ENTERPRISE AND CULTURE COMMITTEE

Tuesday 28 October 2003
(*Afternoon*)

Session 2

£5.00

Produced and published in Scotland on behalf of the Scottish Parliamentary Corporate Body by The Stationery Office Ltd.

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ENTERPRISE AND CULTURE COMMITTEE
7th Meeting 2003, Session 2

CONVENER

*Alasdair Morgan (South of Scotland) (SNP)

DEPUTY CONVENER

*Mike Watson (Glasgow Cathcart) (Lab)

COMMITTEE MEMBERS

*Brian Adam (Aberdeen North) (SNP)
*Mr Richard Baker (North East Scotland) (Lab)
*Chris Ballance (South of Scotland) (Green)
*Susan Deacon (Edinburgh East and Musselburgh) (Lab)
*Murdo Fraser (Mid Scotland and Fife) (Con)
*Christine May (Central Fife) (Lab)
*Mr Jamie Stone (Caithness, Sutherland and Easter Ross) (LD)

COMMITTEE SUBSTITUTES

Mark Ballard (Lothians) (Green)
Rhona Brankin (Midlothian) (Lab)
Mr David Davidson (North East Scotland) (Con)
Fiona Hyslop (Lothians) (SNP)
George Lyon (Argyll and Bute) (LD)

*attended

THE FOLLOWING GAVE EVIDENCE:

Professor Sir Graham Hills
Tom Kelly (Association of Scottish Colleges)
Janet Lowe (Lauder College)
John Mason (Scottish Executive Education Department)
Mr Frank McAveety (Minister for Tourism, Culture and Sport)
Laura Petrie (Historic Scotland)
Professor Thomas Wilson (Glasgow College of Building and Printing)

CLERK TO THE COMMITTEE

Simon Watkins

SENIOR ASSISTANT CLERK

Judith Evans

ASSISTANT CLERK

Seán Wixted

LOCATION

Committee Room 1

Scottish Parliament

Enterprise and Culture Committee

Tuesday 28 October 2003

(*Afternoon*)

[THE CONVENER *opened the meeting at 14:01*]

Scottish Solutions Inquiry

The Convener (Alasdair Morgan): I welcome all members to this meeting of the Enterprise and Culture Committee and remind everyone to turn off their mobile phones.

Under item 1 we will take further evidence for our Scottish solutions inquiry. Professor Sir Graham Hills is a former principal of the University of Strathclyde. We have received your written evidence, Sir Graham, but I think that you would like to say a few words in amplification of it. The floor is yours.

Professor Sir Graham Hills: Thank you for inviting me to give evidence on this bed-of-nails issue. In one capacity or another, I have been engaged for the past 20 years or so in the debate on how best to finance higher and further education in Britain and in Scotland. The present arrangements are a bit expensive, they are unfair and they continue to cause aggravation to both students and staff. Last Sunday, 30,000 students marched in London to protest against the possibility of paying fees. A couple of years ago, 100,000 students marched the streets of Paris, picked up the pavements and threw them at the police. I am saying what you presumably know better than I do, which is that this is an intensely political matter.

Tinkering with the system, as does the white paper that has been produced, will not help, although members can be sure that the most powerful universities in England will come out on top. If that does not happen, they will simply privatise themselves, because they are determined to have a change in the system.

I do not believe that the present discontent has simply been engineered by the students; I think that there is a hidden agenda, which protects the very well-off from paying anything for higher education. In my opinion, that is morally mistaken but likely to succeed.

As I tried to say in my paper, which I hope members do not think is wildly radical, I believe that there is a very simple solution to that political difficulty. It is very simple and it is not new, but it will level the playing field: it is simply to reroute all the funding for universities and further and higher education through the student body to pay for an affordable three-year first degree—the so-called foundation or Bologna degree, to which the United Kingdom Government has already signed up. I believe that that is the only way to put the funding of universities and colleges on a sound economic basis that encourages all the parties—students, universities and colleges—to give of their best.

Members may think that those proposals are too radical, but I am not alone in believing them to be practical and desirable. Others who think the same include most university principals, but in my opinion many of them are unwilling to poke their heads over the parapet.

The substance of what I am saying to the committee is that the total vote to students in Scotland, England and Britain as a whole can be used in another way. My proposal would demonstrate the cost of it all to everybody who should know—Government, industry and students. It would make it possible for students to pay the greater part of the fee through a scholarship, a bursary or whatever. That is the way that it was done until about 30 or 40 years ago and it worked extremely well. Every student was delighted to be given the opportunity to go to college, every student knew that the country was investing in them for good reason and parents were proud that their children were going to college of one kind or another.

I do not believe that whatever is done with the current arrangements will bring us peace. The situation will go on festering as it has been for the past half-dozen years. Top-up fees do not provide a solution and any Government that tries to use them will be in great difficulty.

What I propose may be something that you think is so far away from mainstream thinking that you do not want to entertain it, but a lot of thought has been given to it. The best way to re-energise students and universities would be to make them responsible for their own affairs. Forgive me—I am in danger of repeating myself.

Murdo Fraser (Mid Scotland and Fife) (Con): Thank you for your presentation. I do not think that we would accuse you of being anything other than a radical thinker on this issue. I know that in the past you have written extensively on this topic.

Your written submission, referring to funding for the foundation degree, states:

"Expensive universities wishing to charge more expensive fees would be free to do so."

Could you say more about how that would work in practice? Is there concern that we would end up

with all universities choosing to charge additional fees because they would feel that, at whatever level the basic fee was set, the income would be insufficient to meet their needs? Would they not then be in a race with one another to make their fees higher and higher?

Professor Sir Graham Hills: Let us suppose that a student wants to go to one of the more expensive Oxbridge colleges. It is a great privilege to go there and people are entitled to want to do so, but it is a frill that no other system could possibly afford. I think that those who want to go there should pay the extra to go there and reap the benefits. If they are not in a position to afford it, that is a problem for that university college, which must make certain that enough students of that kind come into its community by giving them extra scholarships. There is nothing to be gained by hiding from ourselves the fact that the cost of that student may be £20,000 a year. I am not in the business of suggesting that such places should not exist—although something in me is offended by the difference—as that is how the country has grown up. I do not regard that as a two-tier system; it is a one-tier system in as much as everybody gets a chance, but if someone wants to pay for frills, they should be entitled to do so. We should not engineer the system to make it easy to forget that there are frills. I do not know whether that is an answer to your question.

Murdo Fraser: It is not really. My question was why would all universities not decide to charge additional fees.

Professor Sir Graham Hills: All universities would like to do that, but at this stage not all can make the same case as Imperial College London or the University of Edinburgh can. Those universities know very well that, whatever they do, students will still come to them, but that might not be true for places such as the University of Abertay Dundee or the University of Huddersfield, which are still making their way in the world. A level playing field must somehow be created. There is not a level playing field now. This is the best way that I know to do it. Perhaps I have still not answered your question.

Murdo Fraser: No, I think that I understand.

Mike Watson (Glasgow Cathcart) (Lab): I wanted to make the same point about your interesting paper as that on which Murdo Fraser quizzed you. Perhaps I am missing something. Your suggestion has considerable merit, is interesting and is worth examining in greater depth. I do not remember the 1960s—I studied in the 1970s when that change had just taken place. At that time, subsistence grants were the big issue. I do not know about the proposal. The end of your submission says:

"Is there a catch? No",

but the catch seems to be in your sixth paragraph, which says:

"Expensive universities wishing to charge more expensive fees would be free to do so."

How would that differ from the top-up fees system, which is the substance of our inquiry? You mentioned the University of Oxford, Imperial College London and the University of Edinburgh. If they charged more, would that not complete the circle and return us to where we are at the moment?

Professor Sir Graham Hills: The proposals are similar, but the term "top-up" suggests that the system will change across the board. I say simply that every citizen should have one entitlement in their lifetime to entry to a university of their choice that will take them for a basic course. If all courses are open to that, we are in trouble, because that is expensive. If some universities wish to offer extra facilities—whether that means halls or other residences—we should not prevent them from doing that. You may want to call that a system of top-up fees, but I do not see it that way. That simply shows the cost to the system of what that university has on offer.

Mike Watson: There may be a terminological difference. I accept that what you propose would be called not top-up fees, but just fees. Students would not otherwise be charged fees; they would be given money to cover their own fees, but universities that thought that they had greater status would immediately charge fees and I am sure that the universities that you mentioned would be the first to do so.

I repeat that that seems to be the present position. Everyone knows that Imperial College London and the universities of Oxford, Cambridge and Edinburgh will charge top-up fees if they are introduced, so how would your proposal get us out of the two-tier system to which Murdo Fraser alluded? Many—not least the 30,000 students whom you mentioned marching on Sunday—have suggested that the problem is that we will have a two-tier system in which some students are shut out, if not entirely, at least from the so-called better or more prestigious institutions.

Professor Sir Graham Hills: I will try again to answer your question, which is penetrating and difficult to answer. The top-up fee confronts a student who was paying nothing and is now required to pay £3,000 because somebody in another place has said that they must pay an extra fee. If a student automatically received a scholarship that was worth, say, £6,000, that would be his entitlement. The next question is which university he wants to go to. If he decides to go to the most expensive university in Britain, do

we want to disguise the fact that it is more expensive? We must not. Universities will not be financed sensibly while most of the costs and most of the income are fudged away. The system would not be looked on as involving top-up fees because top-up fees mean topping up from zero to something. Instead, the system would reflect a university's actual economic cost.

The universities have made it plain that they will not exclude poorer students from their ranks. That is not so much out of sympathy, but from the wish to have the best brains wherever they can find them. It is in universities' interest and it is their duty to allow people who want to go to Imperial College London to be able to do so, but most students will be middle class, as they are now. They can afford to and will pay that extra. There is no getting round the fact that some universities will offer more and invite students to pay more. If that is regarded inevitably as a top-up fee, I have lost the argument.

The Convener: Surely the difference between your proposal and top-up fees is that the Government guarantees to pay top-up fees immediately and will collect them from a student after graduation only if the graduate's income reaches a particular level. Do you propose that the student would have to find anything over the basic cost at the time of going to university?

Professor Sir Graham Hills: I am assuming that most universities, including Imperial College London and the like, will be prepared to offer a first degree of the kind that made Scotland famous. The old Scottish MA was not an intensely specialised degree. It was not an expensive degree to give; there were no laboratories and students were not involved in clinical work of any kind. It was an affordable first degree. Surprise, surprise, it is the same kind of first degree that is given in the United States. It is a better degree because it is more general and it does not specialise too early.

Above all, such a degree is affordable. Many of the problems that we are talking about arise because we are asking students to read medicine or engineering from year 1 and the costs of doing that are high. I am suggesting that we should start from another point and go back to the Scottish system whereby an affordable first degree was available to all. For a start, Edinburgh would give that first degree at the same cost as any other university would. If a student then wanted to read medicine or study for an honours degree, that would be up to them, but it has nothing to do with top-up fees.

14:15

The Convener: However, if we go down the ordinary degree route, that is a different argument and I would like to come back to that.

Mr Jamie Stone (Caithness, Sutherland and Easter Ross) (LD): I assume that your proposals would extend outside Scotland and that you see them operating on a UK-wide basis.

Using your Oxford college as an example, if the country wants the brightest and best to go to that college, regardless of their financial circumstances, let us examine your model. Rich or comparatively well-off people would send their sons and daughters to that college and they would pay the full whack. You then said that the college would have to finance the scholarships—or whatever we would call them—out of the money that it makes out of those richer students. That college might be tempted to keep the number of scholarships to a minimum and keep as much of the money as it can. In other words, we would be creating an Eton of the university world.

To make sure that enough scholars got those places—the 25, 35 or 40 per cent of places in the college—would it not then be necessary for the national Government to say that Trinity College, for example, must provide those places. Is that not social engineering of a rather dangerous form?

Professor Sir Graham Hills: No. I am a bottom-up man. With respect, this is an area where the Government has least to offer. I am sorry; I know that you are members of the Government, but microengineering on that level does not work. I suggest that the Government leave it to universities and colleges to decide how best they can use their talents.

Mr Stone: But the follow-on from that is that such colleges might be tempted to pocket the money and give remarkably few scholarship places. Would that not disadvantage some of the brightest and best from the poorest backgrounds?

Professor Sir Graham Hills: It is in the colleges' interests not to be seen as ivy league colleges because in Britain there is no wish to see such a differentiation. I therefore believe that such colleges will not take advantage of the system just to fill their coffers but will pay more attention to being seen as a good university across the spectrum. Again, I am not sure that I have answered your question.

Mr Stone: It is a fair point. The Eton and Oxford path was still being followed in society until very recently and I see that as dangerous. With luck, that time is behind us, but the trend could grow again.

Christine May (Central Fife) (Lab): I apologise for not being in the meeting for the beginning of your presentation, but I read your submission. On the issue of growing excellence and quality and the ability of institutions to invest in excellence and quality, have you considered what effect your proposals would have on those institutions that are

not currently of the 5* or 6* rating but would wish to be so? Would your proposals make it less or more difficult for those institutions to improve?

Professor Sir Graham Hills: The white paper and all the thinking behind it anchor many people into the second rate for ever. That is not in the spirit of the country. Therefore, we have to find a way to level the playing field and the only way I know how to do that is to give everyone an entitlement or right to apply for scholarships or bursaries that would enable them to attend any university of their choice on the same terms as all other universities. That is the way it used to be done.

I do not see that as discriminating. If that is the main source of income for universities, they will be free to do what they want—to grow, prosper, cultivate excellence or whatever. Where their prosperity would lie would be entirely up to them. If they wished to take on more students and earn more income by doing so, they could do so, or if they wanted to reinvest in some form of excellence, nothing would stop them. However, the current feeling is that there are top-down Treasury ideas. There might be half a dozen 6* universities, but the rest are not. Such discrimination seems to be totally unnecessary.

Christine May: It could be argued that, in order to improve institutions that are not in the ivy league—to use your terminology for the purposes of illustration—such institutions should be entitled to a greater level of investment. Even under the proposals that we are discussing, it would be likely that institutions that could get away with charging significant sums could increase their income and therefore buy in quality that would not otherwise be available. Do you agree that a danger in your proposals might be the perpetuation of mediocrity?

Professor Sir Graham Hills: Forgive me, but I do not see things in that way. The best possible way in which to improve the prosperity of British universities is to make the student a customer. If a student becomes a discerning customer, his or her desires will push up standards everywhere. Nobody wants to go to a dud place—everybody wants to go to the best place. A person might not get into one of the best places, but you can be sure that some universities that you have in mind will strive to become as good as all the other universities and nothing should stand in their way. We should bear in mind how we normally buy motor cars and houses. I am not a free-market man, but up to a point, the market is a valuable way in which to solve such problems. There are not the same problems that you have described in supermarkets, for example, where customer choice has a way of defining what is desirable and excellent and how something can be obtained. The current top-down arrangements threaten to anchor the system in a frozen state.

I do not know whether I can convince you about the way forward. It is important that universities evolve—they do not need to be the same this year as they were last year—and the best way for them to evolve is to have the freedom to prosper. They should take risks and bring in new courses. That is how evolution best takes place.

The Convener: I suspect that you are proposing almost a voucher system whereby the value of the voucher would be equivalent to the cost of three years' education at a basic university. Do you envisage that every university would have to offer a number of places at that voucher price?

Professor Sir Graham Hills: It would be in their interests to do so. However, we should not oblige anybody to do anything in this life. People at universities are clever and will always wriggle out of whatever one tries to make them do. It is best not to think the worst of them but to believe that they know well how to handle their own affairs. If universities are given the opportunity, they will prosper. The only thing that stops them prospering is the current legislation and ministers telling them what to do rather than letting them use their own initiative.

Brian Adam (Aberdeen North) (SNP): I want to follow up on the education voucher approach. I commend you, as you are one of the few people who have written to the committee with a proposal. You have offered a solution. That is not to say that we agree with that solution, but at least you have had the courtesy to address the fundamental problem and give us a potential solution. You went back to the idea of the ordinary MA that the ancient Scottish universities used to offer 40 years ago. What value would that foundation degree have and would it have the same value whether a student went to the University of Abertay Dundee or Balliol College?

Professor Sir Graham Hills: The simple answer is yes. I will go back a step. When I first came to Scotland, I was given a book to read called "The Democratic Intellect: Scotland and Her Universities in the Nineteenth Century". Somebody said to me, "Read that book and you will understand why Scottish education was famous throughout the world." I read it several times.

The book was written to protect the idea of the first degree being a more general, philosophical education. That was the basic ingredient of the degree. Nowadays, the terminology is different—people talk about skills. A general, philosophical degree would take a student through life. It would give the student the basics in a variety of subjects and, although it would not enable the student to do any job, it would enable them to put their foot on the bottom rung of any occupation. That is the way that the United States of America prospers. It is the way that education happens there. When

someone wants to become a lawyer, doctor or engineer, they must take a step, which they alone know how to do, to becoming a professional.

Brian Adam: Why is it advantageous for somebody to add extra years on to their education to get the professional qualifications in the areas that you mention? What advantage is that to the individual or to society in general? Surely you are saying to us that it would take six or seven years for someone to undergo the basic university training to become a lawyer, as opposed to the current three or four. You would add even more to the medical training, unless part of the foundation degree would count towards an overall professional qualification in medicine. I thought that we were trying to increase the number of doctors and people who can develop specialist skills. Surely a consequence of your proposal to have professional qualifications after foundation or ordinary degrees would be to add to the time and cost. Where would the benefit be?

Professor Sir Graham Hills: I was not suggesting that we simply add the present five-year medical training to whatever comes before. I imagine that that training would change to address the fact that many students would be well educated in a more general sense. That would be taken into account when training them to be doctors.

Brian Adam: Are you suggesting that it would be possible to do a foundation degree of three years and then qualify as a doctor by doing only a further two years?

Professor Sir Graham Hills: No. You must understand why medicine in the United States is of higher quality than medicine in this country. You must know why engineering in Germany is better than engineering in Britain. I am sorry to say such things, but you must understand where the time goes. People are amazed that someone could leave university and enter professional life at age 20, which is possible in Britain. That is not a matter for congratulation. It is simply short-changing the person concerned.

I could answer your question in another way, by reminding you that, of every 10 graduates in engineering in this country, only three or four at the outside will go into engineering. The rest will have shuttered themselves away from that fact and discovered that they could have used their time better getting a broader education to do all the jobs that they had no idea that they would tackle.

Brian Adam: You have suggested that, in essence, we should have a free market in education—that is my interpretation. How would we deal with the cap on the numbers in each university that there is because the Government has some kind of say in education? Do you suggest that the caps should be removed as well so that universities should be free to grow or contract according to how they satisfy their customers?

Professor Sir Graham Hills: I tried to say earlier that the world does not really want a free market: it wants a regulated market of a different kind. If we allow free choice to run through the system as far as possible, we are likely to get a better result than if we try to predict it from above.

Brian Adam: Would the regulation that you envisage include capping student numbers?

Professor Sir Graham Hills: No. We could do with twice as many doctors as we have. We have half the number of doctors that we need simply because the system sought, on no good basis, to cap the numbers. We must learn to trust people.

Brian Adam: If we do not regulate through capping, how should we regulate?

Professor Sir Graham Hills: I know of no way in which to regulate the number of engineers, doctors or lawyers, except by allowing people to discover what they can best do to earn a good living and to serve their country well. That is not so much about a free market as about providing as much choice as possible.

14:30

The Convener: I sympathise with some of what you say. We talk about the decline of the Scottish ordinary degree, which has happened since I was at university in the 1960s, but it is interesting that the Crichton campus of the University of Glasgow in Dumfries has introduced a three-year general arts degree.

Professor Sir Graham Hills: Yes, it has.

The Convener: It strikes me that the reason why people are increasingly moving to honours degrees, especially in arts faculties, has nothing to do with money, but has to do with the perception, which is perhaps wrong, that an ordinary degree is somehow second class. The thinking is that one must get an honours degree, albeit in a subject that one will certainly not use in one's profession, if at all. How do we change that idea? Are you suggesting that the fact that only the first three years will be funded will concentrate people's minds powerfully?

Professor Sir Graham Hills: No. What you said earlier is absolutely correct. If I may reveal my whole intentions, I believe that, apart from the fee issue, the best possible outcome would be the restoration of the Scottish education system. That system has much merit: it is economical and represents the best use of students' time. Why has

the system changed and why did we go the other way? I lived through the time when universities expanded as a result of the Robbins report. However, the report expanded the Oxbridge and—forgive me for saying so—the Edinburgh system, which involves early specialisation.

That was not necessary, so why was it done? The simple answer is that professors were interested mainly in the best students, who would become their research students. In my youth, I heard it whispered that we should take care of the first-class honours people because they would become our research students and our reputation would depend on them and not on the other 90 per cent of students. I understood that argument, but I did not approve of it.

There were reasons—in my view they were base reasons—why we changed to the honours system and did not expand the old system, which better served most students. The number of students who get second, third or fourth-class degrees is plain evidence that those students were doing the wrong course. The honours system invites a sense of greater failure, which I do not like. Under the old Scottish MA system, students either passed or failed. That was a different model, because there was a set of steps that people could climb in their own way and time. The present model involves people jumping over hurdles—if they jump and succeed, they have done well, but if they fall and break their leg, that is tough luck.

Mr Stone: I want to push you on a small point. I am probably the only person in the room who has an old-fashioned ordinary degree. You mentioned doctors in America and talked about students here graduating at the age of 20. I presume that your point is that students in America do more years of study, which is why they are better doctors.

Professor Sir Graham Hills: They do.

Mr Stone: In my experience of American graduates, which includes graduates from the ivy league, they are not as broadly educated as you hint. They do not have the width of education provided by an ordinary degree. With all due respect to Princeton University, Yale University and the University of California, Berkeley, my perception is that specialisation starts early on at such universities. Do you stand by your remarks on that?

Professor Sir Graham Hills: The system is varied and you are quite right that it takes all kinds of colours. People major and minor and some people insist on majoring early on. However, there is a great culture in that country of a lot of people doing a lot of things while they can. People take their last chance to study music, theatre, drama, physiology or whatever while they are finding out who they are and what they want to be. I cannot believe that it is in the interests of students in this country to decide that when they are 17 or 18 years of age, when they do not know, and have no means of knowing, what they will be good at. That is self-defeating. I cannot prove that to you, but that view comes from long experience of seeing failed students and successful students and from seeing what goes on in other countries.

Mr Stone: I have twins in their first year at Scottish universities and they are both doing three subjects. They have specified an honours subject, but they could well end up doing another of those three subjects, or a first-year subject taken at second year could develop into an honours subject—I have seen that happen before. Do you not think that the way in which people such as my children currently do an honours degree—which is the end point—is a sufficiently broad-based approach?

Professor Sir Graham Hills: I do not think that this country is in a position to be able to afford to offer the honours-degree programme in mass higher education. That is a mistake. It was a grave error of judgment when the system was expanded in that way. Not everybody is capable of going to that level. Most people do not want to go to that level, but they feel obliged to enter university on those terms, because that is the only way in which they can get in.

It would be a great step forward—and it would be possible in Scotland—if we went back to the principle of the old MA, which was to make people a citizen first of all. Students then decide whether they are going to be a wonderful doctor, and a better doctor for having been through that course. We must ask ourselves, when we see our medics, how widely educated—or not—they are. That is a matter of concern in that profession and it leads to all kinds of problems downstream. I think that that is because the education was insufficient. It is difficult to say that, because one might not get treated when one next goes to the doctor.

I am in danger of exaggerating in answering your question, but I am trying to give the impression that this is a great opportunity to take the argument away from top-up fees and the penalties that we are imposing on students. Because of those penalties, students will complain and revolt and give us any amount of aggro until kingdom come. The system could be turned the other way round and the benefits could be conveyed. If a benign Government said to every student in the land, “If you want to go into higher education, we can help you do that,” the whole atmosphere of the debate would change. People would not say first of all, “Are you going to give me enough to go to Imperial College London or the University of Edinburgh?” That is a separate argument. There would be a good Government

saying, “We believe in higher and further education. We will make it possible for all citizens.” The only way in which we can do that economically is by making the first degree less expensive. That can be done in only one way—by the Bologna degree, which we have already signed up to.

Mr Stone: While whistling Puccini, I would hope that my doctor would give me the right tablets. Expertise is necessary. One could argue that the failure of this country—I am playing devil’s advocate—was due to the fact that people were broadly educated so that they could run the empire. We did not put our money where our mouth was in terms of developing skills, which is why Germany in the early part of the 20th century still had a lead on us and why we lost our place to America and everyone else. Do you agree that the lack of specialised training is our problem?

Professor Sir Graham Hills: It is difficult to answer your question. I see no special merit in early specialisation. It does not produce better engineers. Of course one will find the occasional person who is brilliant under all conditions and who wants to specialise regardless but, taking things in the round, I do not think that that system produces the best doctors and engineers—it simply produces them in a hurry. If we short-change them in time, we will short-change them in quality.

Susan Deacon (Edinburgh East and Musselburgh) (Lab): I echo Brian Adam’s earlier comments. I genuinely appreciate hearing some out-of-the-box, blue-sky thinking in this inquiry, because we have not heard enough of it. You have said many things that have got us all thinking. Having said that, I will come back to earth with a bump and ask some obvious questions that people might put. You said that the system worked well in the 1960s—about 30 or 40 years ago—and that it can work well today. Equally, you identified how much the system has changed since then, not least in terms of expansion. We must now have five times the number of students and two or three times the number of institutions. Therefore, you would be putting a system that worked in that 1960s pre-expansion context into a 21st century post-expansion context. Surely that must have more practical implications than you have identified.

Professor Sir Graham Hills: I can tell you only that a substantial number of people have been working on these ideas for a long time. They have been through all the financial arguments and all the other arguments that they know. They would be prepared to have a go at convincing you that there are no difficulties other than the fact that the system has worked in another way for the past 30 years.

It turns out—surprise, surprise—that education is more conservative than almost any other profession. People in it do not like change and never welcome it. With great respect, I suspect that we have no alternative, because there will be more and more aggro about fees. People will find that the case has not been made and that political opposition—taking to the streets and so forth—is a way of persuading Governments to act otherwise. It is not just that it will be difficult to go back; it will be difficult to go on.

Susan Deacon: Thank you for commenting on that. I want to stick with the issue of the size of the system, although I am the first to acknowledge that quality issues are every bit as important as, if not more important than, that. Nevertheless, there is considerable interest and concern about participation rates in higher education. I refer to the model that you have described. If you were to make the quantum leap 10 years ahead with the system that you have proposed, what might the landscape look like? What levels of participation might there be and what spread of higher-education institutions might we expect?

Professor Sir Graham Hills: We are aiming for the highest possible performance, which is what we get from graduate schools. The great strength of the United States is not in its undergraduate education but in its graduate schools. They are specialist places where only the best will do. Perhaps 10 per cent of the student population at most—perhaps only 5 per cent—will aim to be doctors, lawyers, scientists or engineers at that level. Experience in other countries shows that the remaining 80 or 90 per cent will be content to be educated citizens ready to do other things—or to become doctors or lawyers if they want to. Most of them will go back into the workplace, doing many jobs in their lifetime with all the skills required. I fear that I have not answered your question again.

Susan Deacon: I just wanted to pin you down on numbers, particularly participation rates, which is a preoccupation.

Professor Sir Graham Hills: Let us not put a ceiling on numbers. If we want to get 60 or 70 per cent of people—

Susan Deacon: With respect, I am not asking you to be prescriptive; I am asking you to gaze into the crystal ball and give me a picture of what levels of participation we might expect in the new order if we go in that direction.

Professor Sir Graham Hills: We must remember that we have underestimated participation rates every time. People are now complaining that 50 per cent is too much, but that has arrived. In Japan, the rate is about 70 or 80 per cent. An educated population must feel that it wants to be educated. Let them come, but they will

be more easily satisfied economically and feel that there is something for them if we do not make the first degree so demanding.

Susan Deacon: You said a moment ago that a group of people had been developing these ideas. Will you say more about what input there has been in the discussion of the ideas and what level of support you think the proposals might attract, particularly among others in higher education?

Professor Sir Graham Hills: That is a difficult question. I believe that about a third of the vice-chancellors would declare themselves in favour of the proposals. I think that another third would sit on the fence for ever and another third would feel that too much effort was involved and that the proposals were not worth it. It is the usual story. However, they know, as you do, that the present arrangement is not working. They are not given the investment to do all the things that they want to do and they no longer have the freedom or the inclination to take risks.

You gain nothing in life unless you take risks. This is a great opportunity, which will not arise in England because, in my view, people there have got used to the chains. In Scotland, there is an opportunity to think differently and at least to give things a try. I believe that that would be an enormous lead that England could not follow at this stage. I cannot tell you why—England is just too big and too settled in its ways. In Scotland, you can do it. However, you would first have to feel as strongly about it as I do.

14:45

Brian Adam: You have suggested more than once that we should revert to the Scottish MA ordinary degree. I presume that you mean not only the MA, but the BSc and so on.

Professor Sir Graham Hills: Yes.

Brian Adam: You have also suggested that 5 or 10 per cent of graduates may go on to graduate school. Already, 50 per cent of the population are going to university. If 10 per cent of graduates go on to graduate school, that would mean that 5 per cent of the population would be going to graduate school. That is just about the percentage that went to university in the halcyon days to which you refer. All that we would be doing would be creating a new elite degree class without making a significant difference to individuals or to society as a whole. Do you agree? Would we be differentiating between institutions that can offer postgraduate education and the rest that would not cut it?

Professor Sir Graham Hills: Forgive me if I misled you on the numbers. I was saying that 10 per cent of the intake would find its way to the higher levels of further degrees and so forth.

Brian Adam: But that is the number of people who made it to university in the late 1950s and early 1960s, before the introduction of maintenance grants or of fees being paid by the state other than through the bursary system. Would the effect of what you suggest not simply be to allow the middle classes—as you describe them—the chance to distinguish themselves yet again from the plebs by being the ones who could afford to go on and get a postgraduate degree?

Professor Sir Graham Hills: I would hope not. I have called the present system grossly unfair to the working class in this country. The system is skewed towards people who do not mind not paying for something that is very valuable to them. Would you repeat the second part of your question, please?

Brian Adam: Sorry—

Professor Sir Graham Hills: Forgive me, I should have remembered it.

Brian Adam: You go ahead.

Professor Sir Graham Hills: Let me just talk about what I think you wanted me to talk about. Let us be optimistic about people. I do not believe that there is a limit. Most people can go a long way if given the chance. The reason why they do not go far is because a lid is dropped on them at some stage in their life, making them stop. We should be optimistic about humankind. What I have said is about opening doors for everyone.

Brian Adam: But surely the effect of what the Government proposes, and of what you propose, will be that differentiation and choice will be on the basis of whether people can afford it or are sufficiently outgoing to take the risk that there will be a benefit at the end.

Professor Sir Graham Hills: That is such an important point that I want to answer it as clearly as I can. Imagine that most students, or all students, will take that first degree—the so-called Bologna or foundation degree. All people, regardless of their income—and remember that they have all been supported to that point—can go to graduate school. Where do they get the money from? It is very simple. They earn money at that stage by becoming a graduate apprentice, an intern at medical school or a worker in legal chambers. They gain a lot from the professional element of training at a time when they are ready to be a professional and want to be a professional. It is up to the professions to support them, and they will, because those graduates are very good value for money. I do not see any of the discrimination that you suggest. The proposal would be an open way for any child, regardless of where they started from.

Brian Adam: So you are saying that, in essence, postgraduate education will be paid for primarily by industry—

Professor Sir Graham Hills: Absolutely. It is such a privileged thing to do.

Brian Adam: It will be paid for primarily by industry.

Professor Sir Graham Hills: Not primarily by industry, but by the professions or the students themselves, if postgraduate study is what they want to do.

The Convener: The reason why we are having this inquiry is that there is a suggestion of a new system south of the border. We are looking at the potential knock-on effect on Scotland. More money sloshing about the system down south might lead to our best research people being attracted down south. There is also the possibility that students could be displaced up north because our system would appear to be relatively cheaper. I am not clear how your solution would impact on that situation. Would those two problems still exist?

Professor Sir Graham Hills: That is a difficult question. The global society has opened all doors to all countries. The question that was asked at the Royal Society of Edinburgh last night was "Shall we all end up in the United States?"—it was asked because the US takes all the Nobel prizes. I do not think that that will happen—cultural factors will keep us here. I also do not think that all the students will flow down to England. On the other hand, if all the students flow up to Scotland, that would be a good idea.

The Convener: As there are no further questions, I thank you for your evidence, which was interesting and stimulating. We are grateful to you.

Professor Sir Graham Hills: Thank you for asking me. I am sorry that I have spoken so much.

The Convener: Not at all.

Budget Process 2004-05

14:52

The Convener: We move on to our second agenda item. I welcome Frank McAveety, the Minister for Tourism, Culture and Sport, and ask him to introduce his officials.

The Minister for Tourism, Culture and Sport (Mr Frank McAveety): Okay, but that is a big challenge already, convener. On my immediate left is John Mason, who is head of the Executive's tourism, culture and sport group. To my immediate right is Donna Bell, who is the team leader of the Executive's education and enterprise and lifelong learning finance division. We also have Laura Petrie from Historic Scotland.

The Convener: Thank you. Do you wish to say anything in general about the budget before we move on to questions?

Mr McAveety: I have two or three brief comments to make. The draft tourism, culture and sport budget for 2004-05 includes resources that were allocated from the 2002 spending review. The budget was subsequently revised to take account of commitments in the "A Partnership for a Better Scotland" document. Since 2002-03, two major funding additions have been made as a result of the discussions around PABS. The first is the extra £3.5 million in 2004-05 and £4 million in 2005-06 from the central reserve to establish the national theatre for Scotland. At the present time, the board and artistic director are being recruited and we have charged the Scottish Arts Council with the responsibility of developing the project.

The second substantial change relates to the £16 million that the committee will recall was set aside in the central reserve to fund the Euro 2008 bid. Unfortunately, we were not successful in that bid, but the resources have now been allocated to sportscotland to assist in the provision of the new national and regional indoor training facilities projects that we are consulting on; sportscotland has issued a prospectus for those facilities and bids are due by the end of next March. We have extended the deadline by a couple of months to facilitate the partnerships that we think can emerge.

The only other change since 2003-04 is an adjustment to the budget for the national institutions. The reduction of £6 million primarily reflects the recalculation downwards of the cost of capital charges—from 6 per cent to 3.5 per cent. That percentage reduction applies generally to all public bodies and has an important impact on the national institutions, because of the size of the estates that they hold. The rest of the targets and

objectives for the portfolio are as set out in "Building a Better Scotland".

The Convener: The figures in the draft budget all take account of the change in capital charges. Is it correct that we run into trouble only if we compare this document with the draft budget for last year?

Mr McAveety: Yes.

The Convener: Not all the budget heads in your portfolio are under your direct control. Money is given to other bodies, such as VisitScotland and the Scottish Arts Council. What is the position if those organisations underspend on their budget allocation for the year? Have they been given the money, or do they draw it down as and when they need it? In either event, what happens if at the end of the year VisitScotland has not spent its £31.76 million?

Mr McAveety: Knowing the organisations with which I am dealing, I think that they will spend right down to the wire. Recent history indicates that, by and large, they spend the budget allocated to them. In the recent past, the Education, Culture and Sport Committee drew attention to a small underspend in the budget for Historic Scotland. That issue has been addressed. Laura Petrie from Historic Scotland may want to comment on the matter once I have concluded my remarks.

The dilemma that we have in the portfolio is that most of our money is allocated to autonomous bodies that have their own boards. Those bodies are charged with the responsibility of allocating resources to the priorities that have been set out broadly by the Executive, in discussion with the boards of sportscotland, the Scottish Arts Council and so on. Rightly, most day-to-day and month-to-month decision making is a matter for those organisations. I need always to be conscious of the arm's-length principle. Often in public debate there are calls for the minister to intervene directly, but many issues have been predetermined in documents such as the sport 21 agenda or the cultural strategy, as set out by the Scottish Arts Council and the Executive. That is a challenging situation.

The Convener: We all welcome the fact that, in the Executive, if money is not spent, it is not necessarily lost. Organisations do not have to buy 100 computers on the last day of the year just because they have the money to do so. Are the bodies for which you are responsible capable of carrying forward an underspend, should they have one?

Mr McAveety: I ask John Mason to deal with the technical aspects of that question.

John Mason (Scottish Executive Education Department): I will describe the process in more detail. Organisations receive an annual allocation, profile it for us and draw it down on a monthly basis. We monitor that and make adjustments during the year, if possible. Last year, the underspend for the whole portfolio at the end of the year was about £800,000, of which around £500,000 was down to Historic Scotland's grant scheme. The rest was down to slippage in a capital project. Both underspends were able to be carried forward into this year. There is no record of revenue underspends in any of the bodies for which we are responsible. For good reasons, capital projects may miss their slot on a monthly basis. Arrangements are in place to allow them to carry forward the money into the following year, so they do not have to spend it.

Brian Adam: The route development fund exists to encourage direct links from Scotland to elsewhere in the world. It is designed at least in part to boost tourism as well as business. How has the Government's part of the fund been used so far? From which airports are you hoping to encourage the development of direct links in the near future?

Mr McAveety: The route development fund is primarily within the Minister for Transport's remit. However, that does not—

Brian Adam: I accept that, but the tourism element is very important.

15:00

Mr McAveety: I was about to say that that does not mean that there is no crossover with the tourism portfolio in that respect, to ensure that people have access to Scotland. In the past year, Edinburgh airport has managed to secure most of the direct links under the route development fund. Obviously, there has been some contention with other projects elsewhere that are seeking to reach that point. VisitScotland has certainly identified a number of ways in which it would like other airports to have more opportunities as far as bids are concerned.

In the west of Scotland, Prestwick airport has recently been successful and the British Airports Authority has made some overtures about identifying opportunities for Glasgow airport. Further north, we are committed to finding ways of securing direct flights from Aberdeen and Inverness airports. After all, much of VisitScotland's research indicates that people in Scandinavian countries are willing to visit Scotland, and it is important that people have direct access to the closest airports.

From memory, I think that, under the route development fund criteria, operators have to offer flights to and from Scotland five times a week to qualify for funding. I know that ministers are

discussing whether some flexibility can be introduced to assist other locations in Scotland that might not be able to create the volume to justify five flights a week. Perhaps in that regard we could consider a pattern of flights over a month or two.

Brian Adam: Within the past week, Snowflake, Scandinavian Airlines' low-cost airline, has concluded an agreement with Highlands and Islands Airport Ltd for direct flights from Sweden to Inverness airport two days a week. Obviously, if the route development fund criteria stipulate that there should be flights to and from Scotland five times a week, the operator could not have received financial support from the Executive.

Mr McAveety: Instead of interfering directly in the commercial decisions that some companies make about the volume of passengers to justify the introduction of a particular service, the route development fund could assist that process at the edges by kicking in when companies decide to provide such services. However, any services that are funded from the route development fund need to be more effectively synchronised with VisitScotland's marketing strategy to ensure that we receive maximum benefit from the two strands.

Brian Adam: This week, we have heard Scottish Opera's pleas for another £1.5 million. Is there any prospect that it will be bailed out yet again? What areas of the budget would we have to sacrifice if that happened?

Mr McAveety: We have indicated to Scottish Opera that our commitment as far as the budget allocation is concerned is as we said it was. At the moment, we are having discussions with senior figures in Scottish Opera to find ways of addressing some on-going issues that have emerged over recent years about the company's funding and its capacity to operate within its budget envelope. It would be far more preferable if those discussions remained private, because we are talking about a major institution and the many staff who have given service to it.

Chris Ballance (South of Scotland) (Green): On the route development fund, will you carry out research into the routes that have received funding to find out whether the operators are encouraging more Scottish tourists to holiday abroad instead of encouraging foreigners to holiday in Scotland? Many of us feel that that approach is leading to a tourist deficit and is doing our tourism industry more damage than good.

Mr McAveety: I assure the member that we examine those figures. As the recent visit to Barcelona indicated, there is an increasing parity between Scottish visitors to that city and visitors from Barcelona to Scotland. We need to try to ensure that that balance starts to move in our favour. That may not be route development, but it is an important aspect of travel.

As committee members who were present during yesterday's discussions with Superfast Ferries know, there is also an opportunity at Rosyth. Superfast Ferries is finding that increasing numbers of passengers from mainland Europe are accessing Scotland through Rosyth. The evidence from the returns that we have had from VisitScotland so far indicates that, over the summer period, a significant number of central and eastern European visitors used the Rosyth ferry as their route into Scotland. We need to ensure that the service is marketed more effectively. That is why I was delighted to be present with Christine May and many others at yesterday's tartanisation—as we might call it—of Superfast Ferries. The ferry now has its own tartan so that it can showcase Scotland more dramatically when it gets to mainland Europe.

We need to continue that work. I can give an assurance that, as part of our sustainability and investment agenda, both the Minister for Transport and I, along with the Minister for Enterprise and Lifelong Learning, are examining the effectiveness of the route development fund to ensure that Scotland is the main beneficiary of that investment, rather than the reverse.

Chris Ballance: I notice that you said "increasing parity", which I take it means that the route development fund is still causing a tourism deficit.

Mr McAveety: That is the case in that location, largely because the marketing has essentially been about encouraging people to go to cheap-flight destinations from Prestwick. We need to try to ensure that we market in those destinations so that people from them reciprocate. Recent discussions with Prestwick have indicated that the figures are now much better.

The other issue is about how we showcase Ayrshire and the south of Scotland to people when they arrive at Prestwick. I know from previous discussions that members have been concerned about that. We need to ensure that folk have the opportunity to link into marketing initiatives at a local level through the area tourist board at Prestwick. Too often, many folk use Prestwick as an entry point without necessarily staying even for a day or two in the south and south-west of Scotland. I know that Chris Ballance and others have been anxious about that in the recent past and we need to try and do a bit more on that issue. We have had discussions with Prestwick and others to consider how we can showcase to visitors who enter through that airport the benefits, history, culture and interests of that part of Scotland.

Chris Ballance: I notice that the draft budget has sections on sustainable development and eco-tourism. Will you give us the definitions that you used for sustainable development and eco-tourism when you put those sections together?

Mr McAveety: I could trust a Green to ask me that question—and to raise it at the next conference.

Without avoiding answering your question, I think that we are at an early stage in trying to devise and develop what we mean by green tourism and eco-tourism. Obviously, VisitScotland wants to look at developing that market, in particular for young people. There is a real opportunity to market more effectively Scotland's youth hostel network and its landscape and natural habitat. VisitScotland is trying to brand a series of products under the green tourism badge.

Under the sustainability agenda, VisitScotland is looking at how the hospitality industry might identify hotels that wish to consider the sustainable use of the products that they develop to demonstrate that those hotels have reached a certain standard in, for example, catering, cleanliness and the use of resources. Visitors who are concerned about those issues do not want to be seen as tourists who are exploitative of the environment, and the hotel product needs to recognise that so that those visitors can make those choices.

Those are some of the elements involved. I would not say that I am an expert on the issue—perhaps John Mason can plunge in to assist me—but it strikes me that a lot of work has to be done on it. We would welcome contributions from folk who have a particular interest in the matter.

John Mason: Eco-tourism is a growing market. VisitScotland is increasingly marketing eco-tourism products, particularly on the near continent to the Dutch and the Germans, who are very interested in green tourism in its broader sense. VisitScotland's green tourism scheme has a lengthy set of criteria, which, in effect, are the criteria against which all the facilities are assessed. We can provide those details for the committee so that members are aware of what is taken into account.

Chris Ballance: I would be grateful for that information.

The other issue that I want to raise is about visitscotland.com, which comes within the minister's remit but is not actually in the draft budget. A real problem is the fact that the primary duty of visitscotland.com is to SchlumbergerSema, which is its US parent holding company. Its second duty is to the site users and its third duty is to the accommodation providers that it serves, but nowhere is there a duty to Scotland itself or to non-accommodation tourism providers in Scotland. It exists as an accommodation booking service. That is its purpose, and it receives its income from the money that it makes out of accommodation booking. That problem means that there is no internet-based Scottish tourism presence; the only thing that we have is a booking service. Is VisitScotland aware of that problem? Do you have any interest in addressing it?

Mr McAveety: I am aware that visitscotland.com has now appointed some senior personnel to address the concerns expressed over recent months by accommodation providers or other individuals. That opportunity to engage with those senior personnel has been welcomed by everyone, because it is a matter of customer relations.

The future of visitscotland.com is utterly dependent on its capacity to work alongside VisitScotland in showcasing the product of Scotland. VisitScotland's key objective will obviously be the marketing strategy. That is something that the previous Enterprise and Lifelong Learning Committee and the Scottish Executive accepted, and I hope that we are moving towards addressing the issue of marketing. Much of the debate in the ministerial committee has obviously been about how we can address the concerns that have been raised.

To date, visitscotland.com has received more than £7.1 million-worth of bookings, and it is willing to look at ways of adapting entry points into the website to take into account many of the concerns that have been raised in the recent past. The situation is much better than it was when I inherited the post, but the issue must continue to be at the forefront of VisitScotland's concerns.

In terms of comparative costs, the charges of visitscotland.com are no greater—in fact, they are substantially less—than the charges of most other bookers that charge commission. It is reasonably competitive in the market. We need to ensure that there is a better linkage between visitscotland.com and VisitScotland, and, more important, between visitscotland.com and the local network, so that diverse products across Scotland can find themselves on that website quickly and so that individuals can develop their interest in those products. There is continuing work to be done on that. I may not know about the matter in detail, but the situation has certainly dramatically improved since the appointment of what might be termed a troubleshooter—although I do not think that that is necessarily the most appropriate term—to intervene early to address the needs of the individuals who care about the service.

Chris Ballance: Could I ask another quick question?

The Convener: You have had a fair crack at the whip already.

To return to the budget, there is a target for 75 per cent of accommodation to be bookable through the internet by the year after next. What exactly does that mean? There is some vagueness about that. It does not mean that someone could actually book accommodation just by sitting at a personal computer and entering their requirements. As I read it, the target means that, although the accommodation is listed on the internet, there may have to be some human involvement, because it is not a direct booking system. Is that correct?

John Mason: Yes, that is basically correct. Full details about all the targets, what they mean and the methods by which they will be assessed were published after "Building a Better Scotland" was produced; that information is available on the website. Each of those terms is defined, as is how we measure whether the targets are being met or not.

Mike Watson: I have one specific question and one general question. My first question is about the target 5, on creative industries, which seeks to establish methods of measuring the contribution of tourism and the creative industries to the Scottish economy as a whole. I notice that one of the milestones is for the methods to be agreed and established. What progress has been made on that? There is also mention under the milestones of having a

"Review of creative/cultural industries information under way."

I would like an update on where that stands.

15:15

Mr McAveety: I will make three points. First, I have asked for the specific issue of creative industries to be addressed as part of the consultation on the cultural review that we will engage in over the next few months. That will be very useful.

Secondly, on the immediate target itself, I have met Jim Wallace to discuss the issue twice because there is a massive crossover between my portfolio and Jim's work. I do not know whether we have got it right in respect of how we link with the role of enterprise networks. We have had two meetings with David Reilly as we want to drill that down more effectively. We have given a commitment to each other that we will come back to discuss the matter. The point that always comes up is that some local enterprise networks will engage with that aspect of their role very positively but others do not give it such priority, although it is not the case that they do not do that work. We must make that link more effective.

The third big issue is connections between schools and the knowledge economy. We must work more effectively, not only with the enterprise sector but with education institutions in both the school sector and the further and higher education sector. I know that in the past many of us, including Mike Watson, have said that we must do much better with the art colleges in Scotland. That is a massive issue.

I can come back to Mike Watson on the specific details about how we can measure the milestones and targets, if that would be of use to him.

Mike Watson: I notice that the target is set for 2004, so I presume that it will be completed by then and that the information will be published. It would be of general benefit if that is available to the organisations to which you refer.

You mentioned the review that is under way; it has attracted quite a lot of publicity with regard to the Scottish Arts Council, Scottish Screen and so on. You also mentioned the higher education sector and specifically the art colleges. Will they be part of the review and expected to make a contribution to it? If funding as a whole is reviewed, is there a possibility of, as you said, linking with Jim Wallace's responsibilities for the provision of resources to the art colleges and the creative industries sector, whether through the Scottish Arts Council, Scottish Screen or any other organisation that is part of the review?

Mr McAveety: I am keen to have a fairly broad perspective to facilitate that contribution.

It would be wrong of me to give a prescriptive view today of what will emerge over the next two or three months. There is an opportunity to open up the debate. Within the next few weeks the Cabinet will discuss the outline of the review. I would like an innovative approach to be taken so that we do not hear only from those who usually make submissions to the committee or the Executive on such matters. I know that in the past we have discussed with individuals how we can get other voices in and perhaps hear from people within art colleges who might be able to suggest interesting ways of looking at how they are funded and how they connect across with enterprise and cultural development.

We should also try to hear from lots of others who are probably not currently in the creative industries—particularly young folk from disadvantaged communities. How can we encourage individuals in those communities to see the creative industries as offering them a potential career opportunity or a way to improve their life chances? I would like to develop that aspect. We will try to address those matters in the review process. I hope that something will come out of the discussions that we have had with Jim Wallace

and other ministers and that that will be reflected in the broad perspective that emerges over the next three or four months.

Mike Watson: I will now raise a more general issue that is not strictly—in fact it is not at all—to do with what we are discussing today; I refer to lottery funding. That obviously has a very important connection to the issues that we are discussing, because a lot of what the organisations to which you referred do is dependent on lottery funding of one form or another. A review of lottery funding is taking place because the Community Fund and New Opportunities Fund are being merged. If lottery funding projections continue their current downward trend, how do you intend to address some of the shortfalls that could result for some organisations, whether the Scottish Arts Council, sportscotland or Historic Scotland? If less lottery funding was available, would it be possible in the negotiations for spending review 2004 to make up any shortfall that emerges?

Mr McAveety: I do not think so, given the overview of spending patterns in the Exchequer. We need to prepare the ground with the major institutions that receive lottery funding and to work with partners and individuals who received funding for big bids in previous years. A more realistic approach to what can be done may need to be taken. Ways may need to be found of making connections with other funding agencies, whether in health or education, or in the tourism, culture and sport portfolio. Other partners may emerge to fill part of the gap, but people may have to be more aware of the resources that are likely to be available and tailor their demands to them. Collectively, we must prepare everybody for such challenges, which reflect the substantial downturn in lottery ticket sales and income.

The merger of NOF and the Community Fund may offer opportunities to help groups that are shunted between the funds. We have talked to NOF and the Community Fund about a one-stop-shop approach to ensure that individuals do not hear from NOF, "We would like to help you, but that is really the Community Fund's role," and from the Community Fund, "We can't help you—that is NOF's role." We need to find better ways to deal with such situations.

The Department for Culture, Media and Sport has issued a consultation in which we are engaging that will have an impact on iconic projects, for which the DCMS remains keen to have funding, and which will develop an idea for a youth fund. Those proposals might fill some of the gaps if financing is allocated from lottery funding. Those are embryonic issues.

Mike Watson: The proportionate effect on your portfolio could be higher than that on any other Executive portfolio.

Mr McAveety: Absolutely.

Mike Watson: That is why I raised the issue.

Mr McAveety: I am conscious of that. The matter is part of the debate that the committee needs to have with the Minister for Finance and Public Services about the possible disproportionate impact of changes and other factors.

Christine May: I will ask about progress towards targets. You have answered Mike Watson's questions on target 5. Target 3 says:

"Applications for Regional Selective Assistance … of £2 million and over will be assessed against the Executive's sustainable development objectives by 2004."

Any project that wants regional selective assistance of more than £2 million is a big project. Will you tell us now—or later—what progress is being made against that target?

I also have a more general question about associating elements of the budget with targets. What Cabinet discussions have taken place on realigning the budget so that we can assess spending against targets across the main priorities?

Mr McAveety: That was a wonderful googly question—thanks very much, Christine. My worry is about whether target 3 has been transposed from the enterprise and lifelong learning portfolio. That is a killer question, because we have no answer to it.

Christine May: I am happy to have the question answered in writing. If the target was transposed from another section, why was that done?

The Convener: I am puzzled about why that target is in the tourism, culture and sport section of the budget.

Christine May: I, too, was puzzled—that is why I asked the question.

Mr McAveety: I wondered where the figure of £2 million came from.

Christine May: Perhaps the target relates to sports facilities.

John Mason: The last time that I saw it, that was not one of our targets. Something has gone wrong and that target has been transposed from the enterprise list of targets into our list.

Christine May: So no big cultural projects have applied for RSA of £2 million or more.

Mr McAveety: Not that I am aware of, but we will write to the committee about that.

Christine May: I made a more general point about associating budget lines and totals with the achievement of priorities. Has the Cabinet discussed when we might reach that position?

Mr McAveety: The discussion that is needed to satisfy the intention behind your question has taken place. Instead of waiting for an issue to pop up and ministers then having to meet to resolve it, we need to work out the key priorities and deliver on them. The problem is that that means hard choices for all the ministers involved and for the Parliament's collective perspective on its priorities. It is difficult to do those things effectively and I am trying to encourage debate within the tourism, culture and sport portfolio. Whoever is in the post cannot deliver on many of the issues unless we make inroads into and connections with other big-spend areas, such as spending on young people's needs in education and health. There is a real need to deal with that issue.

I have had discussions with all the major organisations in my portfolio about how seriously they are engaging in targeting their spend towards closing the opportunity gap and ensuring that we intervene in areas of substantial disadvantage. If we consider all the different bodies, we can see that targeting is uneven across the portfolio. Certain agencies are switched on and are trying to target their resources appropriately. Others have just come out of the cave and seen a bit of sunlight so we need to encourage them. It is going to take time but we need to do it.

Mr Stone: I have two questions for you; the first is specific and the second is more general. I turn you north to tourism in the Highlands. I am interested in how much your department co-ordinates with other departments. For example, in west Sutherland, there are communities such as Kinlochbervie and Lochinver where the fishing has gone away but where we have identified opportunities for bringing in pleasure boats, which would be good for tourism. That would cut across your department's bows, if I can use that expression.

How much co-ordination is there between your department and Ross Finnie's, or between Donna Bell and her equivalent officials at Robb's Loan? It strikes me that if Finnie has decommissioning money left over, that could help you to achieve your aims of the promotion and encouragement of tourism. I am sure that that would be equally true of other parts of Scotland.

Mr McAveety: We must continue to work harder and more effectively to create those connections. There are a few things that might be of interest to the Highlands and Islands. For example, I have discussed with the Deputy Minister for Environment and Rural Development the promotion of development in the Cairngorms within the tourism product, in terms of sustainability, and the development of the national parks. Again, we want institutions to collaborate. It is fortuitous that you asked that question because this week I wrote to several organisations, including VisitScotland, to say that I want them to open up that debate and report back to me in a reasonable time about the strategies that they are putting in place to ensure that they work more effectively.

Another big issue that will arise in the next few years—I am to have a meeting very soon about it—is the year of Highland culture in 2007, which I think is a real opportunity. I know that Highland Council has appointed an individual to take responsibility for that event but more momentum is needed, and we must utilise the opportunities created by Inverness's unsuccessful bid to be the capital of culture to extend it much more widely.

We also have to examine how the Scottish Arts Council and all the agencies that it funds can work and link up better with area tourist boards and others to showcase Scottish traditional culture more effectively. That is one of the things that attract people to Scotland, particularly to the Highlands and Islands.

Mr Stone: That answer is welcome as long as you remember to shift your eyes from the hills towards the edge of the sea as well. Who knows what we could do.

Mr McAveety: One of the issues that were discussed at the Thistle awards on Friday night was the promotion of the edge. There is a willingness to engage in that work, but it would be helpful if individuals were to come up with innovative ideas on how to pull the agencies together. Often agencies go for the tried and trusted formulas, but we want to find new markets. This was a very good summer for Scottish tourism, and we want to ensure that the greater number of visitors is sustained by a range of opportunities throughout the country.

Mr Stone: Good. You will hear more from me. My second question is perhaps more to do with Laura Petrie's field. I am aware of the successful work that has been done on Historic Scotland's objectives for building preservation trusts in various parts of Scotland. Do you have any comments on how that work is going in terms of your budget and targeting money? Could it be broadened out still more?

Laura Petrie (Historic Scotland): Work is being done to develop city heritage trusts for Aberdeen, Stirling and Dundee. Those trusts will be implemented legally by the start of next year. There is a lot of work in progress in discussions with the councils to appoint people for the city heritage trusts and to establish sources of funding

for them. That work is one of our spending review targets.

15:30

Mr Stone: That is first rate. I am sure that you know, but I point out, that additionality—keying in extra money—is attractive to an organisation and a department such as yours. You can up the budget yet again. Is anything else happening in the more rural parts of Scotland, outwith the cities?

Laura Petrie: In relation to the building preservation trusts that we have at the moment, the future work is the creation of the city heritage trusts. We have building repair grants—which are used throughout Scotland, not only in urban areas—that can be used to help work and as part of rural regeneration.

Murdo Fraser: I will stick with tourism. I was looking at the figures for VisitScotland and quickly trying to do some mental arithmetic. VisitScotland will receive about a 10 per cent real-terms increase over two years, which is a substantial uplift in funding. What sort of projects will the funding increase be spent on? What research is being done into VisitScotland's effectiveness, particularly in marketing Scotland as a destination to other parts of the United Kingdom and overseas? How tightly are we ensuring that we get value for the additional money that is going into VisitScotland?

Mr McAveety: In discussions with VisitScotland and others, the leverage figure that has been suggested is, I think, one in 12. There is a direct correlation between the amount that is put into marketing and the returns that we receive in visitor numbers. Some people will argue with that, but the evidence is quite compelling. The more that is put into marketing, the more Scots will use Scotland as a destination. More important, it gives us the opportunity to market Scotland in certain parts of the world in which people are more likely to be receptive to the idea of coming to Scotland. In its market research, VisitScotland will prioritise certain parts of America and Canada. Also, because of the development of the Rosyth ferry and further air links, there is an increasing commitment to market Scotland in certain parts of near Europe.

On the broader debate, we are in discussion with fellow ministers about how we sustain and develop Scottish tourism. One of the key, compelling arguments that has been submitted is to try to identify the marketing strategy more effectively. That is important, but there is another key point on which we need to do better. There is no point in improving marketing and access to Scotland if the experience that people have in Scotland is variable. We can go from having extremely excellent service to places where the service is not attractive enough, even though it is not low cost but high cost. We need to drive forward the quality agenda. That can be done with encouragement from us but only from inside the industry.

The next issue with which we need to deal—everything has a domino effect—is the quality of training and developing the connections between the visitor attractions in the Scottish tourism industry and the way in which individuals enthuse about them. Our Scottish tourism industry should not be the hotel or the visitor attraction, although those are two key components; it is about the journey that an individual makes. Do people feel confident about the area that somebody has visited? If we convey a sense of unhappiness or uncertainty about something, it will be conveyed strongly and we might not get the response or return visit that we want.

Only yesterday, I visited the Rosyth ferry—I mentioned that earlier. The quality of service that has been put in place for the Rosyth ferry and the fact that the customer seems to be paramount in that product were visible even in yesterday's visit, irrespective of the fact that I was there as a minister. I am sure that there would have been anxiety to perform well, but, when I looked around, I could see that the staff were switched on for everyone who was coming on to the ferry, which was still operating during our visit. That is something that we need to continue to develop.

Murdo Fraser: I want to ask about the relationship between VisitScotland and the British Tourist Authority. You have been speaking about VisitScotland running campaigns in North America, for example. How does that tie in with what the BTA is doing? How do the funding arrangements between VisitScotland and the BTA work?

Mr McAveety: The BTA has a responsibility to market the United Kingdom abroad. In its discussions with the BTA, we want VisitScotland to ensure that Scotland is placed as dominantly and firmly as possible in the showcasing of the UK. People sometimes get a wee bit sensitive about this, but the iconic products that we have allow us to put Scotland at the forefront of marketing strategy in a more effective way than is the case for other parts of the UK. There are certain Scottish symbols, which are generally more positive than negative, to which people feel attuned.

John Mason may wish to comment on this, but I would say that the process is on-going. Because of the new devolved structures in the UK and the fact that politics is evolving through the new Scottish Parliament, it is necessary to ensure that

the UK bodies do not consider that certain things are nothing to do with them any more and that they can leave the Scots to deal with their bit in Scotland and simply concentrate on marketing English and British tourism, as if they were synonymous. We continue to have discussions with VisitBritain to ensure that that does not happen.

John Mason: That is correct. There is a continuing dialogue at ministerial and official levels and among the various tourism bodies. VisitBritain, as the British Tourist Authority is now known, markets on the basis of the budget that it receives from the Department for Culture, Media and Sport and from private sector sources. We do not pay VisitBritain to market Scotland; it markets on behalf of the whole United Kingdom. All of VisitScotland's budget is spent on promoting Scotland.

Murdo Fraser: If the BTA was doing a presentation in North America and was marketing Scotland as part of that, VisitScotland would not make any financial contribution towards that.

John Mason: It would not normally do so, unless it wanted to add to that presentation for a specific marketing objective.

The Convener: Although the contributions for that are presumably paid directly to the Exchequer by the Scottish taxpayer.

Seriously though, have the difficulties to which you have alluded been exacerbated by the recent acquisition by the British Tourist Authority of the responsibility for selling England within the UK? There is a bit more of a tension now than there might have been before.

Mr McAveety: That has not really emerged. For what it is worth, my observation from having held a number of portfolios over the years is that people sometimes have not noticed what has happened in Scotland over the past four or five years. At other times, people have felt that we are totally on our own—although I know that that might appeal to you, convener. We need to ensure that Britain is marketed in ways that include Scotland. I do not detect anything problematic in that regard, although there is perhaps more awareness than in the past.

John Mason: Yes. VisitBritain is a new body. There are always a few problems with setting up a new body but, by and large, we think that it is settling down well and is beginning to prove its worth. There is no great difficulty at the moment with Chinese walls between one part of VisitBritain that is promoting Britain and another part of it that is promoting English regions. We keep a close eye on that.

Susan Deacon: I wish to ask about two distinct areas. The first is about the funding of the arts. I realise that comparisons between what happens north and south of the border are fraught at the best of times, and I am increasingly unconvinced of their relevance in a post-devolution context. Nonetheless, the perennial suggestion is made in a number of quarters that the arts fare less favourably in Scotland than they do elsewhere in the UK. Given that we are here to talk about the budget, I wonder whether the minister would like to comment on that.

Mr McAveety: This is like the perennial debate about what the function of devolution is if it is not about making different choices. There is an idea that we could just have a replicated arts budget that is no different from what we inherited in 1999, but that is not a concept that fits devolved institutions.

The base on which the DCMS funding increases have been made is much lower than the base we have had in Scotland in recent years. The position is not directly comparable. Some of the choices that have been made within the DCMS are not entirely the choices that we have made, and many of the areas of the arts in which we have invested in Scotland have not been considered at all elsewhere in the United Kingdom.

It is really about the choices that we make. For example, we have made the choice—consciously and rightly—to provide music tuition for primary 6 children. That is a major commitment that has not been paralleled in England. We have also had recent developments through the allocation of the underspend—the end-year flexibility money—such as the development of the national theatre.

The issue must be how we utilise our budget decisions—not just the ones that have just been made, but those that we make in the future—to get the balance right. I go back to the point that I made earlier: unless we make a connection across the way with other big-spend areas, arts expenditure will always be dwarfed by them. We need to find ways in which we can utilise education money and health money as investment in the arts—helping the health agenda while helping the indigenous arts community. Those are much more productive areas, and I would like to direct funding towards such things over the next few years.

Susan Deacon: That leads me neatly to my second area of questioning—although colleagues may want to return to the first one themselves. Cross cutting and getting different departments to work together towards shared objectives have been perennial themes in the four cycles of budget deliberations that we have had since the Scottish Parliament was established. I recognise that you have been in your ministerial portfolio for only a

relatively short period, but I wonder whether you or your officials would like to comment on how far things have come in the past four and a half years, in terms of putting in place the systems and practices within the Executive that facilitate the more cross-cutting—that is not a phrase that I like, but members will know what it means—approach on which you have commented several times today, in the context of the importance of making progress towards it.

Mr McAveety: There are two areas in which there has been some success. The first is the one I mentioned earlier: the commitment to provide music tuition in schools, which is a substantial funding commitment of more than £17 million that will allow us to do a lot of liberating work. The second area has been our success—which came before my time as a minister—within the tourism, culture and sport portfolio in getting some of the health money that was available, by identifying active and healthy lifestyles and trying to ensure that sport, in particular, was a beneficiary of that.

By using a bit of imagination in combining lottery money and sports funding, we have also found ways in which to develop a much more sustainable infrastructure, both locally—through sports co-ordinators and the community clubs agenda, which has massive potential in Scotland—and nationally, over the next three or four months, through the provision of national regional facilities, if that is done well. I do not want all the different parts of Scotland to fight among themselves over their little bits of territory; we are talking about national facility opportunities. We need to look at our geography and ask where things would best be placed and what kind of partnerships could develop.

Those are three areas in which we could do better. The other thing that we need to encourage is regional partnerships. That is as true in my portfolio as it is in health and in transport. Regional partnerships must, increasingly, be one of the ways in which people can develop things more effectively. The capital bases and incomes of some local authorities are far too small to justify big spend patterns. However, if three or four local authorities that are in reasonable proximity to one another work together with a genuine commitment to do that and to outreach, and if there are satellite developments that local authorities can pitch into, there might be more opportunities.

It is easy to say that, but we need to think about how we can bring people together more effectively. That is why I have been trying for a good while to meet the Convention of Scottish Local Authorities. COSLA is one of the key players and councils within COSLA can play a significant role. We need to do a bit better in that respect. John Mason may want to comment from his experience as a civil servant.

John Mason: Just to give a personal view, I believe that the portfolio is increasingly making better connections with virtually all other portfolios. Clearly, we have a lot to offer on the youth agenda, not only in education but in youth crime. Moreover, it is fair to say that, as a portfolio that looks after creative industries and tourism, we hold two of the potentially key growth sectors for the Scottish economy over the next 10 years, which will go a long way towards assisting the Executive's priority of economic growth.

Other portfolios are increasingly linking with our portfolio because they appreciate the benefits of working alongside us. We must get away from the tourism, culture and sport portfolio being regarded as having money in its budget to do something, for example in health. There must be a collaborative approach. Just to underline that, I hope to see more joint bids from portfolio ministers for projects and new initiatives.

15:45

Susan Deacon: I would love to proceed further with certain issues, but I will restrict myself to a particular comment. Much of what has been said refers to connections at agency or departmental level, but I am interested in anything the minister can say about ensuring that the well-established principles and aspirations of the national cultural strategy are translated into practice at community level in organisations' individual experiences.

I note that objective 4, to which John Mason just alluded, is:

"To generate jobs and wealth for Scotland by assisting young people to be creative and enterprising, and by promoting and developing the tourism, cultural and sporting sectors of the economy."

The point about assisting young people to be creative and enterprising featured prominently in our plenary debate a few weeks ago on developing an entrepreneurial culture in Scotland's schools. I regard objective 4 as making a big statement, but its accompanying target is narrow because it refers only to "creative and cultural industries" rather than to what needs to happen in communities and schools to achieve the objective.

I welcome anything the minister might have to say about fostering a change of culture and achieving a step change in the levels of activity in our communities and schools.

Mr McAveety: Four big issues are probably involved. One is the development of new national regional sports facilities. For example, it is 2003 but Scotland still does not have indoor sporting facilities to the level that many other parts of

Europe have had for a number of years, yet we are shocked by our lack of achievement in some of our national sporting endeavours, despite the fact that we tend to spectate rather than participate in sport.

If we get things right over the next three or four years, we can perhaps have much better national regional sports facilities throughout the country, which would mean that, wherever anyone was, there would be reasonable proximity to such facilities. If regional partnerships develop more effectively, people might be able to share facilities through community club developments, which are taking place throughout Scotland.

On creativity and so on, connections must be made and I expect the Scottish Arts Council to make them. The Scottish Youth Theatre must be inextricably linked to the development of the national theatre, which must be developed as a commissioning theatre that works with all the repertory theatres and others throughout Scotland to develop links with kids in schools and so on. We must also think about a much more effective way of linking that development's design and commitment to young people in schools so that they regard creativity not only in terms of giving pleasure to themselves and an audience but as an aspect of the economy. John Mason rightly alluded to that.

We need to work hard to get the measures in place and then genuinely encourage folk to take part. The evidence from consultations with communities in Scotland is that people are not daft and can make difficult choices. In the past two or three weeks, there have been stushies about public policy choices, but if we inform people early enough, they will make rational choices. We want to give people the opportunity to buy into the process. If we can do things better in the next three or four years, people will buy into the process. That will allow us to make the right choices for young people, so that individuals, irrespective of social class, background, income or previous aspirations, can say, "That's for me," and will be able to transform their lives and the lives of the people around them.

Mr Richard Baker (North East Scotland) (Lab): One of the previous committee's recommendations for this year's budget was that VisitScotland should improve impact assessments of its activities. In answer to Murdo Fraser's question, you mentioned issues such as improved market research. Has any work been done on VisitScotland's response to trends in Scottish tourism? That relates to the portfolio of priorities for next year, one of which is to promote our cities' many attractions. Although VisitScotland's strategy might be working for some cities, challenges remain in relation to other cities. In my region, tourism in Aberdeen fell slightly last year. Has progress been made on that issue?

Mr McAveety: VisitScotland has done work on the possibility that new markets will emerge. I mentioned earlier the work on eco-tourism, adventure holidays and sports-related activities—VisitScotland has increased its marketing of such holidays. Much of the debate in which the previous committee engaged was about the entry points for visiting Scotland. I know from letters that I have received from those who are passionate about the issue that there are many diverse views on it. Some people believe that cities are the gateways, while others think that cities hold on to tourists and do not allow them to move out. Other people say that, historically, VisitScotland has presented a cosy image of the country that involves rural Highland Scotland, castles and mysticism.

In my view, VisitScotland's marketing has changed massively in the past year and a half to two years; it now takes niche markets into account. The evidence is that people increasingly want short breaks. They will spend a fair amount of money, but they want quality and might only want to spend three to five days at their holiday destination rather than the conventional two weeks. We must find ways in which to allow people to spend two or three days in one place and to dabble in spending two days elsewhere.

VisitScotland has increased that type of marketing, but it must continue to do so. One of the key challenges that face Scotland and our major tourism agency, VisitScotland, is the fact that 10 accession states will soon enter the European Union. Those states have already sent folk throughout Europe to consider marketing—they are examining the Irish experience and some of our experiences—and will start to compete on the same territory.

I cannot respond specifically on the factors that might have resulted in the small downturn in tourism in the north-east and Aberdeen, which Richard Baker mentioned, but I am happy to respond to him in writing on the issue, if that would assist. However, speaking broadly, because the market and the consumers are changing, we must ensure that VisitScotland is flexible and does not have a fixed view of what works. Access through websites was mentioned earlier: during the Edinburgh festival, the number of people who booked tickets online increased greatly—more people booked online than went through the conventional horror of the queues in the Royal Mile. The internet will change how customers make decisions about where they go, which is why VisitScotland's marketing and website development must be more effective.

The Convener: I cut Chris Ballance off earlier—he has time for a quick question now.

Chris Ballance: If we take out the welcome £7.5 million for a Scottish national theatre in the Scottish Arts Council figures, the SAC budget is almost standing still in real terms. Given all the laudable points in the budget documents about the arts, would you like the figure to go up in the long term?

Mr McAveety: I do not think that you will get a culture minister to say that he wants funding for the arts to go down, unless he is a right philistine. As I am middlebrow, I will say that I am encouraging people to try to find ways to increase the resources.

The Scottish Arts Council has had uplifts year on year since 1999. There is a standstill at the moment, but the council is substantially better off in 2003 than it was in 1999, when we inherited the situation as the Scottish Executive. That has been welcomed. The fact is that there is new money for theatre. Many people speculated that it would be replacement money, but new money has been found through flexibility. People have been putting their shoulders to the wheel to try to make the difference. As a minister, when it comes to resource allocation one has to argue one's corner with many ministers—it is a tough job.

Chris Ballance: I wish you the best of luck in the argument.

Mr McAveety: Thanks for your sympathy.

The Convener: On that happy note, I thank the minister and his advisers for their attendance.

Scottish Solutions Inquiry

15:56

The Convener: Item 3 is back to the Scottish solutions inquiry. We have before us representatives of the Association of Scottish Colleges, who listened intently during the previous evidence session. We have Professor Thomas Wilson, the principal of Glasgow College of Building and Printing, Janet Lowe, the principal of Lauder College, and Tom Kelly, the chief executive of the Association of Scottish Colleges. Tom, do you wish to say a few words before we go to questions?

Tom Kelly (Association of Scottish Colleges): Yes. Our view is that Scotland should not be thrown off course by the new plans for England, important and far reaching though they are. Scotland already has a distinctive system of higher education. We are ahead of England in terms of participation—not just by young people, but by older students too. Our higher education system is broader and more accessible than that in England. Since devolution, we have had major improvements in student finance, particularly for full-time students, and we have opened up access to many more people from deprived areas and disadvantaged backgrounds. We also have a better range and catalogue of higher education qualifications than England has now, or plans in its proposals for reform.

We do not see that the plans for England require sudden changes here, but we must continue to strengthen our system of higher education so that Scotland can be smart, successful and socially inclusive. For the colleges, the most important and distinctively Scottish measures we would like to see, apart from extra funding—which I will briefly say something on—are easing the cap on full-time places; improving funding support for part-time study, in particular for the low-paid who are in work and those who have family commitments; implementing fully our Scottish credit and qualifications framework, which is essential to ensure opportunity for all; and modernising the catalogue of higher national courses and awards.

Of course—members would expect me to say this—with more resources, colleges can do even more and better things for students and their employers. We welcome the increase in resources that is promised for the period from 2004 to 2006, but we would like further increases in order to improve choice, quality and support for students, to reward staff fairly and to meet the changing requirements of employers and local communities. We intend to pursue that in next year's review of the spending plans for 2005 onwards.

16:00

Christine May: I am delighted to see the representatives of the colleges here. During our inquiry, I have asked a number of questions on the further education sector. The HE sector has expressed significant fears about the potential impact on individual staff members and whole departments if top-up fees are introduced. If those fears are realised, will there be a knock-on effect on you? What solutions can you suggest?

Tom Kelly: The most adverse affect that we do not want to see would be Scotland's departing from its broad-based approach to lifelong learning. We are much more nordic than we are ivy league in our approach to higher education. That is right for Scotland; and we might go further and say that it is right in principle. Our system enables people, wherever they start from, to aspire to access degrees—but by different routes. We do not invest our all only in the fast stream or only in full-time students and we would not like that to be lost.

On loss of staff, some of what is being discussed in England could lead to a much more mobile work force in higher education generally. The long-term effects of that could be serious for our sector, as for others. However, those effects are difficult to predict. As is the case in relation to students, because we are at an early stage and cannot yet see the detail of the English arrangements clearly, it is difficult for us to assess any possible increase in cross-border flow—especially for college courses that already have a high and international reputation.

Janet Lowe (Lauder College): We can but speculate on the cross-border flows of staff and students. If there were to be cross-border flows of staff, that could create pressure on us because people might move out of our sector. Should that happen, one of the best ways to guard against it will be to ensure that our staff continue to be well rewarded and well motivated. As members know well, we have a very effective work force in the FE sector—our staff are motivated to do the job that they do for our students and we wish to continue to support them in that job. Any support that Parliament could give us to enable us to reward and motivate our staff would be one of the best forms of defence against any potential impact—given that we cannot, at this stage, predict whether there will be one.

I agree with the point that was made about students. There may be cross-border flows of students, although we cannot yet make predictions. Our best response will be to continue to support and develop the positive system that we have, which will allow us to maintain opportunities for Scotland and Scottish residents.

Christine May: In his introduction, Tom Kelly spoke about funding of part-time study. Will you expand on how important that is, where the money might come from for it and what impact it will have on employers?

Professor Thomas Wilson (Glasgow College of Building and Printing): That is a serious issue and one that was highlighted in Glasgow when we were involved in a citizens jury exercise. Among the people interviewed were folk who worked in fairly humble jobs in supermarkets and who had aspirations to move into education and to use some of the time when they were not at work to improve their lot and engage in self-development. However, the hurdles were real. They had the time but were humbly paid and did not have the money to pay the fees that the system required of them. We have to face up to that serious issue.

In Glasgow, 27 per cent of the work force have absolutely no qualifications. That is worse than the national average of 19 per cent. There is a big job to be done with people on low incomes, many of whom are in employment. We have to find ways to cut the Gordian knot and ensure that those people have the opportunities that we would want them to have.

Christine May: For the benefit of the committee, will you tell us what financial support is available for people in employment to attend a course of study at college?

Professor Wilson: Support would be means tested. The fact that people are in employment would rule out the vast majority of them from any benefit whatever. They would be responsible for their fees, travel and all other costs.

Tom Kelly: Christine May asked where the money would come from. Our approach is to say that of course we would like to see expanded funding for the sector and for the students whom we seek to serve, but we see that as a decade's work. That has been the consistent approach that we have adopted. We would like there to be a much better balance of entitlement between those who are best and most successful immediately on leaving school and those who want to get into lifelong learning but have the opportunity to do so only later. We do not expect the resources that that will require to come in full in a short spurt, but we would like to see efforts to improve the situation gradually step by step.

Janet Lowe: Traditionally, we classify students as being full time or part time. Perhaps we make the mistaken assumption that the full-time students are not working and the part-time students are working. The majority of students in colleges, whether full time or part time, who are following higher education programmes at higher national certificate or diploma level are working. The ones who are officially part-time are at a

serious disadvantage in that there is no support for their fees. Many people in Scotland are prepared to work their way through higher education by studying part time, but there is a disincentive for them to do so because of the fees. The question about where the money will come from is relevant and the committee might wish to consider it.

Mike Watson: I want you to clarify one of the points that you made in your submission. In paragraph 9 you talk about some features of the plans for England that could cause difficulties for Scotland. You talk about the introduction of foundation degrees and the effect on higher national diplomas and higher national certificates. It is not clear to me how the introduction of foundation degrees in England would impact on Scotland. In spite of my having the good and worthwhile Langside College in my constituency, I am far from being an expert, so it would be helpful to get an explanation.

Tom Kelly: The key is employer recognition. Many of the employers who recognise higher nationals in Scotland also operate in other parts of the United Kingdom. Were foundation degrees to be established as the standard two-year full-time education qualification, increasing numbers of employers who operate in Scotland and elsewhere would ask what is the calibration between the foundation degree and the HNs. They would ask whether the HND was worth the same as the foundation degree, whether it covered the same things and whether they could regard an employee with an HND in Scotland as the equivalent of an employee in England with a foundation degree.

At the moment, England has its own HN system; it is just not used very much. England did not develop higher nationals as we did over the past decade and that is a big weakness. Having said that, the strength in our system, which England's plans do not address, is that it is designed not just around two-year qualifications, but around one-year full-time qualifications and the gamut of part-time qualifications right down to evening classes. People can do HNs by evening class throughout Scotland if that is what is best for them. We have strengths in our system, but we do not want to lose employer recognition.

Mike Watson: I can see that. Your answer is complemented by the fact that in the brief that accompanied your evidence you said—this came as a surprise to me—that over 60 per cent of Scots entering higher education courses for the first time in Scotland do so in an FE college. I had not appreciated that—I do not know whether other committee members had. It certainly underlines the importance of your sector.

I move on to another point that you mentioned. In paragraph 15 of your evidence you talk about specific courses and you say:

> "It is possible, therefore, that more students from England will seek places on such courses in Scotland if there are top-up fees in England but not in Scotland."

I wonder what that is based on. To what extent do you fear—I do not want to phrase this too strongly—or are you concerned about, an increase in applications from English students to Scottish FE colleges?

I notice another interesting statistic in paragraph 51 of your briefing paper, which addresses cross-border flows. The table shows the number of students from outwith Scotland on higher education courses in Scotland's FE colleges. Using the most recent figures, which are from 2001-02, the figure is only 2.9 per cent of higher education enrolments in FE colleges. Given that that figure is a 50 per cent increase on the figure from two years previously, there seems to be an upward trend in such admissions, especially given that overall numbers have increased by about 9 per cent in the same period. What would be the effect of an increase in English students coming to Scotland? It seems that there is already a trend in that.

Tom Kelly: The figure is small scale in our sector. We are quite clear that Scotland's further education colleges exist overwhelmingly to serve the needs of those who live and study in Scotland and who expect to work in Scotland. We expect that to continue to be the case.

We have flagship courses, which tend to be either specialised courses or in particular fields for which there is high demand. Like everyone else in the sector, we have to play to EU rules. If the situation arose in which more highly qualified candidates from England applied for those courses and did so primarily for financial reasons, problems could arise in ensuring that that course provision was used for Scotland in the way that it is today.

That is not to say that we want to bring down the shutters. We are raising a marker. We are saying that if there is to be some sort of adjustment to the cross-border trade—if I can put it that way—that is a factor for us as well as for the universities.

Professor Wilson: At least in my college, there is no difference in the increase in the number of students from England who come to the college than is the case for students from elsewhere in the EU. If fees go up south of the border, that might lead to an increased flow into Scotland from other EU countries, as well as from England.

Mike Watson: As an aside, what support do English students get if they want to come to a further education college in Scotland? Do they get local authority support?

Tom Kelly: They are eligible for local authority support, but the English system does not give

quite the same guarantee as applies in Scotland. One example is that full student support, which is the student awards loan, grant and other aspects of student finance, is made available for one-year higher national certificate students. Such support is not generally available in England for such courses.

Mike Watson: I have one last question, convener. I am going to try it out although it is not absolutely central to the inquiry. The question has its roots in paragraph 22 of your submission, in which you set out the obstacles to continued progress in Scotland, one of which is

"The unsustainably low unit of resource available to support HE courses in FE colleges."

As most of your funding comes from the Scottish Further Education Funding Council, to what extent is the fact that that funding comes from the Scottish Higher Education Funding Council a factor in that statement? Look ahead, what is the association's view of the merger of the two funding councils? Is it likely to benefit your sector?

Tom Kelly: In the background briefing, we explained the differences in the unit of funding. We wanted to draw attention to the fact that, at the same level of provision in terms of the Scottish credit and qualifications framework, the funding that we get, which is from SFEFC, is much lower than the funding that institutions that are funded by SHEFC get.

That situation has been highlighted by the transfer of funding for Bell College and the UHI Millennium Institute. They now get SHEFC units of resource for the same things for which everyone else in Scotland gets SFEFC units of resource. The discrepancy is too wide to be used in the long term.

We have been promised that the issue of comparability will be looked at once the councils have merged. However, that will be a long slow process. It is difficult for colleges to sustain high-quality and high-cost higher education courses when they get much less funding.

Professor Wilson: The situation is even starker if one looks at sub-degree provision. An FE course that is roughly equivalent to an HNC would be funded in a university at the HE level—the SHEFC level—and not at the lower level. Although the course is exactly the same, there is wide disparity in the level of support.

Janet Lowe: I would like to make two comments about the potential merger. We view positively the possibility that the merger could bring about more cross-sector flows of students and the more effective implementation of the Scottish credit and qualifications framework, in which our sector is the heart and core. If the merger accelerates the framework's implementation, that can only be a positive step. We hope that it will happen.

That said, we are concerned about whether a single body would have the expertise and ability to understand and support the full range of learning from the foundation learning that we offer in our colleges to research and postgraduate degrees. The whole spectrum of lifelong learning should continue to be reflected and have equal focus in the membership of the council and the make-up of the executive. Although that is feasible, great attention would have to be paid to the matter.

The Convener: We will no doubt hear more about those concerns when we discuss any future bill on the matter.

16:15

Mr Baker: In paragraph 15 of your submission, you say:

"It is not impossible that Colleges of Further Education in England will introduce top-up fees for high demand, specialised courses".

Most of the debate has centred on the potential for universities to take such an approach. Have you had any discussions with your counterparts in the Association of Colleges about the likelihood of that happening? What are the prospects that such fees will be introduced?

Tom Kelly: The current difficulty is that, with the foundation degree concept, an award is offered by a degree-awarding university while the partner colleges provide the teaching. As a result, there will very often be what might be called a bilateral deal between the partners. We have focused on the fact that some areas of higher education provision in colleges—such as music production and television production—are in very high demand. Moreover, in Scotland, there is high demand for some land-based courses and courses such as golf management. In England, colleges that want to develop facilities and continue to improve the quality of those courses would be able to take in more money through top-up fees. The philosophy in Scotland is quite different in that respect. I think that many English colleges would rather not introduce top-up fees, but would prefer to retain standard tuition fees for every student at the same level of course.

Mr Baker: So you are saying that there is such demand for some courses that top-up fees could be introduced for them.

Tom Kelly: Yes, that could happen.

Mr Baker: I have a couple of quick questions about the unit-of-resource issues that Mike Watson raised. I might have missed this piece of information, but has any comparison been made

between the unit of resource in English and Scottish further education?

Tom Kelly: I am afraid that things are counted differently in England.

Mr Baker: Fair enough.

Tom Kelly: It is the usual problem. However, I should point out that there is a significant difference in the organisation of funding. In England, the Higher Education Funding Council funds higher education wherever it takes place, which means that it funds such provision in colleges according to its units of funding. In Scotland, the dividing line is drawn elsewhere.

Mr Baker: Will the merger mean that the same conditions might exist in Scotland in the future? Presumably you feel that that should happen in the Scottish context.

Tom Kelly: It will bring the issue to the fore. I do not think that anyone assumes that colleges will ever be funded to the same level as universities. There are wider functions to take into consideration and we do not want in any way to diminish the argument that Scotland needs elite research or research of a very high standing. We do not dispute the fact that differences exist. However, we want to be clear that there is a fair funding basis for learning at the same level.

Murdo Fraser: I also want to ask about the unit of resource. After all, every time that I visit a further education college, people raise the point that you provide degree-level courses at a much lower cost base—at least if we consider the cash that you receive to provide them.

When we have taken evidence from people from the university sector in this inquiry, they have argued that the introduction of top-up fees in England will mean that English universities will be better resourced. As a result, they claim that additional funding must be found—usually from the public purse—to fund Scottish universities. Surely that would exacerbate the situation in which you find yourselves. I presume that, if universities receive a funding injection, you will want the FE sector to receive a similar injection to ensure at least that the differential does not get any wider than it already is.

Tom Kelly: We certainly do not want a wider differential; I am perfectly clear about that. If there is additional investment available, we believe that it needs to be directed to the needs of students and to the sorts of things that employers require. We are not looking to get money just so that colleges have a bigger share of the cake; we are asking what benefits are being sought, and we think that there are important benefits.

Futureskills Scotland has said that demand in the labour market will be much greater in intermediate levels—Scotland already has a relatively well-qualified work force at the higher levels—so we are looking to make increases there. We would not resist the suggestion that, if there is more investment to be made, it should be made to get extra volume and opportunities. We believe that the priority for that extra volume and those opportunities should be in the areas that colleges offer.

I would like to make two points about the additional funding in England. First, there are offsets to the additional income. Universities and colleges would be expected to do more for top-up fees in relation to support and endowment funding of student support. In Scotland, at the moment, we have national support schemes, so there is a difference in that respect. Secondly, much of the additional funding in England will be going on the increased places for foundation degrees, because 50,000 extra places for foundation degrees do not come cheap. That accounts for a substantial part of the extra funding that England is putting in. However, if England achieves that target—supposing that Scotland's population makes up roughly a tenth of the total UK population—it would only bring England closer to what Scotland has at the moment, but it would not bring it level with us in terms of non-degree provision of higher education.

Janet Lowe: My point is about the differentiation between funding for research and funding for learning and teaching. We understand that much of the case for additional investment in the universities is made on support for research. Although we do not question the importance of investing in research, which is not an area that is of interest to us, we suggest that the two arguments should perhaps be considered separately. If there is further investment through top-up fees in higher education in England and a corresponding investment in Scotland, there should be clarity about whether that investment is for research or for improving opportunities for lifelong learning for the Scottish population. If it is for the latter, we would expect that our sector could be considered equally when the allocation of that resource is made. For many lifelong learners, more investment in research would not add value to what is available to them, whereas investment in lifelong learning would. We therefore ask you to consider the issues of learning and research separately if and when more resource becomes available.

Professor Wilson: My point is along the same lines and illustrates the need that exists at the intermediate level, to which Tom Kelly drew our attention. I mentioned that, in Glasgow, 27 per cent of the work force had absolutely no qualifications, but the work force in Glasgow has the highest level of graduate employment—26 per

cent of all employees in Glasgow hold a university degree. As I trust you can see, the gap lies below degree level, and we need to find ways of addressing that deficit. We need to raise the level of qualification of the whole work force. That would not in any way diminish the strong case that the universities are progressing, but we must draw attention to the fact that we have major deficits elsewhere that we should also be addressing.

The Convener: In paragraph 5 of your submission, you say:

"There are important issues, however, as to whether the Scottish spending plans for these and later years may be inappropriately skewed by reaction to developments in England."

What exactly did you have in mind when you wrote that?

Tom Kelly: We had a standstill for two years on the understanding that extra funding would come online from 2004. We see the plans for those years as part of a package that includes more than the situation that has developed until now. We think that there needs to be a measured response to what is happening in England. We must recognise that what will happen in England, even if it is approved by the Westminster Parliament, will not kick in until autumn 2005. We want to see what is developing, and we should not start making anticipatory changes that the events in England may not eventually require anyway.

The Convener: The impression that I got from reading your evidence—perhaps I paraphrase it unfairly—is that you are saying that the HE sector is crying wolf a bit too soon. Would that be fair?

Tom Kelly: I would not put it as strongly as that. One must remember that FE stands in a different position in relation to England. We believe that we are ahead of England and we will stay ahead of England, frankly. We have a better system and we expect it to remain so. We do not compete in the same pool. We made that point about the low percentage of our students who currently come from outwith Scotland. That is why FE will not be caught out in that way. Although quite a number of our principals have come from across the border and some of ours have gone the other way, we do not have a high level of cross-border flow in staff either. That is quite a different situation from the one facing the universities.

If your question is whether we believe that the case for shifting funds away from us has not yet been made, the answer is certainly yes.

Janet Lowe: I reiterate the point that I made earlier. If there is a case for investment in research in England, there is not necessarily an equal and comparable case for immediate investment in research in Scotland. Investment in higher education in Scotland should be considered with reference to the needs of Scotland, its economy and its people rather than simply paralleling what happens in England.

Susan Deacon: Forgive me for perhaps being slow, but I picked up something that Janet Lowe said a moment ago about the need for learning and research to be considered separately. She also said something on that just now. What has been said is enormously informative and helpful for our deliberations, but the general thrust has been that we ought to look much more at education, or certainly further and higher education, in the round.

To put it simply, or simplistically—it has been a long meeting—at one level the most simple, but at another level the most powerful, point that was made is that we need to think of lifelong learning in the broadest sense. Whether or not more resources are made available in Scotland, we perhaps need to be mindful of the fact that our starting base is different. The relative participation rates are different. Indeed, the skills needs are different as well. That is another thing that I would like people to comment on a wee bit more.

How could Scotland make available additional investment and resources for further or higher education in the context of top-up fees taking effect south of the border? Such a scenario would mean that there would be no Barnett consequentials coming into the Scottish block, so there could be quite a high opportunity cost in terms of the additional public funds that could be made available for that purpose. That would mean that there would be an even greater need for us to see the bang for that buck, if you like.

Will you say more about where best the FE sector could contribute to that? That issue has been touched on, but I want to hear a bit more about, for example, how we might address the skills gap and how we might contribute to the much wider imperatives for economic growth.

Tom Kelly: One simple example is the care sector. At the moment, demand for early-years and child-care courses in colleges is extremely strong. We cannot meet all the existing demand for places. At the same time, there is a professional move towards greater licence-to-practice requirements even at relatively junior levels of operation in the sector. How will we provide for that extra requirement? That will involve both education and training, as some people will need education before they are ready for the training. If we are to have better work forces in not just the business sector but across the public services, we need to plan and think in ways that we have not done in the past.

Janet Lowe: I invite the committee to think that investment in additional places in the universities

is perhaps more likely to result in more places for full-time higher education degree courses for 18-year-olds coming out of school. That is what the universities are good at; that is what they were traditionally set up for. It is likely that that is how the universities would allocate the places unless they were directed otherwise.

Arguably, that is not what Scotland needs at the moment if it is investing more resources. It is arguably much more important to invest in the existing work force that has missed out on higher education in earlier stages of life. As we said, such people are prepared to study part-time for higher national certificate and diploma qualifications and for professional awards. All of those are available cost-effectively in colleges; they also result in an upskilling of the work force in areas where that is needed.

The Parliament has increased investment in modern apprenticeships, which colleges have participated heavily in developing. We are working with our local enterprise companies to deliver modern apprenticeships with employers. Increasingly, there are possibilities for progression routes into part-time degrees and some examples of that are being developed.

All those routes are more flexible and cost-effective. They contribute to the skills of the work force as well as create lifelong learning opportunities for individuals. They are valid alternatives to full-time higher education immediately post school and they are what we are good at. We are flexible. We are good at supporting part-time learners. We put the support in and have contact with the employers. That is why we argue that investment in further education would give bang for the buck and would repay the investment in a variety of ways. It would be cost-effective. Such investment should at least be considered vis-à-vis other proposals that the committee may receive from the university sector.

Professor Wilson: We are in no doubt that the FE sector is well placed to respond quickly to the emerging needs of the economy. For example, we welcome the fact that the Scottish Parliament has freed a great deal of money for public investment in building stock, but that is creating grave shortages of labour. Professor McGregor of the University of Glasgow has estimated that, currently, at the beginning of a 10-year upward path of investment in the public sector—at the beginning of the growth curve—we are already 6,700 tradespersons short in the construction industry. Clearly, we need to be able to respond quickly to meet such needs. The FE sector is well placed to be able to respond to such needs as they emerge and it can do so efficiently, effectively and at moderate cost.

The Convener: Thank you. I think that there are no further questions, so I thank Mr Kelly and his colleagues for what has been another informative session.

Meeting closed at 16:31.

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Printed in Scotland by The Stationery Office Limited

ISBN 0 338 000003 ISSN 1467-0178