



The Scottish Parliament
Pàrlamaid na h-Alba

Official Report

EUROPEAN AND EXTERNAL RELATIONS COMMITTEE

Tuesday 15 November 2011

Tuesday 15 November 2011

CONTENTS

	Col.
DECISION ON TAKING BUSINESS IN PRIVATE	185
HORIZON 2020	186
“BRUSSELS BULLETIN”	214
INDIA AND PAKISTAN COUNTRY PLANS	224
TRANSPOSITION OF EUROPEAN UNION DIRECTIVES	226

EUROPEAN AND EXTERNAL RELATIONS COMMITTEE

7th Meeting 2011, Session 4

CONVENER

*Christina McKelvie (Hamilton, Larkhall and Stonehouse) (SNP)

DEPUTY CONVENER

*Hanzala Malik (Glasgow) (Lab)

COMMITTEE MEMBERS

*Helen Eadie (Cowdenbeath) (Lab)

*Annabelle Ewing (Mid Scotland and Fife) (SNP)

*Bill Kidd (Glasgow Anniesland) (SNP)

*Jamie McGrigor (Highlands and Islands) (Con)

*Aileen McLeod (South Scotland) (SNP)

*attended

THE FOLLOWING ALSO PARTICIPATED:

Morven Cameron (Highlands and Islands Enterprise)

Professor Pete Downes (Universities Scotland)

Professor Paul Hagan (Scottish Further and Higher Education Funding Council)

Sandhya Kapitan (Scottish Further and Higher Education Funding Council)

Luca Polizzi (Scotland Europa)

David Smith (Scottish Enterprise)

CLERK TO THE COMMITTEE

Ian Duncan

LOCATION

Committee Room 4

Scottish Parliament

European and External Relations Committee

Tuesday 15 November 2011

[The Convener *opened the meeting at 14:01*]

Decision on Taking Business in Private

The Convener (Christina McKelvie): I welcome you all to the seventh meeting of the European and External Relations Committee in the fourth session. I ask everyone to ensure that mobile phones and BlackBerrys are switched off, because they interfere with the recording equipment.

Agenda item 1 is a decision on whether to take items 6 and 7 in private. Under item 6, the committee will consider whether to appoint a reporter to attend a conference on horizon 2020 and will discuss the evidence that we garner from our horizon 2020 round-table discussion. Under item 7, we will discuss two draft reports on the draft budget 2012-13. Is the committee content to take those items in private?

Members *indicated agreement.*

Horizon 2020

14:02

The Convener: Today we have a different format for our meeting: we call it a round-table discussion, even though the table is oval. We are delighted to have you all here. This part of the meeting is scheduled to run until about 2.30—I am sorry; I meant 3.30. I gave you all a fright there. I know that Professor Downes has to leave at 3.30 sharp, so we will ensure that that happens.

I thank all the witnesses who sent in submissions; it is helpful that we have also had submissions from people who could not make it here today. I believe that the submissions have been circulated to everyone.

The format of the discussion will be similar to that of a normal committee meeting. As the convener, I will lead on the initial topics. We will try to generate discussion around the table, but if all contributions are channelled through me, that will give us a better indication of who is saying what and how it relates to the topic in hand. I will announce people's names before I invite them to speak—if I remember them all; I have a handy guide with me—just so that we know who is who.

I encourage everyone to comment on each other's contributions. That way, we will get the best out of the information that we have to share and will be able to develop some of the topics that we need to develop. Members can ask questions of one witness at a time or of all the witnesses at once.

I invite everyone to introduce themselves. I am Christina McKelvie MSP, and I am convener of the European and External Relations Committee.

Professor Pete Downes (Universities Scotland): I am the principal and vice-chancellor of the University of Dundee, and I am also the convener of Universities Scotland's research and knowledge exchange committee. It is in the latter capacity that I am here today.

Hanzala Malik (Glasgow) (Lab): I am a member of the Scottish Parliament and the deputy convener of the committee.

Sandhya Kapitan (Scottish Further and Higher Education Funding Council): I am senior policy officer in research and innovation at the Scottish Further and Higher Education Funding Council.

Professor Paul Hagan (Scottish Further and Higher Education Funding Council): I am director of research and innovation at the Scottish funding council.

Annabelle Ewing (Mid Scotland and Fife) (SNP): I am an MSP for Mid Scotland and Fife.

Jamie McGrigor (Highlands and Islands) (Con): I am an MSP for the Highlands and Islands region, which has eight constituencies. I am my party's environment and climate change spokesman, and I sit on the committee.

Luca Polizzi (Scotland Europa): I am senior executive in research and innovation at Scotland Europa, which is part of Scottish Enterprise. I am based in Brussels.

Aileen McLeod (South Scotland) (SNP): I am an MSP for the South Scotland region.

Helen Eadie (Cowdenbeath) (Lab): I am the member of the Scottish Parliament for the Cowdenbeath constituency.

David Smith (Scottish Enterprise): I am director of innovation and enterprise services at Scottish Enterprise.

Morven Cameron (Highlands and Islands Enterprise): I am head of research at Highlands and Islands Enterprise.

Bill Kidd (Glasgow Anniesland) (SNP): I am the MSP for Glasgow Anniesland and a member of the committee.

The Convener: Thank you. I open the discussion by throwing out a question to everyone round the table. The overall question that we are looking at is how framework programme 7 has worked and how you see FP8 working, or horizon 2020 as it has been renamed. What is your organisation's involvement and how do you see FP8 being taken forward within your organisation and within Scotland?

Professor Hagan: I am happy to go first. From the funding council's perspective, it is important that we encourage our higher education sector and our college sector to engage with Europe whenever possible. With the pressure on research council and other funds from the rest of the United Kingdom, Europe offers us a significant opportunity to bring in significant resource. Our experience is that the Scottish universities and colleges are competitive. We have significant excellence in our research base and we have been successful so far in securing funding, but most people in the sector believe that we could be even more successful.

There is a particular opportunity to join up the sector and the industrial base, linking small and medium-sized enterprises with the academic research base. That is an area where I do not think that we have been as good as we might be. The funding council's recent announcement of Scottish Government funding to encourage the engagement of our research pools, which enshrine

research excellence in Scotland, and allow them to work with SMEs to secure FP7 funding is a fantastic opportunity for us.

On FP8, it is a question of upping our game and finding ways in which to support the engagement, exploiting the Scottish research base wherever possible. We need to be more active in engaging with Europe. Scotland Europa has been a tremendous vehicle for us in engaging with Europe and linking things, but we have also had support from the Scottish Government, with the Cabinet Secretary for Education and Lifelong Learning giving us access to the Commissioner for Research, Innovation and Science in Brussels. I visited Brussels with him in February. We would not find it easy to do the work on our own, so Government support is enormously useful.

We also feed into discussions with the Scottish Government and the Department for Business, Innovation and Skills, given the UK's member state status, to try to influence the submissions that go from the UK to Brussels, but we work separately on the Scottish identity within Europe, which is particularly powerful in securing funding.

Luca Polizzi: Following up on what Paul Hagan said, I remind the committee that, as well as being part of Scottish Enterprise, Scotland Europa is a membership organisation. Among our members are the majority of Scottish universities, some of the colleges and the major research institutions. We provided intense support to ensure that there was active engagement in FP7 and, according to the statistics that you can read in the various reports, Scotland is doing well. We managed to get £256 million back to Scotland in the first three years or so. The data does not include the second part of 2010 or the first part of 2011, because the statistics for those periods are still under discussion.

As part of horizon 2020, we started an informal steering group two years ago, including the Government, the Scottish funding council, Scottish Enterprise, Highlands and Islands Enterprise and, through Scotland Europa, the majority of its members, to influence the process. As part of that, we put together a common Scottish response to last May's consultation in a single document for Scotland.

Professor Downes: I will give you a few more statistics that show Scottish institutions' increasing engagement with European funding.

During the period of FP7, funding to Scottish institutions has increased year on year and, during the past two years, there has been an increase of more than 40 per cent in the funding from FP7. In 2009-10, which is the last year for which I have figures, we won approximately £50 million of funding. Those figures can be an underestimate of

the extent to which we both leverage influence over Europe and have access to communities that are garnering much greater funding than that total. That total is the money that comes into Scottish institutions. However, typically, through other programmes, we will be engaged with funding elsewhere in Europe that increases that figure at least tenfold. The degree to which we are engaged is underestimated by that amount, but it is still impressive.

Universities Scotland has assembled a number of case studies of Europe-funded programmes. I will not go through those now, as that would be using the committee's time inappropriately, but they are available for the committee to scrutinise at its leisure. Those numbers are just the tip of the iceberg.

I reiterate Paul Hagan's comments on FP8, which is a huge opportunity for Scotland. An area where we are not performing well in FP7 is engagement with Scottish commercial organisations, especially SMEs. We have a high level of funding of institutions relative to the rest of the UK, but we have a low level of funding of Scottish SMEs, and FP8 is our great opportunity to begin to reverse that. It is often believed that we cannot do anything if industry does not want to engage, but I think that that is entirely the wrong attitude. The issue is translation of the fundamental research, which everybody accepts is truly world class in many Scottish institutions, into commercial, social and cultural outputs. To do that, we need partners, and those partners are often in the commercial sector. The area for real growth is SMEs.

The best examples are often where the SME arises as a spin-off company of the university that is engaged in that process. Although I am not here wearing my University of Dundee hat, I can give you very successful examples from Dundee. The most important thing about that success is that it is infectious. When you have got one, you will start to get more as you learn the process and the company that is engaging suddenly realises that it has found an opportunity to fund its business that it did not know existed beforehand. It also creates a network in Europe that could be a fantastic outlet for its products. Once that catches on, especially in areas where we have good clusters of activity, in the Scottish regions, it will spread like wildfire. Both universities and commercial partners must fully engage in the process, and there are ways in which that can be incentivised through Scottish Government funding. Several mechanisms are already in place, but we ought to explore how that might be assisted.

14:15

The Convener: You have picked up on a issue that I hoped to go into. You talked about how engagement with SMEs can be improved. Have any other weaknesses been identified in FP7 that we should focus on as we have done with SMEs? Are there other weaknesses that we have not picked up on that we can take forward and learn some lessons from for FP8?

Hanzala Malik: One way in which we are failing is in reaching out to minority community businesses. Traditionally, they are not aware of the facilities that are available to them, so reaching out to them is important. I am not sure what mechanisms are available at the moment, but I am not aware of companies from the minority communities engaging. It would be helpful to know whether there is a specific way in which we are dealing with the issue and, if not, whether there is a plan to create a mechanism to draw them into the system, so that we benefit from all the companies that are available. We must keep it in mind that those companies are growing. SMEs in that sector are growing and are reaching a stage where they are not focused on where they want to go next. Assisting them would probably be very beneficial for us.

Professor Downes: I want to make just a couple of points about the question. First, there are still some weaknesses on the university side. You will not find a university leader arguing anything other than that European funding represents our best chance for growth in research activity in the coming period and doing anything other than actively encouraging their institutions to follow that through. Ultimately, it is the academic staff who apply for funding and there are still weaknesses in the engagement of academic staff. The process is longer than it sounds—it is not just a matter of picking up a form and filling it in. It requires prior engagement with Europe, so that is the first thing that must be encouraged throughout institutions.

Secondly, European grant applications consider different criteria from those that we are used to in the UK through the research councils, major charities and other sources of funding, such as the programme assistance for co-ordinating European research—PACER—which helped in that process and was fantastically important. I am sure that the increases that we have seen through FP7 were enhanced by PACER funding. We are all very keen to see such funding continue. It could, perhaps, be reshaped according to experience, but we do not want to see it diminished.

The Scottish proposal assistance fund—SPAF—is an area of funding that was cut out in the most recent spending review. SPAF addressed the issue that I highlighted as

problematic, which is getting SMEs engaged. That fund was specifically designed to help SME engagement and I think that it is rather incongruous to our intent and that of the Government that it was cut. From Universities Scotland's point of view, I would certainly argue that the decision should be reconsidered, or at least that an alternative way to support that work ought to be pursued.

David Smith: I want to build on the points that have just been made, particularly those to do with the longer-term competitive and strategic nature of the funds we are talking about, particularly horizon 2020. It is important that we continue to build on the lessons from and our experience of FP7 and that we ensure from a team Scotland perspective that we build our engagement with the various technology platforms, which have a huge amount of say and influence over what opportunities will become available over the horizon 2020 period.

We must build on our experience of having a high level of Scottish influence and engagement in, for example, the European technology platform on smart systems integration and the strategic direction of sensors in the information and communications technology sector, because that will help us to ensure that we can shape the research priorities and align them with the Government's economic strategy. That is particularly important. We gained a lot of good experience over the FP7 period in doing that, and we should continue to focus on that.

I spoke to Luca Polizzi earlier about the fact that we are updating a map of team Scotland's participation in all the technology platforms. I will be happy to share that updated map once it has been completed. We should use it as the basis for identifying gaps and increasing our participation and influence, so that we have a greater say on the direction of the programmes and can further align ourselves from a team Scotland perspective and secure more of the funding.

The Convener: I think that the committee would welcome that and find it helpful.

Jamie McGrigor: Professor Downes put his finger on the problem. It is incredibly important to have excellent research and development, but if industry does not benefit from it or engage with it enough, we must find out why. I think that it was Winston Churchill who said that it is better to have science on tap than on top. That may not be regarded as relevant, but it is relevant to me and probably quite a lot of businesspeople. The written evidence from HIE notes the difficulty that businesses are having. It states:

"Businesses, particularly SMEs, have struggled with accessing FP funding. They find the application process complex, time consuming and overly bureaucratic."

The documents involved have such an unbelievable amount of jargon and are so full of acronyms that you have to be more or less an expert in European Union jargon to tackle them. However, businesspeople do not have the time to do that.

I believe that that is the crux of the matter. It is vital that our universities are funded well so that we can produce excellent research and development and be experts in various fields, especially in the new fields of renewables and so on. However, if industry does not engage with that, we must do something about it. How do we cut out the bureaucratic process and make things more understandable for the average layperson or businessperson?

Could I just add one more thing on acronyms? Why does FP8 have to be called horizon 2020? Why is it called two different things? It was only when I got towards the end of the papers that I realised that they were the same thing. I have to be honest about this. If you are an expert, you will know, but otherwise it is quite hard.

The Convener: It is a rebranding exercise.

Professor Hagan: The current research commissioner is not keen on referring to the framework programme because she does not believe that the European public understand what it means, but I am not sure that they understand what horizon 2020 means.

As Professor Downes said, the principals are committed to trying to secure more European funding for the research base in Scotland and to build links with industry. The challenge is to persuade academics to do that on the ground. Of the various funding arrangements, PACER and SPAF have helped. The pools' engagement with the European research funding that is available to link with SMEs will help SMEs to come on board with the universities. The latter have expertise in engaging with Europe, which should facilitate matters.

One of the areas that we have to fix is the extent to which Scottish researchers engage with people in Brussels. I can speak from experience in that I spent three years managing a programme in Brussels for the European Commission and would see Italians, Germans and French people every day, but only a limited number of people coming from Scotland. However, if someone engages in that way, they will find that the people in Brussels can be enormously helpful to them in preparing applications and offering them support when there are challenges and problems. Although the bureaucracy is a problem, the situation in that regard has improved dramatically and there are ways in which we can facilitate the process.

The initial engagement with Brussels is critical. Scotland Europa can be central in helping the Scottish research base to engage: it has contacts; it is out there looking for business regularly; and it has been able to facilitate fantastic, productive meetings. We need to use it.

David Smith: That the level of administration and bureaucracy for SMEs is an issue has been widely acknowledged across Europe. Through the work of Scotland Europa in the past year or so, we have held workshops and open consultation sessions in order to put together a Scottish response and set of proposals on how administration could be simplified to increase the level of SME engagement in the framework programmes. We have submitted information to the European Commission; in its response, it invited us to comment on its current proposals to improve and simplify the process.

Sandhya Kapitan: I would like to explain the logic behind the change of terminology. Luca Polizzi may endorse this, but Brussels does not want to call the next framework programme FP8, because three programmes—the build-up of FP7, the European Institute of Innovation and Technology, and the competitiveness innovation programme—are being brought together into something that is bigger than FP7.

On the issue of encouraging institutions to apply for European funding, the purpose of PACER was to assist institutions with developing internal capacity and becoming familiar with all the bureaucracy and red tape, so that in future they would have all the relevant expertise. Now that the pools can apply for funding, we hope that they will be able to build up their capacity as well. However, as you know, the PACER funding is for only five years, and it comes to an end in 2012.

Luca Polizzi: As David Smith said, we have put together three different position papers on simplification, with 45 recommendations to the Commission on how to improve access to horizon 2020. Some of those have been accepted by the Commission and will go through to the new rules of participation, which is a concrete result. Horizon 2020 will be much simpler than FP7, so I am sure that SMEs will be better able to engage.

We know that we need to stimulate the participation of SMEs, but we have to be careful about the quality of the engagement—because FP and what will be horizon 2020 are complex instruments and are not for all SMEs. We will have to manage the expectations of SMEs, and to understand which of them can be considered to be research and technological development—RTD—intensive industries and which can be considered to be fast-growth SMEs that could benefit from the programme.

A total of 13.5 per cent of the participants in FP7 are SMEs. We can do better, and we are working on that, but we are not far from the European target of 15 per cent. At the moment, the European average is 14.5 per cent. We focus on the quality of engagement—on SMEs that are key for economic growth in Scotland.

14:30

A weakness in the academic sector is the reduced number of leading universities in applications. Scotland's universities are doing well, but they tend to be partners rather than lead, and that is having a negative impact on the overall economy. We can do work on that. We are supporting a much more leading approach. Simplification would surely help to encourage universities to lead.

On minority engagement, FP7 contains a capacities programme, and there is a sub-programme to support the engagement of local actors in different areas. In horizon 2020, the capacities element will probably be transferred to the cohesion funds, and it will probably be under the structural funds, but that has yet to be agreed at the European Parliament.

The Convener: We are going to have a round-table discussion on structural funds.

I want to bring some members back in, as they are queueing up. We will start with Helen Eadie.

Helen Eadie: I have listened to Professor Downes and other contributors and I am interested in the European Commission's green paper on FP8 and the briefing papers. Obviously, a key area in the green paper is

"Strengthening Europe's science base and the European Research Area".

The green paper makes a criticism, which has already been kind of commented on. Members of the panel might like to expand a little bit on what has been said. The green paper says:

"Europe's science base is among the most productive in the world, yet it does not contain sufficient pockets of world class excellence where ground-breaking research results are generated which are able to drive structural change".

Is that due to the point about translation that Professor Downes made? Is it because we are not getting things understood? What is the reason for that comment or criticism in the green paper?

Professor Downes: The reason for it is that it is largely true, but I think that you are asking why it is true. It is quite hard to get to grips with the matter, but it is ultimately about the nature of the research culture in the academic sector. That culture differs from country to country in Europe, but it often tends to be rather egalitarian or towards the egalitarian rather than involving the sharp focusing

of resources on where excellence exists and ensuring a virtuous cycle in which that excellence is promoted.

The counter-argument is often put forward that, if that focused approach is taken in extremity by a funding council, for example, opportunities that could not have been predicted in universities or for individuals who are not in the elite area will never occur, but that is a fallacious argument. In the UK, we must increasingly selectively fund the very highest-quality research and constantly promote the idea of great ambition on world-class terms in what we do. We need that culture, and I believe that the funding council is moving significantly in that direction against the obvious opposition to that. Paul Hagan might want to comment on that.

My argument does not preclude the idea that pockets of excellence arise where they are not expected. In fact, life sciences in my university are a classic example of how that has occurred, but that is an institutional issue. Universities are autonomous institutions, although that has been questioned recently. That allows us to move our money around, and our overall budget allows us to identify in our own institutions where we think excellence has arisen that has not yet been recognised through the funding mechanism. We have ways to do that.

The key is for the instruments of funding through Governments and funding councils as well as specific research funding through research councils, charities and so on to constantly emphasise excellence and ambition in world-class activity. That is the solution.

Professor Hagan: I think that Pete Downes knows that I agree whole-heartedly. We are a small country with limited resources and if we do not back the very best—that is where the research excellence is—we will not compete in the UK or on the international stage. If we are serious about world-leading research in Scotland, we have to back it to the best of our ability.

Annabelle Ewing: I will go back to what we talked about first—the engagement of business. Professor Downes mentioned that, not in the capacity in which he is giving evidence but in his capacity as somebody who knows what is going on in the Dundee scene, he felt that the University of Dundee had been more successful in engaging business. What is Dundee doing that other places could learn from?

It seems from the comments that have been made that part of the problem is that there may be awareness that there are funds out there, but there is no bridging of the gap between a general loose awareness and concrete thinking about the relevance of that to somebody's business. Since Scotland is an exporting nation, what role do trade

bodies have, for example, in thinking about Brussels and the fact that funds are out there and potentially available? It seems that the culture of not applying or not considering applying may be the biggest problem. I presume that there are ways in which we could help businesses if they were engaged. As Professor Hagan said, it is a question of engagement. What are your thoughts, collectively, on those points?

David Smith: I am happy to take the general question. We have undertaken a great many awareness-raising events over the past three years, which have engaged more than 700 SMEs across the country. As you rightly pointed out, we have increased the overall level of support and advice that is available to companies through an expanded presence on the ground from Scotland Europa, the Enterprise Europe Scotland network and colleagues in Highlands and Islands Enterprise. That has helped to increase companies' interest, engagement and willingness to engage to the point where we now have a pool of between 400 and 500 companies that have the capacity and have expressed the ambition to be regularly involved and to apply for calls under the present programme, framework 7. That is important progress and we have learned a great deal from our engagement and our work with those companies.

Paul Hagan had an earlier question about what we can do to help with knowledge transfer mentoring, particularly from our educational bodies or institutions, which have a great deal of experience of successfully applying for and securing funding from programmes and are familiar with the application process. As he pointed out to me before the session and on a number of occasions previously, once you have a bit of experience of what is required, it is about staying the pace, investing time and understanding the importance of following the instructions, which can be quite lengthy and initially daunting. Working to transfer more of that knowledge to our SME base helps to build SMEs' ambition and capacity to take more advantage of the framework programmes.

Morven Cameron: Another approach involves clustering in some sectors in the Highlands and Islands. For instance, our marine renewables sector and our telehealthcare sector are taking a slightly different cut of the cake. We are looking at the businesses in those sectors and trying to determine what research infrastructure we require to support them.

As well as trying to encourage small businesses in the Highlands and Islands, help them and hold their hands as much as we can, when we get their interest—which takes a bit of time in the first place—we consider how we can help small groupings of two or three small businesses to

engage with the appropriate university or the programme itself. However, that all takes time and effort and it is a big ask for the typical small business in our area.

Annabelle Ewing: I would like to return to the question about the University of Dundee. I appreciate that Pete Downes is not wearing that hat, but I ask him to comment from his knowledge of Dundee. If good things are happening there on the commercial and academic sides, other parts of Scotland would be interested to know what they could do to promote such activity.

The Convener: Tell us your secret, Professor Downes.

Professor Downes: If I must speak about Dundee, so be it. The other day, I had just come back from India and was asked about how we go about creating a research culture. I talked a lot about a research culture that is properly connected in the way that we are talking about.

Many people ask me what the University of Dundee's secret is. The first thing that I say is that we do not have a strategy. We make use of opportunities and build strategy around opportunity. That is critical, but it is not the same as the culture that creates the connectivity out into the real world. The real world is not just industry and the commercial sector; it is what matters to the social environment in Dundee and what happens to the development of cultural activities. For example, the Victoria and Albert museum project is as much as anything an output of recognising the links between our academic activity and the society in which we are engaged.

Right from the start—from the inception of the university in the late 19th century—we have had a specific role of driving and developing many elements of the city that founded us. That has run throughout our history and, I am pleased to say, successive principals have adopted it. I stand on their shoulders and I do not think that I am necessarily doing anything particularly different. However, we are driving that culture in new and interesting ways.

That is most manifest in the biosciences. We have talked about global research strength. We have that in the biosciences in Dundee and, through the linkages that are created by the pooling of life sciences through the Scottish universities life sciences alliance, we have world-class biosciences in Scotland. There is no doubt about that. The criticism that we do not have enough world-class research does not apply to life sciences in Scotland, particularly Dundee.

We could say that such areas of research are all right because they are strong academically, we can get funding from all the usual sources and we can bring in millions of pounds a year to create

great research buildings and bring the best scientists to the university, but that is not enough for the University of Dundee—it is not enough for me—because we must see that it has an impact.

Our core business is to do fundamental, basic research. There is a lot of argument that we should do more applied research, but that is the wrong solution. The right solution is to connect the fundamental research to those who can apply it, which includes applied research institutes—the James Hutton Institute is one such institute with which we work a lot, because it can apply our fundamental research. It also involves creating partnerships with the commercial sector and the cultural sector, for example, because they want to apply new research and they need efficient access to the new knowledge that our fundamental research generates.

Creating partnerships to do that is the only way that I know of locking the investment that we make in our universities into outputs in the nation that made that investment in the first place. Normal academic outputs—publication—do not do that. Especially now, in the global communication age, the world gets that information at the same time. If we look at the scale of activities here and compare it with that in India, from where I have just returned, or in China, where I was a few months ago, we can see that publication will not help us. It gives us reputation, which is good, but it does not lock the investment that we make into economic development in Scotland.

The partnerships that I have talked about will lock in that investment. That is why we have to focus our attention on them and why the emphasis in EU funding is always to link a programme to SMEs and other forms of business. The universities have to play their part, and we have to do our work in bringing businesses into our own proposals and not rely on the business community coming from the European components—the non-Scottish components of the European consortia that we are engaged with.

14:45

The universities have to be proactive, which takes us back to Jamie McGrigor's point. The language in the system is difficult, but we just have to learn and translate it so that our industrial and commercial partners are not fazed by the difficulty. We can interpret the language and help them through it. The successes that we have had are primarily with our own start-ups, because we already have such a connection in place. The step change is that we have to go out and seek partners from among the community so that we can help them to get access to funding.

The Convener: So the city of discovery is well named.

Professor Downes: We are now, “One city, many discoveries.” Just to make sure that the brand is clear. [*Laughter.*] Anyway, I will not say anything more about Dundee—back to my other hat.

The Convener: I will come back in on Jamie McGrigor’s point. I agree that the language is difficult. I used to run a European-funded project, when the system was not online and the monitoring papers for each quarter were much thicker than the papers for today’s meeting. We just had to work out the formula, and once we did that we could get through the next few years. Then the formula was changed, and we had to learn it again. Everything is a learning curve.

Bill Kidd will pick up on some of the same aspects and then move the discussion on.

Bill Kidd: We received a written submission from WoSCoP—the West of Scotland Colleges Partnership. It has a number of interesting things to say, one of which is that only one of its member colleges has managed to access funding through FP7. One reason for that is that

“the structure of the existing Framework Programme is unduly complex.”

I know that Luca Polizzi has said that there were ideas to address 45 different aspects of the programme—that shows how complex it is—and that some of them have been taken on so that horizon 2020 should provide greater ease of access.

From what Professor Downes said, I was wondering about co-operation not only with SMEs but with further education bodies. With a partnership throughout education that is linked into business, commerce and industry, would it be possible to formulate some form of structural approach that would ease the access route so that some of the less experienced or smaller institutions could piggyback on the back of some of the more successful and larger institutions? It was mentioned earlier that we should promote the excellence of the research and development in Scottish universities, but the excellence could be enhanced if we took on board all the different aspects and contributions that could be made. Could some of the organisations that have not been successful under FP7, for whatever reason, be encouraged through support from those that have been successful under FP7 as we move into horizon 2020? I hope that that is not too long a question.

Professor Hagan: It is a challenge to do that. Our universities and colleges are different entities, and the challenge for accessing research funding

is that our colleges do not have a strong research base. They often have close linkages with local businesses, with business engagement in the training and skills agenda in particular, but it is difficult to fit that into the context of what is meant to be an excellent research framework programme activity.

There is a challenge there, and that challenge will remain with horizon 2020. We are encouraging our universities and further education colleges to link up wherever possible. We have just funded a training and skills activity that will cross the colleges and universities and there may well be other opportunities to do that. However, I am not sure that the colleges themselves bring to the table the strong research base that could easily fit within those programmes.

Bill Kidd: I know that colleges do that sort of thing. Anniesland College, in my constituency, has been successful in working on the development of skills, with the aim of putting into practice a lot of the research that comes from universities. Is that a possible route through which funding could get to a lower level of the programme?

Professor Hagan: Luca Polizzi would have to advise me on the appropriate programme in Europe. I do not think that you would be trying to source that funding from the framework programme for research, but there might be other programmes from which it would be possible to harness expertise and secure resource.

Morven Cameron: The University of the Highlands and Islands is a regional university. It is very new—it achieved university status only in February. It does not have a good track record to date in terms of accessing European funding; it has not yet reached maturity in that regard. The type of challenges that were raised in connection to the colleges apply to UHI, too. Professor Downes talked about the challenges that are involved in linking world-class—or, at least, good—research with businesses in the locality and the wider region, and we face similar challenges with our university, which is also a partnership of colleges. We are keen to develop the capacity for that, perhaps through structural funding, but we need to find ways of helping to bring the new kids, as it were, up to scratch in terms of accessing the FP7 funding. Paul Hagan and I often discuss how we can help to make that happen.

Luca Polizzi: It is true that FP7 is not designed to be a programme for further education colleges. The distinction between further and higher education applies in the UK in particular, not to any other countries across Europe; that creates some confusion around the question of which instruments are available for whom. However, the colleges that have a strong research capacity can apply, and there are some success stories. For

example, some of the colleges that are parts of UHI have been successful with regard to a number of projects, especially in the area of marine science and biofuels. Now that they are part of a university, the project capacity will improve thanks to the support to the research dimension in certain key areas.

There are instruments that can support access. The capacity programme in FP7, which I mentioned before, provides the capacity to engage, and there are other programmes that can be applied for at the European level by further and higher education institutions, such as the lifelong learning programme, and at the external European level by further education institutions. In horizon 2020, there will probably be less space for that capacity support because the Commission is looking to support that capacity more at the regional level, through the structural funds. Taking the time to reflect on how to use the structural funds could help to narrow the gap and support engagement for further education in horizon 2020.

The Convener: We will be holding a round-table session on structural funds, to which we hope to invite representatives of the colleges, so we can talk to them about that then.

Helen Eadie: I want to come in on that point, in the context of the paper that we received from the Finnish embassy. I do not know whether other members or visitors have read it, but I was interested to read that:

“One of the reasons for Finland’s success is that the help desks and counselling services regarding EU’s funding programmes are well organized and easily achievable in Finland.”

Can any of our visitors comment on how Scotland’s approach compares with the type of approach that Finland mentions?

The paper goes on to state that the service

“provides convenient means for people, who are either involved or otherwise interested in EU’s funding programmes, to gather information and learn more about the programmes.”

Is there something like that in Scotland?

Jamie McGrigor: I think that there used to be.

Luca Polizzi: Finland is a specific case because it supports a strong thematic approach. It provides support according to the different themes in a more coherent way, whereas we try to combine a thematic approach with more general cross-dimensional support. We can probably intensify the sectoral dimension and learn from good practice elsewhere. We are starting to do that in Scotland Europa and Scottish Enterprise by considering different thematic approaches to boost support.

David Smith: The European Commission has placed a strong emphasis on horizon 2020 and the importance of smart specialisation, with reference to the term “smart specialisation platforms”. In essence, that describes a focus on excellence and on developing research that will help to address some of those important societal challenges—which can be compared with the Finnish challenges—that the European Union faces.

In many ways, the link to the Finnish approach is that Finland has chosen to organise its support along thematic or sectoral lines. We have an opportunity to build on our approach and our excellence in research pooling—with regard to the work of the different industry groups and advisory boards, for example—to help to develop our specialisation and our smarter approach, so that we can compete even more effectively on the horizon 2020 platform.

Professor Downes: I want to follow up on Luca Polizzi’s comments. Scotland Europa is the nearest thing that we have to what Helen Eadie asked about. Universities Scotland certainly believes that Scotland Europa is very effective, and we strongly support the initiatives in which it is engaged. It works on two fronts: selling the Scottish brand in the European context, and providing the type of advice that encourages people to engage and makes them aware of the programmes that are available and of what is appropriate for which organisations.

The next level, beyond knowing about what is available and what one might apply for, involves the process of application and getting networked appropriately. I have already mentioned PACER, which is one of the things that has contributed in that regard. Sandhya Kapitan said that that was a five-year programme, and the idea is that once we have created the skill base through that process, we should be able to do all that. There is some truth in that, but there is an on-going element too. Regardless of how much the process of application has improved and the bureaucracy has been reduced, the process will still carry an additional burden for universities.

To apply our own experience in Dundee generically, we saw a sixfold increase in our funding from framework programme 6 to FP7, which coincided with our putting in place an outsource agreement with Neil Stewart Associates to support us through the application process in particular. The difference is like chalk and cheese. That support makes a huge difference, and it is not just that the company helps us with our success rate. Academics in Dundee are more disposed to apply for European funding because they have that vehicle that gives them the support that they need; they do not feel as if they are dealing with jargon that they cannot understand.

I accept that PACER might have been an injection of funds to get us up to speed, but there is a need to keep that going. I could easily accept that PACER would not be the way to do it, and I have suggested in other forums that we might do it through research excellence grant funding—the core funding from the funding council that supports our research infrastructure in universities. A simple way to do that would be to tweak the formula for funding so that it gave more funding for European-funded projects than for UK-funded projects.

15:00

The Convener: Is your question on the same point, Hanzala?

Hanzala Malik: It is partly on the same question. Paul Hagan commented on engagement. Is the British Council engaging by promoting the Scottish badge and encouraging inward investment in Scotland from Europe?

It is becoming clear to me that there is quite a lot of fragmentation, with people pushing in different directions. We all have the same ultimate goal, but we are not quite joined up. I wonder whether there is room to create a body that would bring us all together and ensure that we are effective. If a university bids for an application, it is not in its interest to share that information with other universities because it is bidding for a particular pot of resource. We have the Scottish Further and Higher Education Funding Council, Scottish Enterprise and other agencies investing in colleges and universities—because colleges are competing with universities as well—and we need all of that to be joined up. The Scottish Parliament is keen to encourage that development effectively; we will have an effective regime only if we are joined up ourselves. Can you guide and advise us on the way forward in bringing that together?

Professor Hagan: I will comment first on the British Council. The focus of the British Council is principally beyond European boundaries, so we would not look to the British Council to drive our engagement with Europe.

In terms of alignment within Scotland, we have made significant progress in joining up our institutions through the research pools and allowing them to prepare joint applications and to present a Scottish front whenever that is appropriate. That is working effectively and, over the past few years since pooling was instigated, there has been a change in culture and the level of collaboration. There has also been a significant change in the alignment of the Scottish funding council, Highlands and Islands Enterprise, Scottish Enterprise and the Scottish Government. We have come together to ensure that we join things up for Scotland whenever that is appropriate.

We have different funding mechanisms and different governance, but we all have the same clear message on European and international engagement, and we take a team Scotland approach to delivering success for Scotland, promoting our research base, maintaining our excellence and being world leaders in what we do. Alignment already exists and that message is now embedded.

I have regular meetings with Highlands and Islands Enterprise, Scottish Enterprise and the Scottish Government at which we sit down together and talk about what we are doing. We also have regular meetings with the institutions to try to align and support our activities. I am not sure that I support the idea of there being a separate single body that would do that: the alignment that already exists is how we should harness the expertise and the funding that are available in order to get the best benefit for Scotland. Our engagement with Scotland Europa—we are all engaged with Scotland Europa—is a real catalyst in helping us to pull that through.

Hanzala Malik: Okay. If you are that confident, can you back it up with figures to show how successful Scotland has been compared to other parts of the UK in attracting funding to assist us in that process?

Professor Hagan: I suspect that I will be able to find those figures; the Scottish Government probably holds them. I will take your question away and try to find some supporting evidence.

In securing funding from research councils and others, Scotland normally punches above its weight, which reflects the quality of Scotland's research base. Although our figures for Europe are not dramatically better than others', I think that we are in a strong position. There has been a significant change of culture in Scotland, and a willingness to join up and to gain added value from our combined efforts.

Helen Eadie: What about input from elected members? Some politicians in the Scottish Parliament are engaged with European countries. Could that be captured and used? Some politicians may have links with Scandinavian countries while others may have links with central European countries. Those special interests and connections might enhance the work that people around the table are doing.

Professor Hagan: I suspect that that resource is underexploited. We generally depend on academics in the research base making contacts and links across Europe, and on Scottish Enterprise and Highlands and Islands Enterprise. That message is an important one for us all to take away—unless someone can tell me of a different experience.

David Smith: Opportunities arise continually for us to do more of that kind of work. As was said earlier, we have to keep raising our capabilities and ambitions in relation to the global market.

Helen Eadie: You mean by taking a team Scotland approach.

David Smith: Yes. We cannot remind ourselves often enough that horizon 2020 is a competition; it is about how well Scotland, as a whole, can compete for funding. We must use every avenue that is open to us to connect up all Scotland's capabilities and relationships. We know from the European innovation survey that a relative weakness of ours is in our ability to collaborate effectively at the highest levels. We must, for example, use the work of enterprise Europe Scotland, and the different connections of the research pools. Social media will be increasingly important; we can make connections across Europe and around the world with the aim of having a globally better-connected Scotland.

Professor Downes: I have a one-sentence contribution: I can be competitive for Dundee or I can be competitive for Scotland, but when it comes to pooling our expertise in order to be more successful in accessing European funding, we all have to be competitive for Scotland in the game, and I think that most university principals would acknowledge that.

The Convener: The committee will welcome that view. I want to pick up on Helen Eadie's point. The committee has two resident experts: Annabelle Ewing, whose question we will hear next, has a background in legal services in Europe that the committee appreciates. Aileen McLeod—

Annabelle Ewing: Aileen is a real expert.

The Convener: Yes—we always defer to Aileen's greater knowledge in such matters. She will raise points in the final part of today's round-table discussion, and will perhaps take us into avenues that we have yet to explore. Annabelle will come in first.

Annabelle Ewing: The issue that I want to raise follows on from the previous conversation and introduces a slightly different element. It has been great hearing all the good ideas from round the table, and it is clear that you all work together extremely closely, which is heartening. Given my lineage, it has been great to hear about the team Scotland approach—especially on the international stage.

What is the UK Government's position on the UK research pot? The UK is the member state in EU-level negotiations: UK representatives have the ultimate say and, apparently, are the only people who are allowed to speak at Council meetings.

What we are talking about is great and I would like to see a lot more of it, but how does the UK dimension impact on your approach and your work? We talked a minute ago about Finland, but of course it is a member state and has all the attributes and powers of a member state, whereas we are where we are, at the moment. That is an important issue to consider. How does it impact on the debate on horizon 2020?

Professor Hagan: There is a challenge for us but, through the Scottish Government's support through Scotland Europa, we have been able to access Brussels, the European Commission and European influence directly from Scotland. It is really important that we continue to do that.

We have also had the opportunity to feed into the UK perspective through the Department for Business, Innovation and Skills—BIS. There is currently a consultation on the European research area, and I have sat in teleconferences and in London with people from BIS and the Scottish Government trying to influence decisions about the submissions from the UK to Brussels in order to ensure that a Scottish perspective is represented, that Scottish interests are protected and that the best practice in many areas in Scotland is conveyed to Brussels in the hope that it will influence what Brussels proposes to the rest of Europe.

There are a couple of good examples of that. One key example is the interface programme that we, Scottish Enterprise and Highlands and Islands Enterprise fund. It allows small and medium-sized enterprises to access the academic research base in the whole of Scotland. We have taken that model to Brussels to say that it is potentially valuable for the whole of Europe.

We work hard to ensure that our voice is heard through London and directly in Brussels. We must continue to do that. I do not want to put too much pressure on Luca Polizzi, but he has a critical role to play in that.

Luca Polizzi: Obviously, we have to work within the current constitutional setting. When it comes to FP7 or horizon 2020, everything is based on research excellence and money is attributed on the basis of competition, regardless of whether stakeholders are based at the regional, local or national level. That is the case for all Europeans.

We noticed over the years that it was important to improve our relationship with our colleagues in Brussels and in the United Kingdom permanent representation to the European Union, and to increase our presence at the regular meetings in London for framework programme co-ordination. That relationship has proved to be beneficial because we now can access many statistical data that were much more difficult to access before. We

are working with colleagues in Brussels on a number of different dossiers, which was not so easy before; there has been much improvement.

Aileen McLeod: I will pick up on one little point from Annabelle Ewing's question. The European Parliament now has co-equal power with the member state Governments and the Council on the framework research programmes. We need to engage with not only our Scottish MEPs but the MEPs who are on the Committee on Industry, Research and Energy because it will play a key role in the horizon 2020 negotiations. I flag up to the other participants in our round-table discussion that they should not forget about the European Parliament because it will have an important role to play.

15:15

I want to move the discussion on and ask about the horizon 2020 proposals. We have seen, from various drafts, that they are likely to focus on three areas: first, raising excellence in the science base through, for example, the European Research Council and the Marie Curie actions from framework programme 7, which have been a success, and European research infrastructures; secondly, tackling the major societal challenges, such as climate change, energy supply, food security, health and demographic change; and, thirdly, the creation of industrial leadership and competitive frameworks.

Are those the right areas to focus on? Will focusing on those areas enable Scotland and the EU to achieve the 3 per cent target for investment in research and development funding?

Professor Downes: Wearing my Universities Scotland hat, I can tell you that universities in Scotland have been consulted widely on the matter, and we have submitted our own papers.

On your specific points, we strongly support the Marie Curie actions, which are important for mobility of expertise. We find that many recipients of European Research Council support in Scottish institutions turn out to be overseas nationals, many of whom have come here as a result of Marie Curie actions. There is great synergy between those two aspects.

We are very supportive of the ERC. The question comes back to the point about how we drive global excellence rather than just a good general standard. The ERC is the first European-level funding agency that works on the same grounds as our research councils to support excellence and drive up standards. The synergy between its work and the Marie Curie actions is important for Scotland.

We are also generally supportive of the grand challenges agenda. Many Scottish universities and UK universities generally—ours included—are beginning to frame their own agendas in terms of grand challenges, relevance to society and other similar issues.

We caution that a balance must be struck between preselecting challenges and allowing for new challenges and new research space to arise and to be supported as and when it arises. One of the biggest challenges in supporting research effectively and being a global leader is to recognise something that you have got that others have not. That is not something that is usually second-guessed by a strongly thematic agenda. There must be balance between those two elements.

Joint programming will play a part in horizon 2020. That has some advantages, as it effectively creates a critical mass of funding by linking European funding to national funding streams, but I caution that there are dangers because the national schemes may well be the ones in which some of the new things emerge. If they are shaped too much by a thematic European agenda, there may be problems. We are positive about most of the proposals but sound a note of caution about taking some of them to extremes.

Aileen McLeod: I was going to ask you about joint programming, because the Universities Scotland submission alludes to it. How could the joint programming initiative help us to increase our uptake of the framework research funding?

Professor Downes: The UK is generally well funded, notwithstanding the difficulties in the past year or two. In the preceding 10 years, there were substantial increases in university funding across the UK as well as in Scotland, with a particular emphasis on funding research. That means that we have a better base from which to support projects if joint programming becomes important. That is our rationale for being generally supportive of the initiative, notwithstanding the note of caution that I raised.

Professor Hagan: The information that the Scottish Parliament information centre has provided identifies that we have huge strengths in a number of the areas, so the proposals do not pose a threat to our research base. In fact, there are considerable opportunities for us to contribute, to exploit and to demonstrate our excellence.

The issue on joint programmes is how they are delivered. We need to ensure that the UK perspective is sufficiently open to allow Scottish engagement, but I do not see a problem there either.

David Smith: The themes make a great deal of sense. Strengthening competitiveness is one that

is particularly close to our hearts. The implementation will be vital, and we want the programmes that are implemented under horizon 2020 to put even more emphasis on—and more support into—getting an impact from our excellence in research and innovation. The theme is absolutely along the right lines.

Tackling societal challenges also makes a great deal of sense, but much of the success will be predicated on how practical programmes are developed and implemented and how we can, for example, use public procurement across the European Union more effectively as a driver of innovation and competitiveness.

Morven Cameron: The key areas that are highlighted by horizon 2020 have been well trailed, and we see them reflected in Technology Strategy Board funding as well. We can see where they have come from and they generally feel right. Some of them are not as directly applicable to our region up north, but the focus on health demographics, wellbeing and food security strikes a chord with our region, our economy and what we are trying to do to diversify it.

Annabelle Ewing: How will horizon 2020 be rolled out in practice? Will a member state or a country get on better if they focus on certain areas, or is it better to take a more general, neutral approach? Will the approach that countries take make a difference to how they access funding? A country may get a reputation in certain areas, and success often breeds success. Is that important, or will it make no difference to how the authorities in Brussels implement the programmes?

Professor Hagan: The key is to be engaged, to get in on the ground floor, to develop the proposals and to deliver on the engagement with the programmes. If someone establishes a reputation, people who are looking for partners for another round of funding will go and talk to them and engage with them. If they maintain research excellence in delivering on the objectives of the programme, they can stay within the European funding framework for a significant period.

As Peter Downes said, the challenge is to encourage that culture of engagement. Some researchers in our institutions are good at engaging. Others respond that the rhetoric is difficult and bureaucratic, but if we get them over that hurdle, they see huge benefits from engagement.

Someone made the point earlier that Scotland is leading on research. Some of our institutions backed away from the perceived risk of running large programmes, but there are examples of programmes being led from within Scotland and being hugely successful. We need to encourage the leadership of those programmes, as that

changes the dynamic of the interaction with the people who make decisions in Brussels. It is important for us to do that.

The Convener: I will bring in Jamie McGrigor, because he is anxious to speak, and then Luca Polizzi.

Jamie McGrigor: Thank you, convener.

Aileen McLeod talked about areas that we should concentrate on. One of the key points in the Scotland Europa submission is:

“The Scottish Government wants Scotland to lead the world in the development of a low carbon economy.”

Morven Cameron made the point that UHI—which is a new university and is based on a different concept of a university as it seems to have campuses all over the place and no major campus anywhere—is surely in a remarkable location to take the issues forward. I went to the renewables garden in Lews Castle College, which is part of UHI, several years ago, and I was impressed by what it was doing then. I would be interested to know how much of the FP7 money it managed to draw down, given that a low-carbon economy is one of our real targets.

I do not know how to put this in a nutshell, but in the 1960s we were leading the world in renewable energy. Our hydro schemes, over which Tom Johnston had presided, were the envy of the whole world. I do not know where the money came from. It did not come from Europe in those days; it probably came from the UK. We then discovered oil, so all that went out the window, and we allowed other countries, who did not have oil, to develop. Denmark and Germany, for example, ended up being the leaders in low-carbon technologies.

There is a bit of a paradox at the moment. Here we are saying that we want to lead the world in a low-carbon economy, and yet virtually every single turbine and wind tower is built abroad—although some of the wind towers are certainly assembled here. We are not leading in a way that allows our population to benefit.

Given that we are playing catch-up with renewables, should we be buying the technology from other countries and foreign companies or should we be trying to get our universities, through research and development, to make us leaders again?

The Convener: Luca, do you want to address the Scotland Europa side of that? Morven Cameron can maybe then address the rest of Jamie McGrigor's question.

Luca Polizzi: As Aileen McLeod said, the European Parliament now has a different role, with more power. The second phase of the steering

group's strategy will be about tackling the Parliament in a more direct way. That will be part of the future development plan for the influencing approach that we are taking forward.

If we look at the contributions that we got from universities, the majority of our members and a number of stakeholders across Scotland, we see that the structure is going in that direction. There is a strong focus on the European Research Council, frontier research, mobility and the international co-operation dimension. We see that there are some interesting coherent approaches.

David Smith mentioned the procurement approach. There is also the proof of concept approach, which is a typical Scottish approach in supporting actions and which Mr Russell presented to Commissioner Geoghegan-Quinn during his last visit to Brussels. There are new elements in the proposals that are based on good practices in Scotland.

On sectors, it is always very difficult to detect how much we can influence things in Brussels when we are competing with 27 member states and 350 regions, but if we are not there to engage we will have no impact at all.

FP7 had a very limited emphasis on marine research and technologies. In FP8 an entire chapter is dedicated to geothermal, hydro and marine energy sources. That is surely an area where we actively contribute to shifting the emphasis. That probably also answers your previous question.

Morven Cameron: I will touch on the relevance to the Highlands and Islands. Perhaps Paul Hagan or David Smith can touch on the Scotland-wide opportunity within marine renewables.

We have had to invest about £4.95 million in Highlands and Islands research capacity in marine renewables to try to bring some of it up to a better level. The challenge that I see for the whole of Scotland is to connect what is going on in marine renewables in the Highlands and Islands with what is going on in the rest of Scotland, which is quite superb. In many ways we are seen as leading in marine renewables.

15:30

I remember a workshop that Mike Russell held, which was attended by Aquamarine Power Ltd. It was basically knocking down the door in Brussels. In fact, it did not have to do that; the door was wide open for it to come in. People in Brussels said, "Tell us about this. This is new to us. You tell us how we want to structure programmes." It is a matter of influencing right at the heart of Brussels and of people looking to Scotland to have an influence.

Our region wants to benefit, but the legacy will not necessarily be the manufacture of turbines in the Highlands and Islands. I think that there will be a strong legacy from the excellent research, particularly—from our perspective—in the environmental impacts of marine renewables. That is where our science is up north, although it links with what is going on in the University of Strathclyde, the University of Edinburgh and Heriot-Watt University in the central belt.

Scotland is also seen as taking a real lead in the UK-wide development of technology innovation centres. There is a lot to be really excited about, but it is a matter of getting a Scotland-wide approach.

Paul Hagan or David Smith might want to add to that.

Jamie McGrigor: You have made a point that I did not come on to. We are probably leading in wave and tidal energy, but there is a lot to be overcome to develop that commercially. It must be the case that the University of the Highlands and Islands and Scottish universities in general are best placed in that respect, as we are surrounded by sources of such energy. We are right in the centre of them, in particular in the Highlands and Islands. We should draw down money for research and development in that field as quickly as possible, as there will be a mad race to win that prize. Are we doing that?

Morven Cameron: That is a good question. UHI's capacity to do that is still a little limited, but it is looking at the regions of potential fund, which would help to grow its capacity. I have on-going dialogue with it, and I know that that is the kind of programme that it is looking towards.

For UHI to carry out that work, it would need to partner Heriot-Watt University, the University of Edinburgh and the University of Strathclyde. It is about ensuring that we have a cross-Scotland approach and not the competitive element that we know can sometimes get in the way of the right decisions being made for Scotland. It is about trying to create partnerships and make things better.

The Convener: I am conscious of the time. We said that we would finish the discussion at 3.30. Now is your chance to raise any pressing points or anything that we have missed—any glaring omissions or hot topics that we have not touched on.

Professor Hagan: The Aquamarine Power example is very good, as the message from people in that company is that going to Brussels and engaging directly pays huge dividends. We need to ensure that our research base has direct engagement with officials in Brussels. Again, Scotland Europa is the key to that door.

The Convener: On behalf of the committee, I thank all the witnesses very much for coming along. We have found the discussion to be very informative. It has given us more questions and avenues that we can explore as a committee, and the witnesses have opened up and explained other avenues that we were perhaps a bit in the dark about. I thank them for that. We will no doubt cross paths again, as the committee wants to progress the issues and share the best possible practice to ensure that Scotland punches above its weight. Please keep in touch with the committee; we will keep in touch with you.

We will have a five-minute comfort break to allow everybody to get organised and back into their seats in the usual committee set-up.

15:33

Meeting suspended.

15:41

On resuming—

“Brussels Bulletin”

The Convener: Agenda item 3 concerns the “Brussels Bulletin”, which, as always, has been compiled by Ian Duncan. Do members have any comments?

Bill Kidd: We are all aware of the issues around the euro zone. Ian, do you have any knowledge of the situation with regard to France? If Italy is too big to fail, France is considerably more so. If France is being targeted by the markets—I do not know why or how the markets benefit from that—would it make sense for France to have a go at taking the action that has been suggested, or would it back off at this stage?

Ian Duncan (Clerk): That is the million euro question. It is often said that Italy is too big to be bailed out. Since the resignation of Berlusconi, there has been a slight easing in the markets with regard to Italy. You are right to say that the fund, as is currently constituted, could not support Italy. It certainly could not support France, were France to find itself in a similar predicament.

France's chief problem seems to be the danger to its AAA rating. That is still an issue, and there is every likelihood that that rating may yet be lost, because it is not dependent on speculation in the market as much as on the strength of the banks and the likelihood that they will be able to cope with the various write-downs and debts among the other euro zone members. France may yet experience great problems with its status. If France moves towards anything like the Italian scenario, the euro zone as we understand it would almost certainly be at an end.

Annabelle Ewing: We seem to have been hearing some mood music from Angela Merkel and President Sarkozy about the reinvigoration of the decades-old idea of l'Europe à deux vitesses—a two-speed Europe—which was discussed to a great extent at the time of the Delors plan, when economic and monetary union was coming into force. Are those two countries simply flying a kite, perhaps for market purposes, or is there any substance behind the idea that we might have a two-speed Europe?

15:45

Ian Duncan: That is a good question. Eurocrats always liked the idea of a two-speed Europe as long as Britain was in the second speed because, some would argue, that allowed things to happen more efficiently inside the core countries. The reality now is of course different and Britain is not a factor, in a sense. Eurocrats are preparing for

every eventuality. I will mention some of the more testing aspects. Angela Merkel's party has begun to explore how individual member states could be eased out of the euro zone, which is a huge step from where things were even two or three months ago. There is a strong division between the member states that are talking about the reality of Greece or Italy, and President Barroso, who is still talking about the European dream and saying that everyone can be in it together and it need not be a two-speed Europe.

One big issue is that, before each of the Councils, we are witnessing a move away from bilateral discussions. There is a real polarising between those who are inside the tent—the euro zone—who are always talking together, and those who are outside, wondering what is going on inside the tent. There is far more debate within particular groupings. I am not sure whether there are different speeds, but they are certainly different focuses.

It is a serious concern that the euro zone might be an engine for that two-speed movement. Greater decision making would reside in that heartland, which would have implications for the non-euro zone members. How would those members influence the process? That is almost like the situation in which I suspect Norway finds itself. It is almost bound by various EU rules, but it has no voice to influence the EU. What would happen if member states that are not members of the euro zone were outside decisions that clearly have an impact on them through broader economics and funding?

One big concern in eastern Europe recently has been that money that is destined for countries there through structural funds might yet be cleaved off and moved gently towards the bailouts of other member states. That would be taking money from the whole and giving it to the part. That has implications that are a concern to a broad number of countries.

Jamie McGrigor: I understand that the UK's deficit is more than Italy's or Greece's deficit. It is rather extraordinary that the measures to which Italy is being asked to sign up are things that we more or less take for granted in this country. They are simple things. It does not seem to be that hard for Italy to accept the things that it is being asked to sign up to. The measures that the Government there has already signed up to are terribly simple. In Italy, there seems to be a different concept of what is important.

Ian Duncan: I suspect that there is a cultural issue. It is sometimes easy to impose expectations, but to try to change a culture that has grown over generations is probably the most difficult thing to do. When we read about some of the largesse in Greece or Italy, we almost shake

our heads in disbelief and wonder how any country could afford to continue under such rules. However, that is how those countries have functioned. To try to execute a cultural change is difficult when you have plenty of time, but it is nearly impossible when you have no time. The rioting on the streets in Greece shows that, when there is no time to draw a culture into a new world, the tensions can be almost unbearable.

I suspect that we are about to witness something not dissimilar in Italy. Italy is not like Greece, and I am not trying to equate the two, but we are witnessing a reality check there. It is one thing for a Parliament to pass austerity measures of greater severity, but the difficulty arises for the people who are made to bear the burden of the measures. The test not just for the Italian Government but for Italy is whether it can do that. If, for example, Italy pursued a similar route to Greece and there was significant rioting and strikes, the problems that the bailout fund is meant to address and adjust would become all the more difficult because the cultural change would just not be happening.

It must be very difficult and I do not think that we can appreciate, sometimes, the horror stories unfolding in the southern periphery of Europe and what that will mean to people who are planning a future or trying to work out—from the sublime to the ridiculous—how to buy their shopping or how to buy a house. How do you do it when your economy is in such a state of flux? Behind all that is the common-sense approach, with everybody thinking, "Well, I must ensure that I protect what I have." A lot of money is flying from those countries into other areas as people try to get maximum protection for their savings, because the last thing that they want is to have significant savings devalued overnight by exclusion from the euro zone. Your point is understandable: why have they not already done those things?

Jamie McGrigor: Yes, that is my point.

Ian Duncan: I suppose the truth remains that the reason they have not already done it is that they never thought to do it. If we were ever called on to do things that were not in our cultural mindset, we too would struggle with whatever they happened to be, I imagine.

Jamie McGrigor: But that is why we still have our AAA rating, is it not? We have done those things.

Ian Duncan: Up to a point, although I imagine that our AAA rating is potentially as fragile as France's. A lot will depend on our banks and our institutions. As with dominoes toppling over, you are never quite sure in which sequence it will topple on to you. Britain is not significantly exposed to the same euro debt as, say, Greece or

Italy. Were the situation to develop in a similar fashion to Italy, the British banks would be in a serious situation. A lot of this is more to do with confidence, which depends not always on truth but on an impression of truth. You are right: we have an AAA rating. So does France. Whether we hold on to it and whether France—

Jamie McGrigor: We have, but our deficit is greater than Italy's or Greece's, yet we still have an AAA rating. That is the—

Hanzala Malik: Shh.

Ian Duncan: You are absolutely right. The ratings are not always a true reflection of anything other than where things are going, and not necessarily of where they are right now. America lost its AAA rating because although nothing had really changed from one day to the next, confidence in the American style of government to resolve its issues had eroded and dwindled. The same is true in France. France has a AAA rating, but if things move in a certain direction and our banks become unstable, what exactly will France be able to do to address those things? They are being called on in some respects to adopt the Anglo-Saxon model, but I am not entirely sure that the French want to adopt that, any more than the Italians or anyone who is not Anglo-Saxon—

The Convener: No more than they have in the past two centuries.

Ian Duncan: Indeed. If they had wanted to be Anglo-Saxon, they could have done that in the past, but it is not easy to do it now.

Aileen McLeod: I want just to pick up on the points that Dr Duncan has been making. When we talk about what is happening in the euro zone, we can see that there are clear implications for the single market. We must consider the issues of influence between the euro zone and non-euro zone countries and the steps being made towards a closer fiscal union where more decisions will be taken that will impact on our financial services and banking sector. We need to ask what impact that will have on trying to create a single market in financial services.

Ian Duncan: You are absolutely right. It is a potential horror story for financial services, because confidence in the financial sector is probably about as low as it could be. You are witnessing serious problems in that banks are not always as up front and honest about the situation—I am not picking on any specific banks—and issues can often be concealed. There are stress tests that almost all European banks continue to pass until they collapse. They are either not testing the stresses or the stress tests do not mean anything. You cannot have the Dexia bank in Belgium, for example, passing a stress test with flying colours and then, within two

months, flat on its back and being bailed out by other countries.

The EU has a role to play, too, in trying to ensure that it is being honest and transparent. One of the difficulties that we are witnessing is that so much goes on behind closed doors in Brussels. A lot is happening that cannot be seen and fully understood. That can be combined with the fact that there is now a lot of tension inside the Commission and it is feeling put upon to solve the world's problems almost overnight with a limited capacity to do so and expectations that go through the roof. You are seeing a lot of eurocrats struggling to deal with those expectations.

Helen Eadie: I suppose that the difference with Italy is that a lot of the debt is internal because it is debt from the citizens, unlike Greece where it is external debt.

I am a bit concerned about the timescales mentioned in the "Brussels Bulletin" for reform of the common agricultural policy. Although there are not many farmers in my constituency, those farmers that there are have been more vocal of late. You make the point in the bulletin that some member states are particularly worried that CAP reform might increase the administrative burden on them. From what I know of farmers, they do not like the current burden and there are fears that it could get worse.

What is the scope for those farmers to make their voices heard? I am sure that Jamie McGrigor and others will pay attention to your answer because we want to ensure that our farmers are not penalised in any way.

I am concerned that the inequalities will persist in eastern Europe. From the point of view of egalitarian principles, it is a matter of concern for us all because the assurances that eastern Europe had at the beginning are not being fulfilled.

Ian Duncan: In a sense the CAP is the beating heart of the EU. It is the most significant pot of money around. The one important difference between this reform and previous reforms is the role of the European Parliament. Its ability to be a participant in the co-decision process means that we are hearing much more from the European Parliament, which is providing a new forum for farmers and other affected parties to participate in the debate and dialogue. There is a conference coming up on 23 November involving farming representatives in Brussels. That is a significant step forward because it provides another avenue for discussion and debate.

There are Scottish MEPs who have a strong influence in that area. The Rural Affairs, Climate Change and Environment Committee has been engaging with some of them on the issue and intends to engage further. We have asked each of

the Scottish MEPs to provide an update on where things stand now with the CAP from their perspective, which will give us an insight into that side. I hope to have that back in the next few weeks.

On the time line, there is plenty of time if everyone agrees, but nobody agrees. That is the present challenge. You are right—the biggest concern will probably lie with eastern European nations, which feel that they were literally short-changed when they joined, because they joined mid-programme, so they did not get the full share. As you know, the biggest recipient of CAP funding is France. That does not seem to make an awful lot of sense if you see CAP money as trying to raise up a country, especially when you compare France with Romania, Bulgaria or any country in eastern Europe.

There will be a big fight. There will be to-ing and fro-ing between member states that do not want to spend money, member states that want money and the European Parliament, which has multifarious voices arguing for very different things—sometimes specific items and sometimes broad issues.

This is make or break for eastern Europe. They feel that they did not get a proper deal the last time and this time they want to ensure that they do. It is also make or break for France because France wants all the money that it can get out of this, and Sarkozy does not want to have his anti-Thatcher moment, when he loses all the things that he has. He wants to grab hold of the CAP and get as much money as he can.

Helen Eadie: The commentary in the “Brussels Bulletin” about the social business initiative is really interesting. How can we help to promote that? This the first time that I have been made aware of the initiative and I feel heartened by it. I should say that my entry in the register of members’ interests includes my membership of the Co-operative Party. I think that there is cross-party support for supporting social enterprise. I would like us to think about what we as a committee could do to promote that message.

The Convener: I have a question that is linked to that. I see that there is huge emphasis on transparency in the initiative. The “Brussels Bulletin” says:

“The intention with the review is also to prevent investors from secretly building up controlling stakes in listed companies (‘hidden ownership’), which can lead to market abuse and lower investor confidence.”

That links back to my question about the euro zone.

One thing that bothers me about what has happened in the past few weeks in the euro zone is the impact that it has had on democracy. The

fact that an organisation such as Moody’s can downgrade Lloyds just because the chief executive officer is sick causes all sorts of tensions and sensitivities in the market, which could have an impact on our AAA rating. I would much rather that the regime change in Italy and Greece had been brought about by democratic means rather than through financial pressure. It worries me that that trend will continue and that the only casualty will be democracy and open elections. That all ties in with the issues of transparency and the abuse of power.

16:00

Ian Duncan: I will answer that in two parts. It might be useful for us to write to the Scottish Government to find out how it is looking to engage with the social business initiative. If the committee were minded to do so, we could certainly take that step. The “Brussels Bulletin” will, of course, go to other committees that have an interest in such matters; they, too, may have initiatives that they want to explore. It will also go on the website. We now have quite a significant circulation list for the “Brussels Bulletin”, and I hope that those who are on it will spread the word further. Once we get a response from the Scottish Government, we can put the issue on the agenda and come back to it, which will enable us to consider how the Government intends to engage with such initiatives.

The convener has put her finger on the big issue at the moment—democracy. Two regimes have been changed because they needed to be changed, but in a way that is antithetical to how democracy normally functions. It is very unclear, even now, exactly how the Italian Government will be formed and how it will function, and when an election will take place to confirm it.

The convener’s question is one that it is difficult to know the answer to. This is when Europe can be at its worst, because it is not a great believer in asking questions that it does not want the answer to, and I think that we are witnessing a situation in which Europe does not want the answer to such questions. There is no doubt that Greece does not want to be in the situation that it is in and that it would like to have a Government that reflected that, but that is not what the euro zone wants. It is interesting that we are witnessing a far stronger influence from a collective mindset.

The EU is very concerned about the ratings agencies, which it is looking to regulate still further. There is work afoot in the Commission to—

The Convener: Who are these people?

Ian Duncan: Exactly. The Commission wants far greater control over them. Just this week, there

was a rumour that France's AAA rating was about to be downgraded, but it turned out to be a mistake by a ratings agency. The fact that it almost caused a run on the market straight away begs the question how that mistake was made. Was it made just to test France, to find out whether it could be pushed? It is frightening. This is the nether, shadow world of democracy—or anti-democracy—which I imagine is what people are protesting about in various camps around the world.

The Convener: Absolutely. Aileen McLeod and Jamie McGrigor both want to come in.

Aileen McLeod: I have just two points, the first of which is in response to Helen Eadie's question about CAP reform. As the European reporter on the Rural Affairs, Climate Change and Environment Committee, I know that that committee is highly engaged in the debate on the CAP reform process and is looking to take evidence from farmers and farming organisations across Scotland, as well as from MEPs. In fact, we were supposed to take evidence from our Scottish MEPs at tomorrow's meeting of the committee, but that has had to be rescheduled. We will do that in the next few weeks, so Helen Eadie can rest assured that we will look at the issue extremely closely.

Helen Eadie might also like to know that today the Cabinet Secretary for Rural Affairs and the Environment is at a meeting of EU farm ministers in Brussels, at which CAP reform is being discussed. I look forward to the outcome of those discussions.

My second point is about public procurement. It would be helpful if we could get some information from the Scottish Government on how it is engaging with that process.

Ian Duncan: If the committee is so minded, we could write to it with that in mind.

The Convener: Yes, that and the other issue that you mentioned.

Jamie McGrigor: I take Ian Duncan's point about democracy and nations being forced into positions that may be against the wishes of their people.

I also note the reference in the bulletin to the Nord Stream pipeline, which will deliver enough gas from Russia directly to Germany to power 25 million households. Surely that will put Germany in an even stronger position and perhaps lead even more to a two-part EU zone.

The Convener: Two-speed, you mean.

Jamie McGrigor: Okay—two-speed.

Ian Duncan: You are right. Other proposals are afoot to bring energy into Europe from different

sides, if you like, but this is the one that, perhaps for other reasons, has been prioritised.

Jamie McGrigor: I do not have anything against it but I was interested in your comment about problematic neighbours such as the Ukraine. Are you suggesting that the Ukraine would charge a levy on the gas as it went through? Has Russia not threatened to cut the Ukraine off before?

Ian Duncan: This is a slightly troubling question because there have been a lot of issues between Russia and the Ukraine, usually relating to the movement of oil or the ownership of oil, pipelines or other infrastructure. Not so long ago—two or three years ago now, I think—flow simply stopped and the blackouts across central and eastern Europe that winter led to the movement for energy security to ensure that the lights kept burning. The Nord Stream pipeline is the first massive step in that direction. Other moves are afoot to bring energy from Europe's south-eastern margins, and there is, as you know, a plan for a North Sea grid to bring renewables from Scotland and elsewhere into that area and then spread them out. There are also plans to bring energy up through the Iberian peninsula. That is all part of the recognition that energy is a fundamental aspect of Europe's health and wellbeing.

Some people are slightly frustrated that energy efficiency is not being prioritised. Although progress has been made towards reaching all the other energy targets, which are binding, that is not the case with the non-binding energy efficiency target. You can bring in as much energy as you like but if you are just burning it away—indeed, squandering it—you must count it as a loss. Energy efficiency has to be prioritised but the fact is that member states simply do not want to do so, mostly because it comes with a cost. How do you ensure that buildings are more energy efficient? How do you ensure that your appliances conserve more energy? No progress is likely on these problems, because member states are simply refusing to make the target a binding target.

Bill Kidd: Perhaps my suggestion is more political than practical. Energy efficiencies might be expensive, but they also generate employment and manufacturing capacity and, if such measures were implemented Europe-wide, implementation costs would drop dramatically. Does it not take political will to do that?

Ian Duncan: Yes—and, surprisingly, there is none. I just cannot answer your question; your logic is sound but the member states seem to have no appetite to set any binding or time-limited targets on energy efficiency. They are not even close to meeting the current target. Although the UK will make a 9 per cent saving by 2020, the target is actually 20 per cent, which means that we

are not even halfway there. Germany is not much further forward; I think that it will make a 14 per cent saving. No one is approaching the target; because it is not binding, member states are simply not prioritising the matter. You prioritise the things that are binding and there just seems to be no appetite to do so in this area.

The Convener: Maybe we should send Stewart Stevenson on a recce to Europe with his climate change legislation.

Bill Kidd: You would not do that, convener.

The Convener: Is the committee content to pass the bulletin on to other committees?

Members *indicated agreement.*

The Convener: I thank Ian Duncan for that update.

India and Pakistan Country Plans

16:09

The Convener: Agenda item 4 is consideration of Scottish Government correspondence on its India and Pakistan country plans. Members will have received an update on the refresh of the Government's international framework. I believe that it intends to publish the refreshed framework in spring 2012 after consultation. The Cabinet Secretary for Culture and External Affairs has promised to keep the committee informed of work as it progresses.

I ask the committee to note the recommendations on the front page of the relevant paper and the content of the cabinet secretary's letter.

Annabelle Ewing: Having read through both documents, which were very interesting, I noticed that although education appeared on the face of the India plan, it did not seem to have quite the same role in the Pakistan plan. We could explore that issue with the stakeholders who will come to our round-table discussion.

The India plan makes reference to the fact that the Scottish Government will continue to engage with the British Council, which goes back to earlier requests by the committee. However, it would be good to have a better idea of the exact role of the British Council and what further activity could be fostered or facilitated on the education side of things in both countries.

The Convener: Would you like that information before the round-table discussion? If so, we should write to the Scottish Government to ask for it.

Annabelle Ewing: That would be helpful.

Ian Duncan: We can certainly do that. I am keen to ensure that the next round-table discussion, on the broader country plans, allows us to tease out all these issues. We will ensure that we get the right stakeholders in, and we are asking for members' input in that regard. We will build the membership of the round table for the first meeting in January.

Hanzala Malik: Can I suggest that we continue to work towards reintroducing the Pakistan International Airlines flight from Glasgow to Lahore, which we have lost? We are working on that at the moment. In fact, I will be holding a small demonstration outside the Pakistani consulate in Glasgow to ask the consulate to be more proactive in bringing the flight back. There are huge opportunities for investment in both cities through that connection—we were able to get Irn Bru into faraway corners of Pakistan because of it. I would

love it to be re-engaged so that we can continue to build on such exports.

Ian Duncan: Would there be merit in our writing to the Scottish Government to ask what it is doing in that regard at the moment?

Hanzala Malik: Please do—that would be helpful.

Ian Duncan: Does the committee agree?

Members *indicated agreement.*

Ian Duncan: We will do that.

Annabelle Ewing: Presumably the Scottish Government has no direct control in that area, but it will be trying to do what it can.

Hanzala Malik: I understand that the Glasgow City Marketing Bureau has been working actively with the Civil Aviation Authority and Glasgow airport. It has also been working closely with me and with others who have an interest in the issue. It would be good to engage with it to ensure that we have a combined effort.

Ian Duncan: We will prioritise writing the letter to the Scottish Government. Once we get a response to that, we can decide what the best way to make progress might be.

The Convener: It is very important that we are able to get Inn Bru and Tunnock's tea cakes wherever we go in the world.

Helen Eadie: On a more general point about aviation, I know that, last year, the Scottish Government developed a new link to Hungary, which was promoted by Keith Brown at the time. Is the Scottish Government planning new destinations? It would be good if we could be enlightened about its work with regard to developing new links across Europe.

The Convener: We can expand the letter a wee bit to ask about those aspects.

Aileen McLeod: The Cabinet Secretary for Education and Lifelong Learning has just come back from a visit to India. It might be worth asking the Government for a paper outlining the outcomes of that visit.

The Convener: I am sure that he would not mind coming to the committee to give us a bit of insight into his trip. That would be helpful.

Ian Duncan: If we write a letter, we can get the necessary information and decide how to schedule that.

Transposition of European Union Directives

16:13

The Convener: Members have before them an annual report that deals with the transposition of European Union directives. I draw members' attention to the recommendations. Do we agree to note the report?

Members *indicated agreement.*

The Convener: As agreed earlier, agenda item 6 will be taken in private.

16:13

Meeting continued in private until 16:55.

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

Members who wish to suggest corrections for the revised e-format edition should e-mail them to official.report@scottish.parliament.uk or send a marked-up printout to the Official Report, Room T2.20.

Available in e-format only. Printed Scottish Parliament documentation is published in Edinburgh by RR Donnelley and is available from:

All documents are available on
the Scottish Parliament website at:

www.scottish.parliament.uk

For details of documents available to
order in hard copy format, please contact:
APS Scottish Parliament Publications on 0131 629 9941.

For information on the Scottish Parliament contact
Public Information on:

Telephone: 0131 348 5000
Textphone: 0800 092 7100
Email: sp.info@scottish.parliament.uk

e-format first available
ISBN 978-0-85758-967-5

Revised e-format available
ISBN 978-0-85758-980-4