:** Mr Clarke's definition appears to be pretty comprehensive. Is the definition that the public sector uses a problem at times? In particular, is it the case that Scottish Enterprise does not always understand the diversity of the creative industries? If we do not properly understand our creative industries and cannot define them, that could cause problems with how we support them to grow.

**Richard Marsham (The Leith Agency Ltd):** Our initial silence when you asked your first question is a good indicator that we do not necessarily think often about how broad the title "creative industries" is. I have a much more focused understanding of what the creative/marketing industry is, but the area is huge. Dave Clarke summed it up well—a hell of a lot of industries and bodies could fall under the title.

**Neil Butler:** To those of us who work in the industries, the interesting perspective is the way in which arts, entertainment and culture are at the centre of all our lives. The big debate in the industries, particularly on the arts side, is about separating the instrumental use of culture—the approach to culture that is understandable to organisations such as development agencies—from the art-for-art's-sake side of culture.

Many artists and people who are involved in the entertainment industries and in the general creative industries have been drawn into those industries because they feel that those activities enrich their lives and those of others. That definition of enrichment comes from the industries. In the 1970s or 80s, the idea was developed of the instrumental use of culture, whereby great social and economic benefits were seen to be derived from culture. The outcome is that a lot of activity that is good in itself has been undervalued because it could not be measured in visitor numbers or box-office receipts or by other tangible economic measurement devices. Only in the past year or so has the Government down south started to acknowledge that the enrichment side of arts and culture is key to our lives. Our national identity and our sense of being of Scotland are tied up with our cultural lives, and that is not to be measured in pounds.

**Dave Clarke:** Our company—Soma Recordings—has always had a good relationship with Scottish Enterprise. We have been well understood when we have gone to Scottish Enterprise with an idea or when it has suggested a fund that might be relevant to developing our business. I imagine that the Scottish Arts Council is more able to fund something for the sake of it,

such as more modern and creative pursuits by an orchestra or a ballet. I understand that Scottish Enterprise must consider how an activity would develop a business, make it more successful and give it more longevity. As Neil Butler suggested, it would consider business that brought people to the country to spend money. However, I can see how Scottish Enterprise and the Scottish Arts Council could work in tandem.

**Elizabeth Smith:** Will you each outline the major challenges in supporting the creative industries?

**Richard Marsham:** I will describe the two biggest challenges that we face. One is the ever-diminishing amount of business in Scotland for us to win, because companies are being taken over and are disappearing off the map. A good example for us is Glenmorangie. That was a big client of ours last year, but it has been taken over, so all its advertising is now done by an agency that is based in Paris. The trend is continuing with Scottish & Newcastle. There is less business for us to go after, so we must go further afield—last year, we did a pitch in Moscow—to try to obtain business.

Another challenge, on which the first panel touched, is recruitment—getting people with the right skills to come to Scotland, or finding home-grown people with the right skills.

11:15

**Neil Butler:** We probably need to focus on joined-up thinking. A preoccupation of mine is that there was a period when there was a lot of investment in infrastructure because it was convenient to invest in it—that was where the money was. However, in the creative industries, the most important things are people skills and investing in people. For example, I understand that the cultural policy is to disseminate the arts throughout Scotland, from the Highlands and Islands to the cities. A great way of doing that is to work with artists who will work outside conventional venues—sometimes it is called street art or street theatre.

We put on the big in Falkirk festival. As it happens, it is on the front page of *The Herald* today and is the picture of the day in *The Scotsman*. Falkirk Council has made a big, even extraordinary, investment in that festival. The council understands the value that putting on a festival has and how it transforms the town's reputation. However, the resource that it has created starts and stops over two days, as far as the artists, the audience and building capacity are concerned. Artists fly in from all over the world to appear at the festival. They contribute to enhancing Falkirk's economic wellbeing and to

transforming its reputation. It is remarkable that 30,000 people from Glasgow and Edinburgh choose to go to Falkirk for the weekend—if I had said that to you 10 years ago, you would probably have smiled knowingly—drawn there by the council's vision. The council understands that, by putting on a great international arts event, the town is perceived to be more sophisticated, more interesting and a place worth going to.

However, the resource—it is around about £400,000—stops there. If arts officers and promoters were encouraged to go to the festival and participate in a capacity-building programme, they would be able to see the value of taking such work into the Highlands and Islands and more inaccessible parts of Scotland. That value and resource would be spread throughout the country. That would not involve paying many millions of pounds for an arts centre; it would be an investment in the expertise of those officers and promoters—whether they were from the private or the public sector—and an investment in Scottish artists, supporting them in taking their work outside conventional venues. In turn, that work would become a resource that could be exported beyond Scotland and Britain into Europe and further afield. However, there is no strategy to support that approach. No one asks how we can use the engine of festivals to support economic and social growth or how to use the work as a valuable export.

That is only one small example—I could go on for ever, although you would not want me to. I have tried to find that kind of joined-up thinking, which examines everything that contributes to making our creative industries vibrant, considers all the outputs of those industries that can support not only our lives as citizens of this country but our social and economic position, and builds a policy that links things up simply, without having lots of organisations that every artist and producer has to talk to.

**Dave Clarke:** I agree with Neil Butler as far as the events side of my business is concerned. I have seen events such as T in the Park bring people from all over the world to visit Scotland, possibly for the first time, solely to take part in or just be at an event. I have even seen that happen on a small scale at some of the small night-time club events that we do, when people fly in from Berlin for a night out in Glasgow. That happens with the Edinburgh festival as well.

There is a great value in building up events. Fortunately, that side of my business has been profitable and has never needed funding, but we have some ideas that could be grown through being funded. That is similar to what Neil Butler said. Highlands and Islands Enterprise has taken

that kind of initiative with the Rock Ness event in the north of Scotland, for example.

In the record company side of the business, we have had to learn everything ourselves. Over the past 10 years, we have probably had 10 employees whom we have had to train completely.

The industry has always been based in London, but now there are other companies such as ours that intend to remain in Scotland, which is good for the future. We have had help from Scottish Enterprise and the Scottish Arts Council for an event called Soma skool, through which we pass on skills and bring people together. That is an example of how joining things up can benefit younger kids by showing them that there is a future in an industry such as the music industry in Scotland. Games programmers and others who make videos and so on are all coming together.

We have had good experiences with Scottish Enterprise and the Scottish Arts Council in developing some of our ideas for the record company. At the end of last year, a one-off fund called the music futures fund greatly benefited Soma Recordings. Although the fund was distributed by HIE, it was open to anyone in Scotland. As far as I understand it, the Government intended that to be a one-off fund—I do not know whether it will happen again.

It is well reported that people do not buy as many records now as they used to. There is a lot of piracy; it is easy to copy digital files. We have to consider different sources of revenue, one of which is licensing our music for advertising and films. The growth sector in the music industry has been live music and touring. In the past, we have put our artists' records out and they have employed a music booking agent, usually in London or elsewhere outside Scotland, to book their tours. The artists would get revenue from live performance fees and the agent would take a commission of between 10 and 15 per cent. With the money that we got from the music futures fund, we have been able to set up our own agency in-house. The agency helps newer artists to get their first gigs and some profile, but it is also a future source of revenue for us. We did not have the time to take on the role ourselves, but the fund allowed us to bring in someone part time to begin with—I hope that there will be a job at the end of it. Such funds are important for the music industry in the interim period. The revenues are still prosperous on the management agency and publishing side of the music industry. People will buy recorded music in future—there will be ways of making money out of that.

I have had good experiences with the agencies.

**Mary Mulligan:** You will have heard my question to the previous panel. You referred to

training; you said that you had to take people on and train them up. What kind of skills are you looking for and how can they be developed?

**Dave Clarke:** We need basic skills. We need people who come out of school knowing how to add up and write. If they also know a language, that is great. We look for common sense, initiative and a desire to learn. Some people pick up what we do very quickly.

There has been a live music industry in Scotland for a long time, but there has not been a history of record companies and publishing companies. We have had to give people the experience factor. If we had a job going in London, it would attract a lot of experienced applicants who had worked in different companies. London has always been the centre of the music industry for record companies, but that is changing now. The fact that we are in the digital era means that record labels are sprouting up all over the world—they can function by using the internet.

If people have basic skills, we can work with them. People who used to work for me now work for other people in Glasgow; they leave us with skills. Even if companies such as ours are not massively profitable, as long as we are in some kind of profit and continue to exist, future generations will see the benefits.

**Neil Butler:** In our world, many people are retraining in project management, because the skills involved are very transferable to other industries. A basic knowledge of the particular industry will be needed, but the skills required will be project management skills—which is, of course, a phrase that everybody knows.

However, it is more difficult to acquire an understanding of the relationship involving the arts, entertainment and business and the skill that is needed to put together partnerships that can advance the cultural industries. That activity is called producing, although I should point out that the meaning of the word varies even in the creative industries. Producers have an understanding not only of the people who benefit artistically from and find their lives enriched by a cultural activity but of the economic partnerships that also benefit. They know how to match Scottish Enterprise or Scottish Arts Council funding with funding not only from local authorities but from other sponsors, such as property developers and so on, to develop a really interesting partnership with a shared vision and purpose that seeks to create, for example, an arts event on the canal system, something that might become T in the Park or the kind of conference or convention that Soma runs. That really important and interesting skill does not exist ordinarily; it has to be acquired and nourished.

**Richard Marsham:** We have done very well with our equivalent of project management in a number of areas. The fact is that people in Scotland tend to have a good level of creative talent. Some very good courses are being run by, for example, Napier University—in the past 10 months alone, we have taken two creative teams straight out of the university. Those people will be trained and developed in-house, but they still need to have a good creative spark.

However, we are really struggling with digital marketing. People often confuse such marketing with making computer games, but the industry is much wider and broader than that. Last year, we set up a digital company called Blonde; in just 14 months, the company's staff complement has gone from nought to 28 people—and would probably go up to 45 if the company could find enough of the right talent—and it is dealing with huge global companies such as Sony. As I said, we do not necessarily need techie people; we need serious and—for want of a better word—grown-up digital marketers who can go into the Sony boardroom and have a conversation with its people. Many specialist areas such as search engine optimisation come under the very broad heading of digital marketing, and it is very difficult to find the talent and those with the necessary skill sets in that area.

**Mary Mulligan:** Of course, as members of the Education, Lifelong Learning and Culture Committee, we are very interested in developing those skills in Scotland. However, you talked about attracting people to Scotland to bolster our own industry. How successful have your efforts been? Can anything be done to help you?

**Richard Marsham:** A lot could be done to help us. Attracting new talent into Scotland is a major problem for us. In our industry, many of the same people go round and round, and we need people who can bring a fresh perspective.

We have spent a lot of time trawling the United Kingdom and beyond for the right talent. However, we have to be careful, because people sometimes come to Scotland for the wrong reasons. They might have London burn-out, see Scotland as a soft option and think, "Great—I'll be able to knock off at five and walk the dog". We need people who have the right skill sets and who want to be here for the right reasons.

That is certainly the biggest hurdle. Although we sell the lifestyle up here—we would be silly not to, given the many advantages that Scotland has over London in that respect—we cannot push it too much because we want people who are bloody good at their job, work hard and are still ambitious.

Those efforts have had mixed results. Quite a few people who came up here for the work either

have left or have had to be let go because they simply did not want to be here. Then again, people have wanted to come here, but the rest of their family, their girlfriends and so on have not wanted to relocate. It can be a question of persuading the other half, who might also want the right job and career. As I said, it is a huge hurdle.

11:30

**Aileen Campbell:** You spoke about training and the particular gap in digital training provision. One of our submissions was from the sector skills council, Creative and Cultural Skills. Do the courses on offer help to fill that gap? Are they the right courses? Are they fit for use in the 21<sup>st</sup> century?

**Richard Marsham:** We see little evidence that people leave such courses ready to be taken on. I do not know whether that is because there is a gap between people embarking on such courses and coming through the system. Our digital agency, Blonde, always has a vacancies sign above the door and it cannot fill those vacancies. There is a gap somewhere.

**Aileen Campbell:** How much input are you asked to make in the creation of such courses, if at all?

**Richard Marsham:** I have not been asked for input or any involvement. Students come into the agency on placements, but I am not aware of our having any other input.

The industry is partly to blame because it is hugely fragmented and competitive. We spend more time fighting one another than thinking about the good of the whole industry. We are trying to improve, however, and have set up an industry lobbying group called the Scottish marketing communications action group. Part of its remit is to look at digital marketing and to work more closely with the colleges and universities to try to ensure that people are coming out of courses with the right skills for the jobs that we have on offer.

**Aileen Campbell:** At present, would you prefer to recruit and train a graduate with a humanities or arts degree, or do you value existing courses? Would you regard a graduate of one of the current courses as a worthy candidate for a job, or are you hesitant because of the training gap?

**Richard Marsham:** We are not hesitant. Often, it is only when you see the whites of a candidate's eyes that you can tell whether they will work out. Some people might be from a completely different background but can be trained quickly. However, often our first port of call is those people who have come through relevant courses.

I said earlier that Napier is running some very good creative courses, and the people who come

through them are great and very talented. We spend a lot of time with Napier. We give a lot back by making presentations, but we use our visits as recruitment exercises to sell our company. Training on the creative side is happening, but it does not seem to be as good as it could be on the digital side.

**Aileen Campbell:** We have spoken about events, and Dave Clarke spoke about getting funding from the music futures fund. Are there problems because of the short-term, temporary nature of the jobs in that area? Does that make it difficult to keep the people with the skills that they have developed in that short time or to recruit people who have the right skills?

**Dave Clarke:** Part of the problem is due to the global recession in the music industry. At one point, we had more employees than we have now—we had to reassess the company. The music futures fund came along at the right time and enabled us to start growing again after reducing in size.

We have given people a broad outlook. A girl who worked for us for three years went to work for the Scottish Arts Council because her interest was more in classical than electronic music. One of our managers left because his wife wanted to be in Yorkshire, so he ended up working with an arts company down there. Anecdotally, we have not lost anyone through any fault of our own.

We had two directors and two employees working full time in the office. Now we have three people. One is there specifically because of the music futures fund, which will give us a new revenue stream and a new employee, and the company will be bigger next year than it was last year. You can invest only so much of your own money to grow a company. It would have taken us longer to start the booking agency as part of the record company without the music futures fund—we could not have done it without that grant.

**Rob Gibson:** I want to turn to the co-ordination of public sector support for the creative industries. Do you agree that it is well co-ordinated? Dave Clarke said that he was happy with bits of it.

**Dave Clarke:** Certain aspects are well co-ordinated. We have dealt closely over a number of years with a guy called George Falconer at Scottish Enterprise, who has been great for advice. If we go to him with an idea and if Scottish Enterprise can do something, he will point us in the right direction, or point us towards someone at the Scottish Arts Council, for example.

Funding is not my speciality, but from what I have witnessed over the past three or four years, although I do not think that it has been particularly joined up for us, we have had the right person pointing us in the right direction for funds, or

bringing them to our attention. The same thing has happened with contacts in the Scottish Arts Council, who have been in touch when they think that something is relevant. Dealing with Highlands and Islands Enterprise over the music futures fund was straightforward. We put a lot of time into our plan, and we have received support and finance. We are certainly moving forward well on that.

Smaller companies such as ours often do not have the manpower to get down to the nitty-gritty of applying for the things that could bring benefit. Everyone is in the same situation of doing what they can when there are only so many hours in the day.

**Rob Gibson:** What is Neil Butler's experience of the co-ordination of public sector support?

**Neil Butler:** We have had a lot of support from the Scottish Arts Council. It has not been difficult to share a vision with it and get support. We have also had a lot of support from EventScotland, which is an interesting organisation because it has a strategic view of how events can be supported.

We also work closely with Scottish Enterprise Glasgow. My only negative point about Scottish Enterprise is that its approach does not seem to be consistent across the network. For example, an argument that has been applied successfully in Glasgow or the west will not be supported in the east or the central belt, even if it is the same argument and the issues are similar.

**Rob Gibson:** Can you give an example of that?

**Neil Butler:** The obvious one is that the various festivals and events that we have organised in Glasgow have nearly always had support from Scottish Enterprise Glasgow, which has understood their value. However, we have been talking to Scottish Enterprise Forth Valley about Falkirk for nine years and have produced figures again and again about the transformation of Falkirk's fortunes in relation to the big in Falkirk festival, but we have been unable to make the case. We have gone back with leaders of Falkirk Council and others, but for some reason we have not been able to get through the door and make our case effectively. That is surprising, as I hope you will agree when you see the photograph of the Falkirk festival on the front page of *The Herald* today. Those who were directors in Falkirk Council and who have now left identify big in Falkirk as a significant factor in the change in Falkirk's fortunes and the uplift in property values there and so on.

I suppose that your question is about the extent to which there can be real co-ordination across the relevant bodies. I keep going back to the example of Glasgow because it covers such a massive area and it is experienced in creating festivals and events. There seems to be a high level of communication between the various agencies

there that one would go to. Does that answer your question?

**Rob Gibson:** It does in a way. I suspect that other members want to ask about creative Scotland and its input in a minute or two, so I will not go on to that.

Mr Marsham, the coherence of public sector delivery obviously has an effect for the Leith Agency. You spoke about going to Moscow for business. The public sector also tries to project Scotland and Scottish industries abroad. What do you think about the co-ordination of that support?

**Richard Marsham:** We have not looked for support until recently. Within the past six to eight months we have had to start looking for business more widely, and we realised that we should be looking for support too. We had an initial meeting with Scottish Enterprise to talk about what is available, which was helpful and something came of that. Our first experience was positive, but I cannot talk with any depth of knowledge.

**Rob Gibson:** But you would consider such support to be important when you have maximised your business in Scotland and therefore have to develop abroad.

**Richard Marsham:** Yes, it is absolutely key. We will increasingly be looking for work abroad, but that is a high-risk strategy that involves unpaid-for pitching and spending a huge amount of time and money travelling to places to present our ideas. It can be a bit of a shot in the dark. In Moscow, we were pitching against three Moscow-based agencies and we did not have a clue what to expect. Bizarrely, we won the contract, which was for a Russian chocolate brand—horrible chocolate, though.

In terms of the future, we look to the Amsterdam model. Amsterdam is a creative hub and a huge number of good agencies are based there that tend to do global work, rather than work for Dutch-based companies. That might be a bit of a pipe dream for us at this stage, but, if we want our business to grow and develop, we will have to look further afield than Scotland, or even England.

**Neil Butler:** About 30 per cent of our income comes from outside Scotland. We do quite a lot of work in England and, for a variety of reasons, in southern Asia and Sri Lanka. We work with the Scottish Executive—as was—to promote Scotland through cultural programmes in North America. That is important to us, as we see ourselves as an internationalist organisation.

We have had the experience that Richard Marsham described. I went back and forth to Dubai five times trying to set up projects there. The level of support that you need on the ground in that particular situation is high and, as a

consequence, we stopped going after a while. We felt that we had put too much money into trying to establish ourselves there.

We have to work internationally, because the domestic market is not big enough to enable us to develop. However, we need support if we are to penetrate those markets. The on-the-ground expertise is absolutely critical.

**Dave Clarke:** On our record industry side, 50 per cent of our income comes from abroad. We sell music all around the world. We have had music licensed for the American television programme, “CSI: Crime Scene Investigation”, for example. With the events company, most of the income is generated locally, but we have lots of anecdotal evidence of people hearing about what good places Glasgow and Scotland are to visit because of the events. We often hear of people moving up here to go to university just so they can attend the club that we run every month.

**Rob Gibson:** Obviously, the figures for Shetland’s music output includes a lot of money that is earned far outside of Scotland, as well as what happens on the islands.

**Christina McKelvie:** The Cultural Commission suggested that there was a culture gap between the creative industries and the public sector, in terms of the flair, innovation and creativity of the former. Do you agree?

**Richard Marsham:** I have to be careful how I answer this, because we have a lot of public sector clients—they are quite big supporters of ours.

From our perspective, I do not think that there is such a gap. We do a lot of public sector work with a variety of bodies. They tend to work differently and you need to get used to that. Sometimes, I welcome the differences. I find that a lot of public sector bodies tend to appreciate your expertise more than private sector companies, where they always think that they can do your job better than you can. You do not get that with the public sector, which tends to listen.

11:45

**Neil Butler:** It is a motivational thing. The sort of person who is motivated to work in the public sector often has different qualities from the person who is motivated to work in the private sector. The private sector is entrepreneurial and involves risk, and therefore if you are risk averse you would be in the wrong place in the private sector. An issue for us over the past 15 or 20 years has been the extent to which the public sector thinks that it is appropriate to take within its organisation activity that is ordinarily better pursued by the private sector. I am not saying that events can be run only

by the private sector—I can think of some examples of public sector organisations running good events—but there is a lot of capacity and capability in the private sector that can best be supported by being brought in by the public sector. I would go to the Leith Agency, for instance, to do a certain kind of work rather than try to do it in-house in my organisation, because I can bring in those particular skills; or I would go to Dave Clarke for a particular event if it engaged his skills. I would not try to build all those skills in-house. That approach is valuable, because you end up getting the best from everybody.

**Dave Clarke:** People like me are probably better than the public sector at spending money and saving money because there is a real pressure to exist in a small profit margin.

**Christina McKelvie:** Mr Butler referred to the risk-averse society, which is something that the committee has discussed. We have dumbed down young people so much—right from nursery school and primary school—that they are afraid to take risks. That has had an adverse impact on the creativity of some young people, although I know others who have sailed through. If we use the creative industries to engage with society, I think that I can see a big bright light at the end of the tunnel. That impacts on the economic viability of a country. I am not sure how we do that, but it is about vibrancy, and about art for art's sake, as someone said earlier.

**Richard Marsham:** From our perspective, that risk aversion is now as apparent in the private as in the public sector. In an economy that is not booming and in which everyone is watching everything they spend, many of our private sector clients are more cautious, especially family-owned businesses. Everyone is answerable to somebody, be it the stock market or whoever. Sometimes, the public sector can be the opposite because it has a defined budget and it can say, "That money's there to be spent." In the private sector, however, we are often trying to convince people to spend money on things, to which they might respond, "Maybe not. Maybe we'll hold it back and do something else with it." It works both ways.

**Neil Butler:** What the public sector has done, and can do really well, is identify entrepreneurial vision and creative energy and provide a platform for it to thrive. The key thing is identifying platforms—or incubators—for the creative industries. In Glasgow, they have decided to offer low rents to attract artists and the creative industries. That is a really powerful way for the public sector to support the private sector and to give it a leg up, because we are often operating with very small profit margins. The public sector can say, "We really appreciate you. We can help you because we have the resource of land or

property and we can support you with cheap rents and grants and so on."

**Jeremy Purvis:** I am not sure whether the Russian company is still your client, Mr Marsham, but if it is I am sure that the *Official Report* will have heard you say that the chocolate is delicious.

**Richard Marsham:** We have finished that project.

**Jeremy Purvis:** The committee heard a few weeks ago from the principal of the Glasgow School of Art, who expressed concern that, within the creative sector, Scottish Enterprise is looking exclusively at supporting digital media. There is a mix of expertise on the panel. I do not know whether you think that you can represent your colleagues in the sector, but do you share the principal's concern? How aware is the sector of the framework that is being taken forward? What do you think should be the provision from our enterprise agency?

**Richard Marsham:** That is a good point. Digital is not the be-all and end-all of everything that we are doing. It is certainly where we are finding the biggest shortages, but, equally, it is frustrating when everyone we speak to thinks that it is the only way forward in everything that we do. It is not the only way forward; our industry is about good ideas, which can go through any channel. I would share the principal's concern if every piece of investment and focus went on digital marketing, because we still need good ideas to be the essence of everything that we do.

**Dave Clarke:** That is interesting. More money is being made in the music industry from people who want the physical experience of seeing a live band or performance. Digital technology helps things move around the planet quicker and allows music to be portable—it can be kept on an MP3 player or an iPod—but a lot of people are making records like works of art. They make only 250 or 500 prints and the sleeve is hand printed. Those records sell as far afield as Japan—people want to collect them. It is the same with art. You could deliver a million pictures using digital technology, but if there are only 100—or one—hanging in a gallery, most human beings will value those.

**Jeremy Purvis:** I do not know whether Mr Butler wants to comment, but I have a quick follow-up question. How much of the support that you want, either through skills provision or through support from Scottish Enterprise, can be generic? I understand that in Scottish Enterprise the electronic markets are part of the industry function; they are part of a more generic provision of support for businesses. How much support should be from those who understand the cultural marketplace? What do you see as the breakdown of the level of support that you want that is

commonplace to any developing business? Did I make that question clear?

**Neil Butler:** I did not quite get it.

**Jeremy Purvis:** On configuring Scottish Enterprise, or its functions, how much of the support that you have received, or would like to receive, could be provided from any business advisor? Should you be getting support from a business advisor who has expertise and particular knowledge of the cultural marketplace—the creative sector?

**Richard Marsham:** The support should be from a business advisor who has expertise.

**Dave Clarke:** It is useful to get advice from someone who has expertise in how to grow a business, make it more profitable and achieve greater longevity and who also has a thorough understanding of artistic principles and the value of art to the marketplace.

**Neil Butler:** Both kinds of support are important. Ever since I started running my own businesses, every two or three years I have brought in an expert from another industry to criticise, advise and mentor us. After each visit, we have really shaken ourselves up. I have nearly always brought in people from outside our industry because their perspective is valuable. However, creative producing, understanding of funding and bringing together creative partners to do the work that we do requires industry-specific expertise. It would be great to have that taught.

We have been having discussions with Glasgow School of Art, with which we have a good long-term relationship. We would be very happy to participate in training programmes, teach project management and so forth, and we would welcome the opportunity to learn from the high level of knowledge in educational organisations. We would welcome such a two-way relationship.

**Jeremy Purvis:** I put the same question to the previous panel. Scottish Enterprise is currently the link body—it either has the necessary expertise or can call it in, but the contact is still Scottish Enterprise. However, skills and training will become the responsibility of skills development Scotland. Scottish Enterprise might look after the Leith Agency as an account-managed company but not, perhaps, Soma Recordings. Creativity business support will be the responsibility of the new creative Scotland agency, according to the previous panel. Does it matter to you that there will be different bodies? If you had one contact person in whichever body, would that solve the problem?

**Richard Marsham:** What you just described sounds like a bit of a mess. There could be blurred lines between who does what and it would be time-consuming trying to track down who does

what. It does not sound great. Going through a central body that calls in specialist skills when necessary seems to be a more straightforward and clearer structure.

**Neil Butler:** To learn about a business, you would probably talk to its managing director, the chief operating officer or the chief executive. Although that person might not have a grip on every nut and bolt of the business, they would understand the whole thing: the business's position in the marketplace, the nature of the product, its distribution and so forth. Gaining a sense of the whole business would not be encouraged if you had to talk to lots of different organisations in the same area. It is almost upside down for one business to have to go to bodies here, there and elsewhere—which might all be funded by the Government—to get knowledge to apply to the business. That is not how businesses work.

**Dave Clarke:** I agree. It is better to deal with one person who can recommend that you speak to the people that they see every week. It is unclear how the structure will work if the creative people come from an enterprise background. Much of our discussion today has been about that.

**Neil Butler:** The core of this whole conversation is probably about how you relate great business practice to great artistic practice—how to bring the two together. I cannot see how that can be done if we have to go to lots of different organisations.

**Ken Macintosh:** My question is along the same lines. What will be the role of creative Scotland? I preface my remarks by saying that I am slightly confused about that after hearing evidence from the first panel. Just for information, creative Scotland will be formed by the merger of the Scottish Arts Council and Scottish Screen. I had understood that it would also benefit from the creative industries budget, which would be shifted, but I am now none the wiser as to whether that will happen—I am totally confused.

It is interesting that the witnesses have differing levels of interaction with public bodies: some have until recently had very little, and others have had successful interaction with Scottish Enterprise and perhaps more with the new EventScotland and the Scottish Arts Council. What role could the new body play, whether in direct business support or just in furthering a creative Scotland and creating an environment in which your businesses and cultural activity will thrive?

12:00

**Richard Marsham:** I guess that we all share problems in getting people with the right skill sets. I imagine that recruitment is an issue across all the creative industries. Beyond that, it is quite hard to

see a definite role. The three of us sitting here represent completely different businesses doing different things in different ways.

**Dave Clarke:** I imagine that creative Scotland should be a body to which someone such as myself, Neil Butler, or Richard Marsham could go with an idea for doing something that will benefit the fabric of Scotland. I do not see why opera and ballet should be funded but not the modern electronic music that we make, if the people of Scotland would benefit from seeing it, or it would get people to come and visit. It would not necessarily have to have an immediate proven economic impact—it would be more about having a cultural impact—but there has to be an economic value in the long term, which is where I had always seen Scottish Enterprise coming in. If I spoke to creative Scotland about an idea, it would recommend that we should bring in Scottish Enterprise because the idea might have an economic benefit in the future.

Sometimes a thing should be done for the sake of it without consideration of its economic impact, which might be proven anecdotally over the years. The arts should be funded without their having to become a business that makes money like every other business, although Scottish Enterprise's mission is to make businesses and the economy stronger in the future. At the same time, I think that artistic things will, by their very nature, make business anyway. People will want to come to Scotland to take part, but it should not be about selling enough tickets or records to make money.

**Neil Butler:** The key is the vision. What do we really mean by "creative Scotland"? What is creative about Scotland? What is unique or immeasurably important about Scotland's arts and cultural life? That vision should be held very strongly so that creative Scotland can then support activities, irrespective of economics and whether they are self-funding. I always thought that, by definition, the Scottish Arts Council existed to support research and development or to support organisations such as Scottish Ballet that could not be supported by box office takings alone but are seen to be of great value. That seems to me to be relatively straightforward. The big debates within the Scottish Arts Council were always about monitoring the success of those organisations and having the guts to pull the plug when they were not continuing to function at the level to which they aspired.

The big issue is the conversation about what is important, what defines our country and its culture, and how we identify that and ensure that it happens. That is a really important brief: it has to be constantly interrogated, and we should all support it.

**Ken Macintosh:** I thank all the panel members for their answers. We have been discussing creative Scotland for some time now and it is a bit unsettling to find that we are still thrashing out what its role is going to be.

My final question is specifically for Dave Clarke. Half the members of the committee have been at the parliamentary cross-party group on contemporary music and have lobbied for support for contemporary music for a long time. That culminated, at last, in the Scottish music futures fund just over a year ago. It has always been argued that the Scottish music industry should be seen as a business and not just looking for a handout, but it always seems to go beneath the radar of Scottish Enterprise and the other agencies. Colleges and local authorities can be quite good, but the main national agency has not picked it up.

Special pleading for any business or sector has dangers, but I am worried that that fund will not be renewed and that Scottish Enterprise says that it is interested in funding only activities that will expand hugely and whose growth can be measured in the millions of pounds. I am not sure whether creative Scotland will address the music industry, either. What does the future hold for your interaction with the public sector?

**Dave Clarke:** I am not sure. I know just that the fund has been of benefit. As I said at the start, our events company has run at a profit, taken risks and not asked for handouts. The record company has spent well any funding that it has received and we have always ensured that we have grown and developed. In the long run, music could be the most profitable industry in which I will ever work, but it is hard to get a foothold in it. We have had various global successes, but we are still touch-and-go from one year to the next.

Much of the reason for our survival as an independent record company for 17 years has been such funding. Another reason has been that we have an events company and a publishing company. We have sometimes managed to go for years without paying ourselves for releasing records that have started many people's careers. About 50 per cent of our artists are from Scotland and much of our audience is Scottish. People have been inspired to start their own small businesses and we have a do-it-yourself ethos.

It would be a shame if we were under the radar of Scottish Enterprise because our growth was not quick enough to make an impact on the scale that it is talking about, or if our activity was not seen as being an art that needs to be supported because we are contemporary. In years to come, the contemporary electronic music that we do will be seen as equally valid to classical music. A lot of composers could become the next Craig

Armstrong—a friend of mine works with him. Craig Armstrong is doing the music for the “Incredible Hulk” movie and he is involved in Los Angeles circles, but he is still based in Scotland.

We have always been adamant that, as individuals and as a company, we will not move to London. It is important that we are supported. Many people have done the same thing and stayed put.

**Neil Butler:** If there was ever a time to support the Scottish music industry, it is now. We ran an annual conference called “MusicWorks” for four years, which identified issues for the future of music and was all about converging technologies through digital technology. The entire industry is confused. If one part of the world—Scotland—that has a good industry, a good history and a lot of talent was supported in identifying the new business models and making them work, that would become an immensely valuable commodity that could be exported worldwide. Despite all the hubris and the difficult times for the music industry, now is a fantastic time for Scotland to invest in its music industry.

**The Convener:** That concludes the committee’s questioning. Thank you for taking time out of your busy schedules to join us. The committee will reflect on your responses and use them to good effect when considering the Creative Scotland Bill.

12:09

*Meeting continued in private until 12:28.*

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