

# **ENTERPRISE AND CULTURE COMMITTEE**

Tuesday 30 November 2004

Session 2

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# CONTENTS

**Tuesday 30 November 2004**

**Col.**

<b>BUSINESS GROWTH INQUIRY .....</b>	<b>1335</b>
<b>ST ANDREW'S DAY BANK HOLIDAY BILL .....</b>	<b>1372</b>
<b>SUBORDINATE LEGISLATION .....</b>	<b>1377</b>
Education (Graduate Endowment, Student Fees and Support) Switzerland (Scotland)	
Regulations 2004 (SSI 2004/469) .....	1377
Holyrood Park Amendment Regulations 2004 (Draft) .....	1379

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## **ENTERPRISE AND CULTURE COMMITTEE**

### **27<sup>th</sup> Meeting 2004, Session 2**

#### **CONVENER**

\*Alex Neil (Central Scotland) (SNP)

#### **DEPUTY CONVENER**

\*Mike Watson (Glasgow Cathcart) (Lab)

#### **COMMITTEE MEMBERS**

\*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)

\*Michael Matheson (Central Scotland) (SNP)

\*Christine May (Central Fife) (Lab)

\*Mr Jamie Stone (Caithness, Sutherland and Easter Ross) (LD)

#### **COMMITTEE SUBSTITUTES**

Mark Ballard (Lothians) (Green)

Mr David Davidson (North East Scotland) (Con)

Fiona Hyslop (Lothians) (SNP)

Margaret Jamieson (Kilmarnock and Loudoun) (Lab)

George Lyon (Argyll and Bute) (LD)

\*attended

#### **THE FOLLOWING ALSO ATTENDED:**

Jenny Hargreaves (Historic Scotland)

Ian Shanks (Scottish Executive Legal and Parliamentary Services)

Valerie Sneddon (Scottish Executive Justice Department)

#### **THE FOLLOWING GAVE EVIDENCE:**

Dennis Canavan (Falkirk West) (Ind)

David Crichton (David Crichton Economic Development)

John Firm (Firm Crichton Roberts Ltd)

#### **CLERK TO THE COMMITTEE**

Judith Evans

#### **ASSISTANT CLERK**

Seán Wixted

#### **LOCATION**

Committee Room 2



## Scottish Parliament

### Enterprise and Culture Committee

*Tuesday 30 November 2004*

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

### Business Growth Inquiry

**The Convener (Alex Neil):** Welcome to the 27<sup>th</sup> meeting of the Enterprise and Culture Committee in 2004. I ask everyone to switch off their mobile phones. We have received no apologies.

Agenda item 1 is a presentation from John Firth of Firth Crichton Roberts Ltd and David Crichton from David Crichton Economic Development.

**David Crichton (David Crichton Economic Development):** I will do the presentation. John Firth reminded me this morning of the famous presentation at which the chairman asked the presenter, “Do you have slides, or do you have something interesting to say?” I hope that we have both, but we certainly have slides.

I will talk through our remit, describe the research activity that we undertook, illustrate our key findings and a few of the case studies that we have chosen to home in on and, perhaps most relevant for the committee, draw out the implications for Scotland. Those are the themes that I will cover in the presentation, and I intend to speak for about 15 minutes.

Our remit was simply to inform the committee's inquiry into business growth in Scotland and to provide some research, background, information and ideas to help the committee to undertake its inquiry. To be specific, we were asked to put the work of Scottish Enterprise and Highlands and Islands Enterprise into context by examining the work of their counterparts in comparable regions in the rest of the United Kingdom and internationally. We were also asked to identify some good stories—some case studies—that would help to illustrate the differences in approach and some of the lessons that we might learn for Scotland's benefit. Our final task was to draw out the lessons for Scotland.

We set about the work by undertaking five or six main tasks. We did a lot of desk and web-based research in the early stages to get on top of the facts and figures and to understand the role of a range of different enterprise agencies worldwide. We began our interview programme at home with Scottish Enterprise and Highlands and Islands Enterprise by talking to senior managers and

business managers in both organisations to get a sense of their current activities, how they measured them and how they felt that they were performing. We then made our visits to international agencies. Overall, we visited eight agencies; in a second or two we will tell you which ones they were. We brought together the results of that research into a benchmarking exercise against a series of criteria that are laid out in our report, identified the case studies and wrote up those that we felt were most illustrative of our findings. In the course of the work, we have made a series of presentations and produced an interim report, which have led to today's full presentation to the committee.

Slide 4 shows the logos of the organisations with which we spoke as part of the research. We are not benchmarking the logos, but we thought that it would be useful to let you see the breadth that we visited. In Europe, we went to see Enterprise Ireland and Enterprise Estonia, as well as bodies in Nordrhein-Westfalen and Emilia-Romagna. In North America, we visited Pittsburgh Regional Alliance and Nova Scotia Business Inc and back home we visited One NorthEast and the Welsh Development Agency.

All the organisations were chosen for particular reasons. Some were chosen because of basic similarities between their region and Scotland in geography or economic structure. For example, we visited Nova Scotia because its experience is similar to that of the Highlands and Islands. We visited Pittsburgh because it was going through a similar transformation from an old industrial economy to a modern knowledge-based economy. We visited Emilia-Romagna because the private sector is more dominant there in providing support and advice and we wanted to see how that worked. We visited Estonia largely because it is a newly independent country with a relatively new enterprise agency and it has acceded to the European Union recently. We wanted to know what it had learned from other agencies worldwide. That is the mix of benchmarking partners that we visited, all of which shared information, opinion and advice freely; they were open to research.

Our key findings come under two main themes. First, we drew out the similarities in approach that we found across all the agencies and secondly we drew out the differences in approach, which I will move on to in a moment. On the similarities, we were struck by the extent to which all the agencies that we visited were undergoing significant change. The Welsh Development Agency was becoming a much more direct part of the National Assembly for Wales, there were various restructurings in Nova Scotia and there were changes in our enterprise agencies in Scotland.

There seems to be a fairly continuous and continual thread of change in how Governments and regional authorities want to organise and structure their enterprise agencies at present. I am not entirely sure what that signifies, other than a growing interest in what can be done at the supply end of the economy to make a difference in the increasingly global economic environment in which we are working.

We were struck by the extent to which all enterprise agencies had a shared understanding of what the key global business drivers are, such as the emerging economies in China, key technological and market changes and changes in the ways of doing business. All enterprise agencies had a similar understanding of that. Perhaps what was different was the way in which the agencies interpreted that understanding and tried to tailor it to their individual circumstances. One of our concerns was that most agencies were interpreting the situation in entirely the same way and moving into the same competitive space in relation to the key clusters and priorities that they were pursuing. There was not a great deal of evidence of the global drivers being interpreted in a sensitive way that was tailored to local circumstances.

All the agencies emphasised indigenous growth, rather than foreign direct investment. None was moving out of foreign direct investment as a means of supporting growth, but all were aware that that market has changed dramatically over the past five or six years and that the emphasis in priority must be on growing local businesses at a faster rate.

Most agencies have similar toolkits in terms of the services, information and advice that they provide. There is little new under the sun in business growth support. The toolkits are remarkably similar; however they are labelled and marketed, the things that are done on behalf of businesses are similar across all the agencies.

Added to that is a growing interest in setting priorities and trying to find out where the biggest impact will be, how the market is segmented, and how to get easier access for businesses to the services. All agencies, to varying extents, were showing a greater interest in setting priorities, segmenting the markets and improving the means by which they provide a service to the business community. All were focusing on key themes, such as innovation and the commercialisation of university research, and virtually all were adopting a clusters-based approach to prioritising their work in key sectors.

One of the themes that we found consistently in all the agencies that we visited was that they were all struggling to measure their impact on business growth. We touched on that briefly over lunch. It is

tremendously difficult to isolate and measure an enterprise agency's impact on a company, but unless we do that, it is difficult to get a proper sense of impact, value for money and where priorities should lie. We are not alone in Scotland in struggling to get that measurement; it was a common problem among all the enterprise agencies that we visited.

The reaction of client companies was politely sceptical. We thought it important to visit the private sector—either companies themselves or representative agencies such as chambers of commerce—in each of the regions that we visited. The companies that we visited were pretty much chosen by the enterprise agencies that were hosting our visit and were, therefore, what you might call the tamest, which is to say that they were the most likely to say positive things. I can understand that entirely.

Having said that, however, most of the companies were complimentary about their colleagues in the enterprise agencies and valued the relationship that they had with them. However, when they were pressed to identify specifically how they had changed their business decisions and prospects, there was a much greater degree of scepticism. People said things like, "Well, we'd probably have got round to that," "We'd probably have done that anyway," and "These are things we intended to do and perhaps the enterprise agencies helped us to do them quicker or to a greater extent, but there were no fundamental changes to our business strategy as a result of input from enterprise agencies." That is what we mean by "politely sceptical". The relationship was valued but the companies were much less able to identify the specific impact on the bottom line.

The other common theme was the willingness to collaborate on strategy and new initiatives across all the enterprise agencies that we spoke to. As the agencies have moved their emphasis away from inward investment, they have come to view the area of indigenous growth as being non-competitive. They would like to learn from others and collaborate with their colleagues worldwide on developing best practice. We think that that opportunity should be pursued at some stage over the next year or so.

Those were the similarities, but we were equally struck by a number of key differences. One of the most significant of those was the organisational structure of the agencies that we spoke to, in particular the extent to which business growth was integrated with a wider set of economic development activities. An enterprise agency can get involved in a range of things—it can work on skills, careers development and so on. In fully integrated agencies such as those in Scotland and in certain other parts of Europe, business growth

support has to take its place in that wider range of activity. Other agencies are much more focused on business growth, which is their main or sole priority. They take a clear and straightforward focus on working with businesses, leaving other aspects of economic development to other agencies.

At this stage, we are not drawing any conclusions about what works better between those two extremes of the spectrum. However, there is a striking difference worldwide in how agencies are structured and where business growth fits in. We think that that question is worth pursuing.

We found differences in the extent to which growth was seen as a priority in opposition to redistribution. The economic development agencies that were particularly broadly based tended to have responsibilities and accountabilities for redistribution, inclusion and community regeneration as well as for growth. Other agencies would see that as a dilemma and, in some cases, as a contradiction; their view is that they should concentrate on growing fast-growth, successful companies and should leave the redistribution agenda to others. Again, we have no view at this stage on what is right and what is wrong, but we are aware that, internationally, there are strikingly different policy views on where the focus should be. We should keep that in mind.

The levels of sophistication in defining the business growth market and the channels to it vary greatly. In that regard, Scotland tends to be much more sophisticated than our international peers in our understanding of the business marketplace and how best to approach it. In other countries and regions, the approach is much more haphazard and ad hoc.

The distance from the political environment varied distinctly across the regions that we visited. In some cases, the enterprise agency was very much part of the political governance structures. In others, there was a considerable distance. In some cases, such as Nova Scotia, there a growing distance between business support and Government structures; a deliberate choice had been made in that regard to help the agency to take a longer-term, creative and less risk-averse view of supporting business growth.

14:15

The extent to which enterprise agencies had targets and the sophistication of those targets varied widely. Agencies in Scotland tend to have a much more defined set of targets and output measures than those in other areas, where, in some cases, targets were as simple—and as

meaningless—as the number of meetings that had been fixed. There tends to be great variety in the level and sophistication of targets and measures.

The role of other players varied quite considerably. The role of the chambers of commerce, for example, is much more developed in Italy, Germany and the United States of America than it is in the United Kingdom. The role of the universities varies considerably across countries, particularly in the USA, where university business schools provide direct advice to businesses. They are sources not only of education, skills development and innovation, but of general business advice.

We found other differences in relation to the practical commitment to priorities as established by clusters or other types of prioritisation. Virtually every enterprise agency has a series of five or six key clusters as the main determinant of its industry priority. They appear on the websites and it can be seen that, quite often, they are the same clusters. In practical terms, though, we found that, particularly in small regions, there was a movement away from that sort of prioritisation on the basis that people realised that they would pursue growth businesses regardless of the sector that they are in and try to find the best ways of making them successful. It was felt that concentrating too much on a sectoral or cluster-based approach might limit adaptability in that regard.

The final main difference related to the extent of creativity that we found. In some cases, we got the sense that the agencies had moved towards being programme managers, particularly the ones that were managing large amounts of European Union funding for business growth and had to meet the various standards and obligations that came with that. It was apparent that that meant that time was being sucked up in dealing with work related to managing programmes and that, therefore, less time was available to go out and advise businesses, be creative and add some value to the business community. Again, there is no right or wrong approach, but there is a clear difference between the ways in which various agencies operate.

We have illustrated those key findings through a number of case studies that I will not dwell on in detail at the moment. We will add more case studies to the final version of our report. In our case studies, we are trying to illustrate the breadth of activity and examples that can be used to illustrate how business growth is approached in various countries, from the financial side—thinking of organisations such as Kredex in Estonia, with its small-firm loan guarantees—to the skills side—thinking of the Manchester Bidwell corporation in Pittsburgh, which is entirely focused on creating a

flow of labour and skills to support growing businesses in the emerging business community in that city. We hope that our wide range of case studies will illustrate how various regions go about this complex business.

In trying to draw everything together with regard to the implications for Scotland, we wanted to make the point firmly and clearly that Scotland's reputation and that of its enterprise agencies is very strong overseas. We have a tendency not to recognise the quality and effectiveness of some of our own activities. In economic development, at least, Scotland's reputation overseas is strong. That is based on the fact that we are known to have long experience of this type of work, to put business growth at the heart of our economic strategy and to have made fundamental improvements to the way in which we deliver business growth. We are admired by our peers internationally. Against all the benchmarks that we used in our analysis, Scottish Enterprise and Highlands and Islands Enterprise compare well with the other agencies that we examined.

There is always a but, and we came across a number of questions that we think are worth pursuing in more detail, which are based on the findings of and feedback on our research programme. There were eight key questions. First, what is the most appropriate way for public agencies in particular to support business growth? Is it through direct intervention with individual business or is it through creating the right sort of soft and hard infrastructure to build a platform from which businesses can go off and grow themselves? There is a question about the extent to which direct intervention is appropriate at the business level.

The second question is the one that we touched on earlier: is it best to deliver business growth via an agency that has a range of other functions in broader economic development or to deliver it through much more focused and specialised organisations?

How do we assess the impact of services? At no point in the research did we come across truly robust systematic impact measurement of business growth activities. We found many attempts to assess the impact on a programme or project basis, which would consider mostly short-term issues, but we did not come away with any robust credible evidence of impact, which we think is an important issue for all the enterprise agencies that we spoke to, not just for those in Scotland.

Is the most credible advice coming from public agencies or private providers? Virtually all the companies told us that their key sources of advice were their peers in the private sector—sometimes professional advisers such as banks, accountants

and legal firms and sometimes their colleagues, suppliers and competitors. From the customer's point of view, we have to be clear about the expectation of enterprise agencies and the credibility of their advice.

Should an enterprise agency focus entirely on growth or should it have a wider set of objectives on which to deliver? Again, we heard different views and experiences worldwide. Some agencies are focused very much on the growth agenda and leave the implications and distribution of that growth to other providers and other policies.

We wondered about the extent to which anyone was learning from experience. For example, in Scotland we have had business growth support for 30, 40, or 50 years or perhaps longer. There should be a lot of accumulated wisdom, as should be the case in other enterprise agencies worldwide. Rarely did we see that documented, applied and used as a guide to future activity. We do not seem to be exceptionally strong in learning from the experience of both successfully supported companies and less successfully supported ones.

We also came across the consistently important and controversial issue of ownership. Does the ownership of growth businesses really matter? It has perhaps become more conventional now to say that it does not. In the global economy, ownership cannot and should not be an issue. We found different views on that as we did our research. Some enterprise agencies take the issue of ownership seriously in terms of retention of key decision making in the local economy.

The final key question for us was whether our universities and business schools might take a more active and direct role in supporting business growth. That certainly appears to be the case in regions in the United States, Italy and Germany. We wondered whether there were lessons there and questions to be pursued.

I will describe the next steps in completing our input. We have a report to finalise, which will take on board comments and questions that we receive today. The committee has to define its inquiry's remit and we hope that our input has helped in that. We recommend that follow-ups are done with the benchmark partners. They gave their time openly and constructively and made a number of suggestions about how they would like to collaborate with one another. It would be good for Scotland's reputation to be seen to be taking a lead in that through a number of collaborative projects and shared research interests that we know most enterprise agencies have. I am happy to take questions.

**The Convener:** Thank you very much. I will kick off with a couple of questions of my own.



I get the impression that if Brian Souter, Tom Farmer or Tom Hunter had approached any of the enterprise agencies that you have mentioned—possibly including our own—with their business proposals on buses, fixing cars or selling sports gear, the agencies would have sent them away, not given them any of their money and not spent a lot of time with them because they were not in the target growth sectors of life sciences or nanotechnology. Is that the case? Are the agencies concentrating almost exclusively on what they identify as growth sectors, such as renewable energy and new technologies? Are those who have a good business idea being ignored and sent away to do it on their own because of their drive?

**David Crichton:** There are a range of answers to that question, one of which is that Tom Farmer, Tom Hunter and others are so talented and driven that they would not have needed enterprise agency support and it would probably have been right for the agencies not to get in their way by trying to help them but to tell them to go ahead and do it because they had their ideas in place and had the energy and commitment that they needed.

Many of the high-growth businesses that we have seen in Scotland and in some of the other regions that we visited have not come from the priority sectors on which many of the agencies are focusing; perhaps that is illustrated by the evidence that we found of some agencies quietly backtracking from such a focus. They are much more inclined to consider how their existing business and entrepreneurial bases can be grown and how their products and markets can be adjusted and amended to create real potential for fast growth rather than trying artificially to create new or high-growth business through some top-down definition of the priority clusters.

**The Convener:** So they are moving away from that approach.

**David Crichton:** Yes, to some extent.

**John Firn (Firn Crichton Roberts Ltd):** In Emilia-Romagna, for example, the enterprise agency has shifted away from a cluster approach. It had 11 clusters, but decided that that was not really doing anything and has now switched to a supply-chain approach to improve competitiveness and innovation right down the supply chain. The authorities in Emilia-Romagna have decided that clusters are not the way to go, especially as they are the same clusters as everybody else has.

At times, the clusters that agencies use do not seem to be clusters so much as clutters. They do not focus on the Tom Farmers of the world. The five people who have been most successful in starting sustainable, big businesses have all come from areas that would not be targeted by any part

of the enterprise network or Government. There are lots of other opportunities and sectors that are not targeted.

**The Convener:** You started off by making the point that all the agencies that you visited are concentrating on indigenous or endogenous growth and have almost given up on foreign direct investment, which is similar to the strategy in Scotland. I accept that foreign direct investment in large-scale, low-end manufacturing is now going to the far east and similar regions with which we cannot compete, but is there any evidence of a significant amount of foreign direct investment in research and development, for example? Might we have pulled out too quickly of attracting such investment?

**David Crichton:** We have stated our finding in an extreme way to make the point. Very few of the agencies are pulling out of foreign direct investment. They are not giving up on it, but they recognise that the market has changed fundamentally and that, particularly in the western economies, the opportunities to attract large-scale manufacturing plants no longer exist. A different approach is required to overall growth support and inward investment. Increasingly the focus is on attracting the mobile, smaller, research-based activities, which is the same pattern that Scotland has adopted in recent years. The inward investment agencies have all recognised the change and have not given up, but they are targeting different areas and requiring different approaches to targeting.

The other aspect to inward investment is inward investment of people rather than of projects. Most of the enterprise agencies to which we spoke are increasingly interested in how to attract skilled, talented, creative people, who in turn will bring businesses and support for growth businesses with them. Creating the right sort of image and environment with which to attract such individuals is much further up the agenda than it was five or six years ago.

14:30

**John Firn:** That has been important in Ireland's case. A tranche of individuals, predominantly from the United States, went into the international plants in Ireland, but many of them have used their experience to start their own businesses there.

Attracting people rather than businesses is an important area and we need to think more about it. However, we must not forget that, despite the fact that there has been a global redefinition, reshaping and retargeting of international investment away from traditional successful recipient areas such as Scotland and Ireland, there is still a big international business base in

Scotland. Those businesses are still important and we must not forget them. We need to help them to retain competitiveness, and one of the most important things for those businesses is the ability to compete against the other plants in the same international group. When we did some work on international investment in Scotland four years ago, the big thing that all the companies wanted to do was to become more competitive within the group. Most of them were reasonably secure, but that is an area in which they thought that the enterprise agencies and business programmes could help them.

We must not write off and forget international companies and just go for indigenous growth. Such companies are still a big part of our economy, and some of them, in the end, become independent. They buy themselves out from their parent companies and set themselves up as Scottish-owned businesses. That is an important group as well.

**Mr Jamie Stone (Caithness, Sutherland and Easter Ross) (LD):** I have a couple of daft-laddie questions. As I live in the Highlands, I am aware of HIE's *modus operandi* and, through the committee's work, I know a bit about Scottish Enterprise. The two agencies came into being for different reasons, have different histories and have slightly different remits. You mentioned going for growth and other functions of the agencies, such as career development; did you get the impression that either agency was being forced by the breadth of its remit to take its eye off the essential goal of going for growth and was getting slightly bogged down in the social remit? I am not saying that that is the case; I am only probing.

**David Crichton:** There is a strong risk of that. HIE and the Highlands and Islands Development Board before it were deliberately set up with a wider remit of social community development and that remit still obtains, but we noticed that there never seems to be a reduction in the range of responsibilities, accountabilities and targets that are given to the fully integrated development agencies, not only to those in Scotland, but to the others that we spoke to. The responsibilities, accountabilities and targets seem to grow all the time and the arrival of a new set does not mean that an old set is taken away, so the risk is that the agencies will have so many objectives and targets that they can take their eye off the core business. The agencies ask themselves what they should really be about, rather than managing a series of initiatives. They ask whether it should be growth and nothing else or the routes to growth through productivity and skills development and what the appropriate ways are of getting to the end point. The more that is expected and asked of any enterprise agency, the harder it becomes for it to keep its eye on the ball and deliver on the two or

three key objectives and accountabilities that an agency should have.

**John Finn:** The example of Ireland is interesting, because the Government there has taken a decision to separate its business growth support from more general support. It has divided up the provision of the platform, the framework and the proper infrastructure and has taken Enterprise Ireland out of the bigger body, IDA Ireland. Enterprise Ireland now focuses only on delivering indigenous growth. It covers all aspects, from start-ups through to university commercialisation. IDA Ireland now has a single international focus, and its focus on business goes right down the supply chain, from business start-ups to exports. I was impressed by its clear, single focus on business development. The agency brings in many private business people and works closely with many private providers and advisers. That is slightly different from the situation here, because an awful lot of stuff has been added to our agencies, which are now complex organisations that deliver everything, from direct to indirect areas. It is probably difficult at times to combine all such activity in a single agency. Our agencies' activities also get dragged into a political framework, which makes the work more difficult.

**Mr Stone:** We might revisit that issue later on. I have two short supplementary questions. First, does what you said about businesses tending to turn to accountants, banks and the private sector for business advice pose a question about the revenue spend by the enterprise networks, north and south of the highland line, on business advice, start-up grants and equipment grants, which can often make a difference to business? People are earning salaries as business advisers, but they are not being used.

I am going to drag you into a minefield with my second question—I say that as an ex-chairman of a local authority economic development committee. You did not touch on this issue in your presentation, but economic development is a non-statutory issue for the 32 Scottish local authorities and some go into it more than others do. What is your opinion of what the local authorities do compared with what the enterprise network does? Is there a problem? How messy is the situation? You may choose to answer carefully.

**David Crichton:** I always do so. On giving funding support to businesses as opposed to giving only advice, it is a question of considering the different segments of the market. The revenue costs of providing support to high-growth businesses that are already strongly focused on where they are heading and what their products and markets are comprise only the cost of the business advisers. There is not much need from such businesses for financial support—and not

much market failure if they do not get it—except perhaps in the early stages of spin-out or whatever.

Support for start-ups is generally a different market, in which standard programmes and assistance schemes—to buy equipment, for example—come into play much more. It is important to appreciate the different types of business for which we try to provide a service. One size does not fit all. Some businesses require hands-on, credible and trusting relationships with their advisers, but services for other businesses can be delivered at arm's length to a much greater extent. It is important to get the segmentation right.

On the role of local authorities, the landscape of economic development and business growth is cluttered, which is confusing for business customers. Scotland has tried to simplify that through the business gateway, to give businesses a single point of access into the wider and more complex network. However, that does not change the fact that there are many players on the field.

Local authorities have a fundamental role to play in economic development in the broadest sense, through infrastructure provision, transport, strategic planning, site preparation and housing for incoming workers. More direct involvement and participation in businesses requires a different approach and a different set of people, which tends to be where the enterprise agencies come in. Businesses get confused if cohorts of people knock on their doors and offer hands-on advice. Ultimately, a business will decide what it wants, but it takes time and energy to work out who is best able to provide that.

The landscape remains cluttered and it is a question of working out who is best placed to deliver which package of economic development. The local authorities have an important role to play in infrastructure, but perhaps less of a role in giving direct business advice.

**Murdo Fraser (Mid Scotland and Fife) (Con):** Thank you for your presentation, which was interesting, although I think that you gave us more questions than answers at the end.

You said that it was difficult to measure the impact of the various economic agencies on business growth. We recognise many of the factors that are at play in the business growth figures, for example infrastructure, the level of skills in the workforce, business taxation, whether there is an entrepreneurial culture and so on. There is no doubt that a liberal economic regime with a low level of taxation has been the major factor in Estonia's growth, and a much more important factor than economic development policies. Were you able to make an assessment of

the relative importance of the different factors? I know that you focused very much on the work of economic development agencies, but did you take account of how important other factors might be?

**John Firn:** We tried to consider such factors and we did some context setting for the eight other agencies. Lower rates of corporate taxation seem to figure fairly largely as an important matter, but there are other issues to consider—for example, the structures of the industries are very different. A large, thriving and active small business sector that does not receive a lot of support—such as that in northern Italy—is different from a landscape that is dominated by big, relatively slow and struggling companies in old and declining sectors. We have tried to take account of such matters, and David Crichton and I want to think a bit more about them in the context of the kind of issue that you raise.

One thing is different. The cultural and political context, the long-term economic tradition, the growth context and the natural resources in each region and nation that we considered have an impact on the capability of the enterprise agencies, the state authorities and the private sector to deliver and support business growth. The issue cannot be extracted from that background. We have tried to fit each area into a context and we have done summaries in that respect. The matter is important. Scotland's context is different from that of north-east England and certainly from that of Wales. Those three regions are very different for traditional and historic reasons and whatnot.

**Murdo Fraser:** If our ambition is to grow the economy—I will rephrase that. If our ambition is to grow businesses, which is a completely different matter, is there any point in having an economic development agency at all? Is there evidence that it makes a difference?

**John Firn:** That is one issue that we have identified. It is assumed—and there are bits of evidence to support this—that specific spend by economic development agencies does have an impact, and much physical regeneration would not have taken place without a public sector agency coming up with and driving schemes. Certainly there would not have been all that there is within half a mile of the Parliament building without public sector agencies thinking about and driving things. Such areas exist.

On the platform side, training and university research are important. The whole of North Rhine-Westphalia's economic development strategy is based on its thinking that the region has the biggest and highest-quality collection of advanced applied research centres for its size in Europe. It is building all its future on that thinking, which is why it has programmes to spin out businesses from its

technology and research centres and to commercialise research. It focuses on all sorts of applied research areas, such as renewable energy, and is probably a long way ahead of what we are doing in such areas. If we are talking about collaboration, we do not need to reinvent the wheel in Scotland; we should simply go to talk to our colleagues in North Rhine-Westphalia and use their technology. The platforms work in those areas.

Currently, we do not have the evidence to reach a judgment on how much impact there has been on generating new business and growing and giving long-term stability to existing businesses. We do not even have some of the basic knowledge. It could be said that money, support, creative thinking and a lot of dedication have gone into trying to start businesses out of the universities on the basis that we must be able to translate all the applied research that we have into market advantage. I am talking not about a market failure rate, by the way, but simply about looking ahead for opportunities. However, I do not know of any researcher who has gone round the universities to find out what has happened to all their spin-out companies and to ask what the companies have generated. Because we do not even have a listing of the number of university spin-outs that have taken place in Scotland since 1990, we cannot do any follow-up analysis.

Do we know what has happened to all the people who set up those businesses? We are pretty clear about what happened to the companies that were reasonably successful: they ended their lives pretty quickly after being bought up by bigger companies. The best way for bigger companies to buy technology is to buy a start-up. It is interesting that we do not know anything about that. We need a lot of the basic information that would allow us to understand what happens in the sector.

One of the other issues, which the convener might want us to address, is the capability to measure and monitor our economy through what might be called the resource that we put into measuring business statistics. When our capability to do that is compared with that in most other parts of Europe, it is found to be incredibly poorly resourced. More people are up on Blackford hill working on our understanding of what is going on in the Crab Nebula than working on our understanding of what is going on in our business base. When we produce the figures and numbers, they are years out of date and not terribly relevant. Is that a fair statement, David?

14:45

**David Crichton:** Yes. A case can be made for economic development agencies, provided that

they are given a clear steer as to what they can and cannot legitimately be expected to make a difference to. As John Firn rightly said, not far outside this window is a whole set of evidence of an economic development agency that made a difference at a time when the market was not ready to participate. The evidence can be measured and seen, so monitoring the impact that the agency had is a relatively straightforward job. It is much more difficult to make the case for making an intervention in an individual business. No one has been able to pin down the means of measurement. I do not want to duck the question, but it is difficult to answer it either way. It is much easier to measure other aspects of what the agencies do.

**Murdo Fraser:** That is interesting. Thank you.

**Mike Watson (Glasgow Cathcart) (Lab):** I will start by probing you a bit on the question you posed of whether our universities and business schools should play a more active and direct role. To some extent, the question touches on the point that Jamie Stone made about the essence of the existence of Scottish Enterprise.

The agency has a clear role in meeting social objectives and the objectives of the smart, successful Scotland refresh that have just been published. There are those in Scottish Enterprise who seem to question whether that should be the agency's role but, nonetheless, it has that role. My question focuses on skills development, as you have talked about the business schools and universities, but not about the role that they play in skills development.

The section of your research that talks about Nordrhein-Westfalen does not make much mention of the technical skills centres—I cannot remember the German name for them. There are technical schools or colleges that concentrate on skills, trades and so on but which also feed into business growth and development. Obviously, the fact that the region has the highest number of universities and business schools of any European region is a factor. In Nordrhein-Westfalen, notwithstanding the university business spin-outs to which you referred, how big a role do those centres play in business growth?

**John Firn:** I should clarify one thing, which is that, when we spoke about the role of the business schools, we were not speaking tongue in cheek. We have to step back a bit and work out what is the role of the universities and technical colleges. Over the past 15 years, a huge expectation has been placed on universities. Not only have they to be incredibly good at meeting their research assessment exercises and have all their departments score 5\* to get state support, but they have had the economic development role put on them. Universities are now expected to spin

out businesses and come up with new commercial inventions to capitalise on intellectual property rights that they can sell off. Perhaps we place too many expectations on the universities. That said, it is interesting that in an area such as North Rhine-Westphalia, which is strong on technology, the universities are quite happy to take on that role. The area seems to have many more applied research institutes that are semi-universities—they are part of a university but stand on their own. That is also the case with some of the Italian research institutes, which stand much more on their own than as part of a university.

We have many business schools in Scotland, some of which are incredibly good, but we have been thinking about the role that they should play in providing business growth and business support in Scotland. Should they have a role in that or is that not their purpose at all? Should the schools simply train the future generation of business managers and entrepreneurs? Of course, that is the hard bit, because we cannot train people to be entrepreneurs; they are just there. That is why we asked the question; we were considering whether we expect things of business schools that they cannot deliver and whether that diverts them from doing what they are best at.

Everybody—at least all the enterprise agencies to which David Crichton and I have spoken—regards technical skills training as an important platform to provide skilled, able and creative young people to flow into the workforce to retrain older people in new skills and get them into new occupations. However, the take-up of those people is dependent on businesses and entrepreneurs. The training is the supply side, but we need people to build the jobs for people to go into. That is always a difficult balance to strike.

In the old days, back in the early 1980s, when the electronics industry was at its peak, the public sector thought that it could intervene by gearing up universities to provide specialist training for wafer technicians to make the first generation of the bigger wafers, which is what we thought the industry wanted. However, the wafer fabrication plants needed only two technicians a year to work with new pieces of equipment. The universities could not afford to buy the equipment to train two people. In fact, the universities did not need to train people because, when the plants bought the equipment, the equipment suppliers did the training. We must understand the nature of the demand and the supply.

**Mike Watson:** You talked about building jobs for people to go into, but I am concerned about building people to go into the jobs, which is the purpose of providing skills. Business growth is about building companies, but it is also about economic growth, an important part of which is

using as many people as possible from within a country or region who have the appropriate skills.

I want to turn the issue round and ask about the importance of universities. Your report states that there are 27 universities in Nordrhein-Westfalen, which has a population of 18 million. Scotland has 13 universities for a population of 5 million, but we might include the intermediary technology institutes. However, the greater Pittsburgh area, which has a population of 2.5 million, has 30 universities. How do we get the balance right? Should we just open more and more universities? That raises the controversial issue of the number of school leavers who go to university. There are huge differences between the United States, particularly Pittsburgh, which you highlighted, and Scotland. Scotland has roughly the same number of universities per head of population as Nordrhein-Westfalen has. What is the reason for the differences between the US and Europe?

**John Firn:** I am not ducking the question, but that is a separate issue. You are asking what the appropriate number of universities is and what type of universities, skills and research faculties are required to meet the needs of the economy. Universities were never set up for that purpose. For various reasons, some of which are historical, our university base has evolved rather like Topsy. In North Rhine-Westphalia, which is three times larger than Scotland, the universities are different, which reflects the different historical tradition there. Many universities grew up to supply the technologically driven industrial manufacturing base, which stayed on much longer there.

**David Crichton:** There are major cultural differences in what is expected from the universities. In the US, universities are naturally expected to play a much more direct and involved role in wider economic development, not just as a source of skills or intellectual property, but as a source of business advice and businesses. The links between universities and the wider economy are much greater there than they are here.

**John Firn:** Just over 100 years ago, in the 1890s, the University of Glasgow and the Royal Technical College—which is now the University of Strathclyde—were spinning out businesses that grew to be important parts of companies such as Barr & Stroud Ltd and the Kelvin Group Ltd right through two thirds of the next century. Universities played that role before, so in that sense we are not asking people to do something different.

**Mike Watson:** I agree that that should be part of the role and I hope that we will examine that in the inquiry.

I will move on to a slightly different topic, for which I will use Nordrhein-Westfalen as a benchmark again. Your report says:

"the scale, breadth and terms of ... state"

business-growth

"assistance is significantly greater"

there than in any of the other enterprise agencies that you examined. Scottish Enterprise's chief executive and chairman have said recently that the state is regarded as a drag factor on economic growth in Scotland, although they ask for more public funds to do what they do. Given that Nordrhein-Westfalen is among the most successful benchmarks—with the caveat about the information that you have given us—in your work, how important have you found the extent of state support for business growth strategies to be?

**John Firn:** North Rhine-Westphalia's state-run regional economic development agency is incredibly small. It is one of the agencies that buck the trend, because it has been told that its future is likely to involve working more on attracting research and development into the area and inward investment. Because the area has a strong applied research base, those targets are a good idea for it, as quite a lot of major research companies are there already.

Increasingly, the key players in other economic development are the state ministries. The ministry departments have been quite creative. The development agency represents a department, but many other departments have creative programmes for renewable energy, building and construction techniques, some of the new electronics areas and matters such as the life sciences. It is interesting that they seem to be the same industries that we talk about.

North Rhine-Westphalia is beginning to realise that it must not neglect the traditional industries, so it has big craft schools into which the state has put money to provide help in what we call our traditional trades, such as baking and plumbing. People are trying to bring those back as they realise that people cannot start a business in any of those trades unless they are registered with the local chamber of commerce and with the craft unions. We tend to forget such restrictions. Money is being provided to help to develop new products, processes and technologies for those crafts, which are seen as playing an important part in the economy that is not often recognised. We can examine and learn from that. We tend to forget those subjects, but they are important for our technical colleges and vocational training institutes.

**The Convener:** Four members want to ask questions, so if you could keep your answers a wee bit tighter, that would be extremely helpful.

**Richard Baker (North East Scotland) (Lab):** You mentioned that other parts of Europe and the

rest of the world are focusing on the commercialisation of research. Everybody is behind the intermediary technology institutes here, which provide an important route for business growth and new businesses. However, does our strategy place too much emphasis on them, because they are in high-profile sectors in which we have an academic lead and because everybody is excited about them, to the neglect of other, less high-profile areas in which small businesses could be grown?

**David Crichton:** The situation varies greatly according to the context. A smaller region such as Nova Scotia has reached the view that it cannot afford to be too focused or specialised, because it will never have a major global cluster in life sciences or semiconductors. However, it can have a healthy cohort of fast-growing businesses, which it will support as best it can whatever sector they come from, whether they are university spin-outs or involve local farmers diversifying. Nova Scotia looks for growth wherever it can find it.

The notion of concentrating on the higher technology end and clusters is a question of scale. When the scale of intellectual property and potential is available, that lends itself reasonably well to intervention from enterprise agencies in a way that other forms of business growth do not. For example, the role of enterprise agencies in working with academics who need support and guidance on the mechanics and skills of setting up in business and in trying to make linkages between academics and the broader business community as funders of research or recipients of intellectual property is potentially much more relevant and powerful than it would be in other forms of business growth.

15:00

**Richard Baker:** You mentioned life sciences. There is great difficulty in getting venture capital into that area. I am interested in the Pittsburgh case study and Innovation Works, which pushes hard to get venture capital into technologies. We hear from the venture capital sector that there are two problems. First, many technologies are far from marketplace, and companies are small and would have to be incubated for a long time. Secondly, you mentioned enterprise agencies working with academics. We have plenty of excellent research and excellent academics, but we do not have the people to lead companies and grow them beyond small to medium-sized enterprises.

How can technologies be fast-tracked to the marketplace with state intervention or enterprise agency help? You mentioned how Ireland is bringing people back to lead businesses there. Can Scotland learn from that? Could a similar

strategy be applied here, so that spin-off companies in new areas have not only the technology and the academic expertise that they need, but the leadership?

**David Crichton:** John Firn will talk about the Italian experience with ASTER and Emilia-Romagna. The interesting point about the Pittsburgh case study and Innovation Works is where it fits in the spectrum of funding for high-growth, high-technology companies. It steps in before the traditional venture capitalists and business angels would be prepared to step in.

Much of the feedback that you will get from fund managers and venture capitalists in this country is that the proposals that they get are poor and have not been thought through in market or management terms, so they will not touch them. Innovation Works works with emerging companies and makes them venture-capital ready, working on their products, management and presentation so that they become much more credible propositions. It is not a soft touch; it takes a stake in companies, has an exit route in mind, and circulates its returns back into the fund. However, it does that in a way that makes the transition from good intellectual property to well-funded business that much easier than it is here.

**Richard Baker:** Are the companies still led by the academics who developed the research, rather than by people coming in?

**David Crichton:** Not necessarily. The view of Innovation Works is that the only thing that cannot be changed is the intellectual property. That has to be right; everything else can be changed—new management can be brought in, the funding structure can be changed and the location can be changed. Innovation Works concentrates on the strength and uniqueness of the intellectual property.

**John Firn:** The one area in which Scotland benchmarks strongly against all others is the provision of risk capital, which includes everything from proof-of-concept to seed capital to first-stage funding. Scotland has a strong, fairly indigenous venture capital community and increasingly we are beginning to have the support programmes to do things like take concepts and make them investor ready. We have always thought that the gap is not in having good concepts, but in their being ready for investors, but various programmes in Scotland are filling that gap. All others look to Scotland and say, "I wish we had the venture capital community that you have developed," so the lack of venture capital is not a constraint for us; there are other issues. As David Crichton said, one of them is getting products nearer to market.

**Susan Deacon (Edinburgh East and Musselburgh) (Lab):** I return to evidence on what

is effective, and leave to one side the lack of evidence of business growth interventions and economic development at macro level.

I am stunned by the absence of the collection of feedback about what has been found to work at the micro level. Your report states that you found very little evidence of what you call

"accumulated wisdom ... that is, learning from the experience of successful, and less successful, entrepreneurs over an extended period of time as a means of guiding policy interventions."

It strikes me that it is eminently possible to carry out such work either in the form of studies—by academic institutions or through external research projects—or by building it into the way in which an enterprise agency works by requiring it to collect systematically what you call elsewhere, in much more common-or-garden language, customer feedback.

My reading of that section of your report—and you may clarify this—is that you are talking not just about Scotland being poor, but about enterprise agencies generally not doing that work. I find that, frankly, remarkable and unacceptable. For the purposes of our inquiry, it will be important for us to get an understanding of the experience of individuals and what has and has not been effective for them by way of interventions at key decision points. Can you comment further on that, in respect of what you found in carrying out this work, either at home or abroad, and in relation to how the committee might try to get some insight into that as we pursue our inquiry?

**David Crichton:** You are right. It should not be difficult to track a group of companies, look at the key points at which they have moved on to a different scale and identify the points—if there are any—at which public intervention was a significant factor in that. That requires a commitment of research time over a significant period, and it also requires the agency—whether it is a Scottish agency or any other agency—to be given the space to do that. It must be recognised that, while people are doing such work, they are not out hitting start-up targets, growth targets, export targets or whatever. The research requires a devotion of time and energy and, in some cases, a budget that is not always there.

**John Firn:** That kind of research, in which we try to follow something through over a period of time, is what might be called a longitudinal study to find out how the situation is changing and what impacts have been made. It is probably not the role of an enterprise agency to fund that; it is more the role of a research institute or a Government agency.

However, we do not learn from longitudinal stuff; we do lots of short periods of stuff. The convener

and I have, over the years, done lots of the short things—watched the impact of a particular programme over two years, or whatever—but that does not tell us anything about what has really influenced a company. Our understanding of that is not good; in fact, it is a large black hole at the moment. Nevertheless, it is not difficult to find out.

**Susan Deacon:** Quite. I recognise the fact that the pursuit of major longitudinal studies in a quite scientific, structured way requires considerable investment. However, I come back to my point about the need to weave some of the mechanisms into the way in which enterprise agencies work. It should not be a separate body of work; it should be a fundamental part of the way in which the agencies work, yet that work is not being done systematically over time. You make the point about the need to make time to do it. It is the classic problem: you do not know whether you are doing the right thing if you are not asking those questions. In any of the places that you looked at, did you find evidence of good practice in that regard?

**John Firn:** Do you mean by looking at long-term developments and trying to identify the impacts of fiscal support? No. That is one of the areas of work that everybody has said is necessary, but nobody has done it yet. I think that a lot of the enterprise agencies look towards Scotland because they assume that, as Scotland is experienced in economic development and running enterprise agencies, it must have done—and must be doing—that work; however, that is one of the areas of work that has not been done.

**The Convener:** It is a nice business opportunity for a consultant.

**John Firn:** This is longitudinal work, right?

**Susan Deacon:** I will stop searching for that holy grail and move on to something that is even more difficult to get a handle on: entrepreneurial spirit.

I am struck by the fact that you identified that all 10 of the agencies that you looked at gave priority to

“encouraging a greater spirit of entrepreneurship amongst their people”.

What are the limitations of an enterprise agency's contribution to encouraging that spirit? You have identified work in universities and so on, and I dare say that enterprise education in schools and the determined to succeed strategy would be examples that you would cite. However, creating a spirit of entrepreneurship is bigger and wider than those examples; it is to do with our culture and poses questions about how any nation fosters an entrepreneurial approach. Will you comment further on the role of enterprise agencies in that respect?

**David Crichton:** All agencies have encouragement of entrepreneurial spirit as an objective that we seek to pursue. As John Firn mentioned earlier, the question is whether it is possible to make entrepreneurs, or whether it is down to personality traits or something in our culture. Is it the case that the spirit either exists or does not exist and that no amount of enterprise agency intervention will change that?

The reality is that enterprise agencies on their own cannot change entrepreneurial culture or spirit—it has to go much wider and reach back down into the education system, into the way in which business is perceived and into the way in which successful business people are perceived in their communities. If we take the north-east of England as an example, one of the consistent barriers that has been quoted to me as being in the way of changing business prospects in the north-east is a dismissive and negative attitude to entrepreneurs. There is an idea that no one would be proud of a family member running their own business. That is an extreme example, but it is the kind of feedback that we get from people in the north-east of England. An individual enterprise agency cannot break down such attitudes—we have to go much deeper into the education system, the use of role models and all facets of work.

Building openness and a supportive environment for enterprise is a fundamentally important part of economic development, but enterprise agencies alone cannot change things. They have a part to play, but the change must begin in the early stages of the education system in particular.

**John Firn:** There are all sorts of sectors in which there is no state support and no business involvement, but in which businesses are created all the time. That was true in all the 10 areas that we looked at. I am thinking of the smaller retail sector, such as restaurant and pub ownerships where people are self-employed. People go in and out of business in those sectors all the time and there is always a healthy turnover. Those sectors are never targeted as clusters for receiving support.

The most important thing that one can do to regenerate an area is to get lots of retailing in, especially small specialist retailing, as that makes the area interesting. Such sectors do not usually get business support from enterprise companies. We tend to focus on the manufacturing and technology-based industries. If we take the technology spin-outs from universities as an example and ask whether the qualities that make a person a really good researcher who develops something are the same qualities that make a good entrepreneur, the answer is, “Probably not.”



We are talking about quite an interesting and complex issue. It might be that there is such a raft of schemes and businesses in certain sectors that such support might not be helpful to entrepreneurs. It is quite hard for people who want to start a business to find out what the heck it is all about and what they will have to go through, so such support might have a slightly dampening effect, but we do not know. We know that the start-ups rate has been falling recently, but do we know why? Is it that people no longer want to start businesses or is it that a lot of bright Scots go and start businesses elsewhere? A huge number of Scottish people are starting businesses in the south-east, America and Australia.

**Susan Deacon:** There are numerous further questions that I could ask, but I am grateful for the answers that I have received.

**The Convener:** Two other members want to ask questions on this point. After we have heard from them, I will give Christine May the last word.

15:15

**Chris Ballance (South of Scotland) (Green):** The research report says:

"In none of the visited EAs is there confidence in having a clear understanding of entrepreneurship".

Is the report's message that very little can be done to create entrepreneurs? Is the thrust of what the report is saying that one can train entrepreneurs who have identified themselves as people with ideas but that one cannot create them? I will take the nodding of heads as a yes.

**John Firn:** Entrepreneurs are entrepreneurs and it is hard to create them. I am talking about real entrepreneurs—people who build big, sustainable businesses. Reference has been made to people such as Tom Farmer and Tom Hunter. Their businesses are in sectors that we do not target.

**Chris Ballance:** By real entrepreneurs, do you mean people who are capable of achieving very high growth very quickly? Is there such a thing as a phoney entrepreneur?

**Mr Stone:** Oh yes.

**David Crichton:** It is possible to find entrepreneurial talent in a range of sectors. The voluntary and community sectors are full of people with huge amounts of innovation and entrepreneurial talent. Our work shows that not enough of that is directed towards fast-growth business. We need to ask what makes people want to direct their entrepreneurial energies in that way.

**John Firn:** We must not forget the entrepreneurial behaviour that can take place in

and can change completely an existing company. During the second half of the 1980s and the 1990s, entrepreneurial behaviour in two or three key sectors of the Royal Bank of Scotland made a major difference. An entrepreneurial step change took place in that company.

**Chris Ballance:** Did you find any agencies that study and follow up what causes entrepreneurs to fail? Normally the focus is on successful entrepreneurs and what causes success, but there must be just as much to learn from failure, which is the other side of the coin.

**John Firn:** I agree.

**David Crichton:** We did not find evidence of that.

**John Firn:** We did not look for it.

**David Crichton:** I agree that when examining accumulated evidence it is just as important to consider failures, or companies that did not make the progress that we expected them to make, and to understand the reasons for that. Over the past five or six years, there have been a number of examples in Scotland of bright new hopes—spin-out or new technology companies—that have not quite crossed the threshold. Perhaps all that remains of them is intellectual property that is owned by another company. It would be interesting to diagnose that blockage and to find out what factors caused it and what public or private agencies could have done to avoid it.

**John Firn:** It is the American analogy again. We really want to understand some of the causes of this problem, but we are not very good at doing economic pathology.

**The Convener:** You are not saying that there is an entrepreneurial gene. Remember that President Bush said that the French do not have a word for entrepreneur.

**Michael Matheson (Central Scotland) (SNP):** I do not want to get bogged down on the issue of when an entrepreneur is not an entrepreneur. The focus of our inquiry is business growth. In my view, if business growth is not adequate and we want to increase it, we must identify the inhibitors to promoting further business growth. Is there any detailed research that could inform us of how social attitudes impinge on business growth? I am referring not just to the issue of whether or not someone is an entrepreneur, but to social attitudes in a range of areas. Is there information that could be included in the inquiry that would help us to understand whether social attitudes are a significant inhibitor of business growth or whether they play a marginal part in the process?

**David Crichton:** There are research programmes such as the global entrepreneurship monitor, which examines the conditions that affect

entrepreneurship in a range of countries and regions and benchmarks them. It covers issues such as social attitudes to entrepreneurship, family attitudes and educational support. Its beauty is that it provides consistent research that allows the situation in a number of places to be compared. Such information could be brought to bear to inform wider consideration of what helps to create a supportive entrepreneurial environment.

**Michael Matheson:** Is it your understanding that social attitudes are a major contributing factor to business growth or a marginal factor?

**David Crichton:** If we use the image of a pipeline, it is fair to say that the more start-up businesses there are in an economy, the more likely it is that some of them will emerge as high-growth, fast-track businesses. Creating a broader pipeline is important as regards potential growth; although it does not guarantee that high-growth businesses will emerge at a consistently fast rate, it provides a bigger platform from which to work.

**John Firn:** Quite a lot of good research has been done on social factors that encourage growth and those that inhibit it, but more work is probably being done on development economics in emerging countries such as the Asian tigers and India and China. Although some of that is relevant to what we are considering, we tend to view it as falling into a different box—that of development economics rather than that of economic development.

**Christine May (Central Fife) (Lab):** I found the report very helpful; the present discussion and the lunch-time meeting have been just as helpful in clarifying our thinking on what we might put in our remit. I return to the question that I asked at lunch time, which was about how clear an understanding Government, the public sector generally and businesses had of the shared objectives. Did everyone realise that those objectives went across the piece—in other words, that they ran through all policy areas?

Some thoughts have occurred to me as the discussion has progressed. You talked about investment being accelerated when that might have happened anyway. If that is done to help a disadvantaged area, for example, is that not a legitimate policy objective and something that should be encouraged, as long as we know why we are doing it? That is an extension of the growth versus distribution argument.

Risk has not been mentioned, other than in Chris Ballance's question on analysing failure. One can argue that, if something does not represent a great risk, private business will do it anyway, so Government should be involved in areas that might be of greater risk. What evidence did you find that economic development agencies

had the freedom to take risk? Supply-chain security is another interesting issue. We might want to consider the role of local authorities in preserving land for future supply-chain uses, for example.

My final thought is about the merits of indigenous ownership versus those of foreign investment and business growth by external takeover. To what extent is it the role of Government, for the security of the economy, to seek a balance by having both indigenous, home-owned businesses and foreign-owned businesses, some of which have been here for 40 or 50 years and which are a significant part of the economy? What do those businesses need from Government and the public sector? Do they need infrastructure training or pure research as opposed to applied research—the ITI model?

Those are thoughts rather than questions, but they are all underpinned by the clarity of the policy objectives. Are we talking about business growth or economic growth? Are they the same and, if they are not, do we know the difference? Do we know why we are doing such things? Wendy Alexander has been asking for longitudinal studies ever since I have been aware of her interest in economic policy and, if she were here, she would be asking for them again.

**David Crichton:** I will deal with the big-picture question about strategic clarity. In general, the enterprise agencies that we visited had a clear view of what their funding or political masters expected of them. That would be set out in some form of strategy document. Most countries and regions have their equivalent of "A Smart, Successful Scotland".

The similarities break down if we consider the extent to which strategic clarity is shared by everyone who has a role in economic development. I have been encouraged recently to see that in Scotland we are reinforcing the point that it is for not just the enterprise agencies but all agencies to support the delivery of the refreshed smart, successful Scotland strategy. There was less evidence of such an approach in many of the places that we visited. Individual agencies had a clear strategy and clarity of purpose, but there was not the sense that everyone was involved in delivering the strategy.

**John Firn:** Ireland is an exception. The Irish Government launched a big exercise that included the academic and business communities, because it recognised that priorities and mechanisms would have to change significantly. In July the group published a good, big report, "Ahead of the Curve—Ireland's Place in the Global Economy", which contains detailed recommendations. We do not have anything as focused and forward thinking as that yet; perhaps the committee will encourage

that to happen. The Irish initiative is probably the clearest one that we have considered in that context. Ireland is quite a small place where people traditionally work together to think hard and think smart—as they say in Ireland. There is vision in relation to how the country must restructure its economy and where and how it should target activity. We should consider the Irish approach.

**David Crichton:** The attitude to risk of enterprise agencies is important. It is not a great career move for an enterprise agency to back a lot of losers. Agencies can be criticised for picking winners, but there is no merit in picking losers. After all, the agencies use public money and must be accountable for it. We mentioned Innovation Works in Pittsburgh, which found an interesting way round the dilemma. The organisation, which is funded by the state of Pennsylvania, has a clear, specific focus and operates on the basis that not everything that it does will generate a return—indeed only 30 per cent of its investments generate a return. However, the return that goes into the pot is sufficient to allow the organisation to circulate funds and do more. The organisation has a realistic, mature attitude to risk. It was set up to take a calculated attitude to risk, as a venture capitalist or commercial investor would do, and it is measured against its ability to do that. It is harder for a broader-based organisation to take that approach.

**The Convener:** It might be a good idea for members of the committee to have a copy of the Irish document.

I thank both witnesses for an extremely helpful session. I ask a final question. When will your final report be available to the committee?

**John Finn:** In a couple of weeks' time. We are inviting comments from everybody.

**The Convener:** Absolutely.

**John Finn:** Comments should be made quickly, before we finish the report.

**The Convener:** We will probably comment in writing, unless members want to raise matters now.

**Susan Deacon:** It would be helpful if the witnesses could produce an executive summary of their report.

**John Finn:** We will do that.

**The Convener:** We move on to item 2, which is consideration of the inquiry's remit. I anticipate that this will not take too long—I hope that it will not. Does the committee agree to invite the witnesses to remain at the table in case we want to refer to them?

**Members** *indicated agreement.*

**The Convener:** A paper has been circulated to members along with a helpful paper from the Scottish Parliament information centre, which gives background information on business growth and the challenges that I think we all agree that we face.

Although research has focused on benchmarking the work of the enterprise agencies, I get the impression from talking to members of the committee that the inquiry's remit should be much wider than that. As we try to boil it down we realise that we are considering how we might close the growth gap between the Scottish and UK averages during the next five to 10 years, certainly in relation to the business sector.

We will touch on wider issues such as infrastructure, business rates, water, waste, planning, corporation tax and interest rates. We want to find out what else needs to be done or what needs to be done differently to improve the business growth rate in Scotland and close the gap between the rate in Scotland and the rate in the rest of the United Kingdom. That, for my money, is what we are trying to get at. I hope that I have summed up properly what the rest of the committee thinks. At an appropriate time we could assess what role the enterprise agencies should play in delivering what needs to be done to boost business growth rates, but that is not the primary focus of our wider-ranging inquiry. Does anybody disagree with that fundamentally?

15:30

**Mr Stone:** I am prepared for you and the clerks to point things out to me, convener. I do not know whether colleagues agree, but I would like our inquiry to touch on the interface between further and higher education institutions and business. We heard this morning about business schools. What are we doing about students? There might be sandwich courses, but are the students getting tasters? How do they develop a taste for business at the sharp end? There is a world of difference between having a degree in business studies and knowing how to run a business.

To pick up on Fiona Mullen's point, how many businessmen—the Tom Farmers of this world—are asked to go to the University of Dundee, the University of Edinburgh or Napier University to give lectures on enterprise and entrepreneurial skills? The answer to that might be a pleasant surprise; I do not know. That interface, working both ways, might be an aspect of our inquiry. I have been scanning the remit. The clerks will keep me right—perhaps what I am suggesting is intrinsic. Could we have an assurance on the record?

**The Convener:** You raise one of the issues that we want to address. If we can agree the general remit of the inquiry and our overall approach to it today, we can then ask the clerks to prepare a paper setting out the issues that need to be addressed during the inquiry. The list might not be exhaustive at this stage, but it would include the issues that we want to address. We have heard about a lot of issues today; the consultant raised eight specifically in relation to the enterprise agencies, but there are many others. We should try to agree the remit and overall approach and then, perhaps in two weeks' time, consider a paper identifying the issues that we want to address, which I am absolutely sure would include the issue that Jamie Stone just raised.

**Mr Stone:** That is fine.

**The Convener:** Is that general approach agreed to?

*Members indicated agreement.*

**Susan Deacon:** I do not disagree with that general approach, but I have fundamental concerns about the remit as it is constructed, but I do not know whether now is the time to express them.

**The Convener:** Now is the time, or forever hold your peace.

**Susan Deacon:** Quite. I wondered whether you were going to race on.

I would like us to pause for thought for a second about what we are trying to achieve. I have to say that my thinking, like Christine May's, has been developing during the course of the afternoon, after having chatted to a number of people at lunchtime. I worry that early on in the life of the Parliament we are going into default mode about what a committee inquiry has to look like, what a remit should look like and how we ask questions. There is evidence that the approach that we are taking does not work terribly well in some cases. People often get a bit tired of responding in the way that we ask them to respond.

There are issues about the way in which the remit is constructed; in a sense it prejudices some of what people might want to say. As a committee we are clear—the convener just reiterated this—that we want to try to add value to the debate and develop a deeper understanding of what stands in the way of business growth rates being higher in Scotland. In other words, what actions could Government take to create a climate in which business start-ups could be encouraged and in which existing businesses could grow in a sustained and sustainable way?

I do not see why we cannot take a step back, couch the questions on the remit in terms of first principles and let people come and give us their

views on such matters. The difficulty is that when people are asked to respond to a remit, they appear simply to comment on the very detailed points that have been flagged up. We are in a slightly different place on this matter.

**The Convener:** I am at one with that view. The paper refers to "Title options" and "Draft remit", but, if members generally agree with the point that I just made, the first title option already sets out the remit. I feel that the rest of the section headed "Draft remit" should go into an issues paper. I take responsibility for that and should have corrected it.

That said, I think that we are all agreed on the remit, which is, as the paper states:

"what needs to be done to increase the level of business growth in Scotland"

over

"the next 10 years".

Apart from agreeing our overall approach to collecting evidence and so on, we will not be committing ourselves to anything beyond that remit until we examine the issues.

**Susan Deacon:** I am much more comfortable with that.

**The Convener:** I now seek members' agreement to the remit. We will try to think up a sexier title for the inquiry.

**Chris Ballance:** The paper refers specifically to "sustainable business growth". I wonder whether the word "sustainable" could be added to the sentence-long remit that you read out.

**The Convener:** We are quite happy to do that—indeed, I was expecting you to say that.

**Chris Ballance:** I knew that you would be.

**The Convener:** Do members agree to the remit, with that one amendment?

*Members indicated agreement.*

**The Convener:** On the structure and timetable of the inquiry, I should point out that the paper sets out an overview. It is not inflexible, and will simply allow the clerks to get started on calling for evidence and drawing up the timetable. If some organisations feel that they need more time because they are carrying out real work on the matter, I would want them to take that time. Indeed, I would rather that we took the necessary time on a subject of such importance so that we get it right instead of trying to rush out a report for the Easter recess. As a result, the timescale in the paper should be seen merely as a guideline, a planning tool or a moveable feast to ensure that we properly gather all the evidence before we begin to reach conclusions or write a report. Are members agreed?

**Members** indicated agreement.

**Susan Deacon:** Forgive me, but I am just trying to put all these elements together.

I think that the timetable is broadly fine, but I still want to make a few comments. First, I wonder whether there might be some opportunity for committee members to shape and influence the evidence sessions. I know from sitting on previous committee inquiries that the make-up of sessions has simply appeared on our papers. It would be useful have a more collective or iterative approach to the matter.

In a similar vein, when we had the major and weighty renewables inquiry, several of us thought that it might be helpful to have pit stops along the way to allow us to reflect on where our thinking had reached to find out whether we needed to redirect our energy or our efforts as the inquiry continued, rather than simply being in a kind of juggernaut ploughing through evidence sessions.

Moreover, instead of spending endlessly pleasant hours hearing evidence in this room and discussing many terribly well-cooked and well-examined matters, I wonder whether the Scottish Parliament information centre or someone else has carried out work on this subject or whether we could commission any further work to Hoover up what is out there already.

For example, we talked over lunch about one suggestion, which goes back to my earlier preoccupation with finding out what individuals who are involved in setting up and running businesses think. I am avoiding the word “entrepreneur”, because we could have a big debate about that. Business schools do a huge amount of work on that. It is the stock-in-trade of MBA students, who do at least one such piece of work in the course of their labours and, obviously, the schools themselves do more in-depth work on the matter, specifically in the Scottish context. Can we do a bit more to Hoover up some of that work rather than trying to talk it all through in a committee meeting or, for that matter, requiring people to write it all down again to present in evidence to us?

**The Convener:** Absolutely. I agree with all three of those points.

**Susan Deacon:** I am on a roll here.

**The Convener:** I will take the last point first. I know that the consultants have done a mapping exercise on what is delivered by various agencies—John Firn tells me that it is a crowded map—and it would be useful if they could include that in their final report. In the meantime, we could get in touch with the public agencies such as Scottish Enterprise and HIE to check whether they have done any research on the issues that we

have discussed, so that we get a better picture of what is readily available. We do not want to commission work that has already been done.

I agree with Susan Deacon’s second point; we should have pit stops, although I do not know whether we should call them that. On the point about democratically deciding who should give oral evidence, I am absolutely in favour of that.

I think that Murdo Fraser has sent me a note.

**Members:** It was Jamie Stone.

**The Convener:** I cannot make out the writing. [Laughter.]

**Mike Watson:** The note is upside down.

**Mr Stone:** On the terminology in relation to pit stops, will that almost inevitably lead to a leak before the final report is published?

**The Convener:** Oh, right.

**Mike Watson:** I think that was irony.

**The Convener:** You wrote “Satisfying Scotland’s Needs”—followed by something that I cannot make out—“for Bigger Business: An Inquiry”. Is that—

**Mr Stone:** That is the sexy title that I am suggesting.

**The Convener:** Oh, right. Could we perhaps revisit the title when we consider the issues paper?

I have a couple of suggestions, although I am not necessarily asking for decisions on them today. There would be a major advantage in involving the Organisation for Economic Co-operation and Development as adviser to the committee, if that were possible. First, it has knowledge of what is going on throughout the world in relation to business growth, education and related areas. Secondly, it is an entirely independent organisation, in terms of the internals in Scotland. Thirdly, it is internationally renowned—other Governments and Parliaments have used its expertise in the past. I am not asking for a commitment, but I suggest that we consider the possibility of using the OECD as a major adviser and source of intelligence and information. That will help in respect of Susan Deacon’s suggestion. If there is any international research on the impact of enterprise agencies, it is almost certain that the OECD will know about it or be able to find out about it. That organisation could be a substantial resource and could short-circuit a number of things. Also, Christine May suggests that the directorate-general for competition might be able to assist us.

**Chris Ballance:** How do you envisage our using the OECD? I ask that question for my edification,

because we have not had an adviser during the 18 months of this committee. How would we bring in the OECD and how would that work?

15:45

**The Convener:** Our predecessor committee, the Enterprise and Lifelong Learning Committee, had four advisers for its lifelong learning inquiry because we wanted to bring in outside expertise. In that inquiry, we deliberately appointed people with expertise in one of four areas: international education, vocational education, higher education and community education. The committee found that to be extremely helpful.

When next we discuss this inquiry, we will have to start talking about appointing advisers, so I would like to put on record that we should consider the OECD, rather than the usual suspects.

**Chris Ballance:** In relation to the renewable energy inquiry, I found it helpful that a couple of people from the Scottish Energy Environment Foundation came to our away day and set the parameters that launched us on the inquiry in the first place, in much the same way as the consultants have done with this inquiry. It was also helpful to be able to ask them questions at the end of the inquiry. However, they did not appear every week.

**The Convener:** We will have to be clear about what we want the advisers to do. However, if we want advisers to guide us on the key issues, to provide ready-made intelligence about what is happening internationally, to suggest areas that we might visit in the UK or Europe and to tell us what research has already been done so that we do not try to reinvent the wheel, it strikes me that there are few independent international organisations that have the resources of the OECD. It is worth investigating whether it can help us.

**Mr Stone:** I have no problem with what is suggested, but I have some sympathy with what Chris Ballance said. In that regard, bearing in mind the support that we have from the clerks and the Scottish Parliament information centre, it is important that we continue at all times to own the inquiry. In a former incarnation, before I joined the Scottish Parliament, I saw inquiries in which eminent advisers would tend to drive them. We should be mindful of that danger, which might be what Chris Ballance is worrying about.

**The Convener:** That is a fair point. I can certainly think of one Scottish Parliament committee that is run by the adviser rather than the other way around, but I will not mention its name.

**Mr Stone:** I had a committee in mind as well, but would not care to mention its name, either.

**The Convener:** Looking around the table, I would say that this committee is too strong to allow itself to get into that position, to be frank.

**Mr Stone:** Oh, you flatterer.

**Christine May:** Given the breadth of activity that we could undertake in such an inquiry—and the potential for going down dead ends—it would be more useful in this inquiry than it was in, for example, the renewable energy inquiry to have the benefit of speaking to people from an organisation such as the OECD who know what work has been done and can point us in the direction of good examples. However, I am not saying that they would be telling us what to think or that they would suggest lines of questioning. I suspect that most of us would ignore that in any case.

**The Convener:** Absolutely. “Adviser” is a broad word and we should think of our advisers as being more like a resource than as people who give us advice. We need that kind of a resource if we are to come up with answers in our inquiry. We are all looking for practical recommendations; we are not trying to invent a strategy that will replace the smart, successful Scotland strategy. We are all signed up to that strategy but need to think about ways in which it can be delivered.

The final idea that we should consider—again, we will not make a decision today—is that it might be useful to have one or two groups of business people or people from other sectors off whom we can bounce ideas and who could follow the course of the inquiry and give us some practical input on areas that we might want to investigate. Quite a number of prominent business people and trade unionists have commented on business growth in Scotland.

There was a story in one of the Sunday papers about a major company that faces growth restraints because of the lack of graduates. Such companies might be included among those who come to give oral evidence, but discussing those issues with them on an on-going basis might allow us to identify issues that otherwise we would miss.

**Christine May:** I do not know whether it would be permitted, but can the cross-party group on the economy help to facilitate some of that? I do not know whether that is allowed, but I cannot see why it should not be.

**The Convener:** I do not see why not.

**Christine May:** That cross-party group is an established group that has an established network. Although the meeting that we had at lunchtime today was short, it was very useful. Could we do more of that? Could we do something early one evening?

**The Convener:** We could consider one or two different sectors such as the traditional sectors of

food and drink, the financial services sector and the technology sector. The new technology forum that is being formed would cover a lot of the electronic, software and related sectors. We could involve the whole committee in that.

Shall we explore some of those ideas? Do members have other ideas about how to do things innovatively? We all seem to be agreed that the format of having people come to the committee to give oral evidence is fairly stale. Also, the public agencies who give evidence sometimes feel constrained because what they say can be open to misinterpretation by our friends in the media, and we can sometimes get more information and originality from some of them through other ways of doing business. Are we agreed on that?

**Members** *indicated agreement.*

**The Convener:** With those qualifications, is everyone happy with the paper?

**Members** *indicated agreement.*

**The Convener:** I thank John Firn and David Crichton. Your report and presentation were very good. Your answers were a bit long at times, John, but apart from that, the session was excellent.

**Chris Ballance:** Pots and kettles.

## St Andrew's Day Bank Holiday Bill

15:52

**The Convener:** We move to agenda item 3, which is on the proposed St Andrew's day holiday bill. I think that we are all in need of a holiday.

I welcome to the committee Dennis Canavan, who is well known to everyone. My apologies, Dennis; we ran a bit over time for the previous item. I am sorry to have kept you waiting.

A paper has been circulated that is fairly self-explanatory. However, I give Dennis the opportunity to say a few words and then to answer any questions.

**Dennis Canavan (Falkirk West) (Ind):** Thank you convener. I also thank the committee for giving me this opportunity to speak about the consultation process on my bill proposal. I have brought along my assistant, Maureen Conner, who is sitting on my right, to help me to leaf through the documentation relating to the consultation process, just in case there are any questions from members.

I also wish the convener and the committee a happy St Andrew's day.

From the outset, I followed closely the advice of Parliament's non-Executive bills unit and I am grateful to the unit's staff for their assistance. The committee has a copy of my consultation paper, which was issued in July this year. That is the main reason for my contention that I have already conducted sufficient consultation on my proposal.

However, I also draw the committee's attention to further evidence of public consultation since I published my statement of reasons. A week ago there was a MORI opinion poll based on a sample of 1,006 people from all the regions of Scotland. The result of that poll was that 75 per cent were in favour of St Andrew's day being recognised as a national holiday.

Yesterday, I had a public launch of my proposal, which was attended by senior representatives of churches, trade unions, the business community and civic society. There was fairly good and positive media coverage, some of it interactive, whereby members of the public were asked to express their views on the proposal.

I now have the support of 50 members from all political groups within Parliament and I also intend to consult the Scottish Executive. Indeed, I have a meeting tomorrow with the First Minister to discuss the proposal, and I hope to have Scottish Executive support, but that remains to be seen.

**Christine May:** Thank you for that introduction. Is there any indication that there might be a body or bodies that have legitimate interests but which you have not managed to consult, or do you believe that your distribution list covered just about everybody?

**Dennis Canavan:** I think that I have covered virtually everybody and every interested organisation throughout Scotland. I have also, through the media, made it clear that any person can make an electronic response through my website.

**Murdo Fraser:** Whatever one's view on the merits of your proposal—personally, I am reasonably sympathetic to the principle of a St Andrew's day holiday—nobody could accuse you of not having engaged fully with the public. In fact, I have listened to numerous radio programmes in the past 48 hours during which the issue seems never to have been off the airwaves. Nobody could say that there has not been a proper public debate, but there has been concern expressed, primarily from business interests, about the impact that the proposal would have. Will you confirm for us what engagement you have had with the business community on the proposal and how many responses you have had from businesses or organisations that represent business?

**Dennis Canavan:** I understand that a copy of my consultation document has been given to all members of the committee. If you look at the distribution list on the last page, it states that the

"Distribution List includes the following:

CBI Scotland  
Scottish Clearing Banks  
Scottish Chambers of Commerce  
Scottish Council for Development & Industry  
Scottish Enterprise  
Federation of Small Businesses  
Licensed trade and hospitality representatives".

Of course, many individual business people have also expressed their views on the proposal, including Lord Macfarlane of Bearsden, who is very supportive of it.

**Murdo Fraser:** Have you received responses from all those groups?

**Dennis Canavan:** Five of those business organisations have taken the trouble to respond.

**Richard Baker:** The consultation certainly seems adequate, but as a member of the Procedures Committee that brought in the new procedures, I feel that I should ask a couple of questions. I do not know how your consultation compares with the new process. Another committee said that the rules should say that the consultation should be waived in exceptional circumstances, and I understand that you launched your consultation before the new

procedure was introduced. Why do you not want to go through the consultation process again? Is it to do with delay or is it because you would be repeating the exercise?

**Dennis Canavan:** It would simply be a repeat exercise. From the outset, I have followed closely the non-Executive bills unit's advice. When I discussed my proposal with NEBU at the beginning of the summer, it indicated to me the strong likelihood of the Parliament's approving a new procedure for members' bills and therefore advised me to follow as closely as possible the proposed new procedure rather than the old one, which was probably going to become obsolete within a few months. That was why I launched the nationwide consultation even before Parliament approved the new procedure. I am not trying to bypass the new procedure; in a sense, I anticipated it.

16:00

**Richard Baker:** That is very helpful.

**Susan Deacon:** Dennis Canavan will be pleased to hear that I, too, think that there should be no more consultation. Parliament should identify many opportunities for taking decisions more quickly. People wonder why we keep asking them about things and are asking us to get on with it. However, it is worth reminding ourselves why Parliament built into its procedures a high standard of pre-legislative scrutiny. It is not about consulting for the sake of consulting—consultation is intended to shape, influence and improve legislation. If it is not crossing the line at this stage, can you give us an indication of how the consultative process that has been undertaken has shaped and influenced your thinking and the detail of your proposal?

**The Convener:** The question is okay, if Dennis Canavan is happy to answer it.

**Dennis Canavan:** As members can see from the consultation paper, I did not simply ask—as the MORI opinion poll asked—whether people were in favour of or against a St Andrew's day national holiday. I asked a series of questions that allowed people to express their views and to offer criticism, if they had criticism to make. For example, I asked not only what would be the benefits of establishing a St Andrew's day bank holiday but what problems, if any, might arise from doing so. I went on to ask a detailed question about whether people were in favour of a fixed bank holiday on 30 November or whether the holiday should be on the Monday or Friday nearest to that date. My last question was:

"Do you have any further comments to make?"

Anyone who thought that their views could not be expressed fully in answer to the first six questions



could easily add something in their answer to the seventh question. People had ample opportunity to express their views. That indicates the comprehensiveness of my consultation process.

**Susan Deacon:** How has the consultation shaped and influenced your thinking about the proposal?

**Dennis Canavan:** That is for the next stage of the process. We are still finalising analysis of the responses before we consider the detail of whether the holiday should be fixed or whether it should be on a Monday or a Friday.

**Richard Baker:** Where can people access the responses? Will they be available on the Parliament's website?

**Dennis Canavan:** I understand that the responses will be available in SPICe, unless the respondents asked to remain anonymous. Very few, if any, people requested that.

**Michael Matheson:** In your statement of reasons, you say that the papers that were submitted in response to your consultation will be available in SPICe. When will the analysis of the responses be available? The paper that you submitted to the committee is dated 12 November, so has the analysis now been completed?

**Dennis Canavan:** I am working with the non-Executive bills unit to finish analysing the responses. I hope that the analysis will be available in the next week or so.

**Michael Matheson:** I notice that the analysis will be made available to the lead committee on the bill. Has the lead committee been appointed, or do you have an idea which committee may be the lead committee?

**Dennis Canavan:** No. It is for the Parliamentary Bureau to lodge an appropriate motion and for Parliament to decide which should be the lead committee. On the member's previous question, I am advised that analysis of the responses will be submitted at the same time that the formal proposal is lodged.

**The Convener:** I do not know whether the formal decision has been taken, but the information that I have suggests that we will be the lead committee. I am sure that all members would be happy to accept that task.

I sense that the committee is satisfied with the reasons that Dennis Canavan has provided and that we believe that the bill proposal should go forward to its next stage. Is that agreed?

**Members** *indicated agreement.*

**The Convener:** Thank you for your evidence, which was very helpful.

**Dennis Canavan:** I thank the convener and members of the committee.

## Subordinate Legislation

### Education (Graduate Endowment, Student Fees and Support) Switzerland (Scotland) Regulations 2004 (SSI 2004/469)

16:04

**The Convener:** Item 4 is consideration of two Scottish statutory instruments. To answer any questions that we have on the instruments, I welcome Ian Shanks, from the Scottish Executive's Legal and Parliamentary Services, and Valerie Sneddon, from the policy executive of the funding for learning division of the Enterprise, Transport and Lifelong Learning Department. Valerie is going to address the Education (Graduate Endowment, Student Fees and Support) Switzerland (Scotland) Regulations 2004.

**Valerie Sneddon (Scottish Executive Justice Department):** I assume that all members have read the Executive's note on the regulations. The regulations have been introduced to fulfil the requirements of the agreement between the Swiss federation and the European Union. The aim of the regulations is to enable Swiss migrant workers, their spouses and their children to be treated for fees and student support services on the same basis as European Economic Area migrant workers, their spouses and their children.

**The Convener:** As Christine May will confirm, the regulations have already been considered by the Subordinate Legislation Committee, which found no issues to raise.

**Christine May:** You took the words out of my mouth, convener, and I will not repeat them.

**Michael Matheson:** Given our recent experience with draft regulations, I wonder whether any mistakes have come to light that will have to be amended?

**Valerie Sneddon:** None that we are aware of.

**The Convener:** Do you have any surprises?

**Michael Matheson:** No, I do not have any surprises. I am just glad to hear that.

**Mike Watson:** I have raised this point before when we have considered subordinate legislation. I see that the regulations came into force six days ago, yet we are only now discussing them officially. Why were the regulations not brought before the committee earlier? Whose responsibility is it that that did not happen?

**Ian Shanks (Scottish Executive Legal and Parliamentary Services):** On these regulations, we have followed the requirements of the standing orders for statutory instruments. The regulations

were made on 2 November, and we had to wait 21 days before they came into force, on 24 November. There is a 14-day period in which they can be annulled. It is up to the Parliament authorities to decide when an instrument comes before a parliamentary committee.

**Mike Watson:** It seems to be a case of putting the cart before the horse for us to deal with the matter in that order, and it would have been so even if we had seen the regulations last week. If we were to find a reason to object to the regulations, where would that leave us and the Swiss migrants in Scotland, however many there are?

**The Convener:** We may want to take up that issue again with the Procedures Committee. We have taken it up with that committee before. We are in an invidious position. If, after the regulations have come into force, we recommend that they be annulled by the Parliament, it looks pretty daft and makes the Parliament look daft. I think that we should write to the Procedures Committee, asking it to look into the matter and see whether it can come up with a better way of doing business than this.

**Murdo Fraser:** I had a question, but I have just read the Executive's note and I have answered my own question.

**The Convener:** No, the Executive has answered your question.

**Murdo Fraser:** Exactly.

**Christine May:** I do not know the procedure for liaison between committees—for example, for the Subordinate Legislation Committee clerk to pass information and the committee's report to the lead committee. The Subordinate Legislation Committee agrees reports to the lead committees, but we do not agree the timetable for those reports. I do not know where that is dealt with in the administrative framework, but that question is worth asking.

**The Convener:** The whole procedure needs to be reconsidered. The Subordinate Legislation Committee's role is to consider the technical aspects of an instrument and decide whether it is competent; our job is to consider the policy. However, it seems a bit daft to consider the policy more or less a week after an instrument has been implemented. That is not the fault of the Executive witnesses; it is entirely a procedural issue for the Parliament. We can draft a letter to the Procedures Committee and take the matter up with that committee. Is that agreed?

**Members indicated agreement.**

**The Convener:** With that, are we happy not to recommend the annulment of the regulations?

**Members** *indicated agreement.*

### **Holyrood Park Amendment Regulations 2004 (Draft)**

**The Convener:** For consideration of the second statutory instrument, I welcome Jenny Hargreaves, from the royal parks visitor services department of Historic Scotland. These regulations might be much more controversial. Jenny, would you like to say a few words by way of introduction?

**Jenny Hargreaves (Historic Scotland):** The regulations will introduce a pay-and-display charging scheme for the broad pavement car park in Holyrood park.

**Christine May:** The Subordinate Legislation Committee found the matter interesting because the governance of the royal park lies with the Crown, but the day-to-day management of matters within the park and its operation lies either with the City of Edinburgh Council or with Historic Scotland, although I am not sure which.

**Jenny Hargreaves:** It is managed by Historic Scotland for the Scottish ministers.

**Christine May:** That is right. There was some debate about whether it was appropriate for the Scottish Parliament to consider the issue. It was agreed that it was but, nonetheless, some interesting constitutional matters were raised.

**The Convener:** The park is Crown property.

**Christine May:** Yes, but the day-to-day management, of which the regulations form a part, is devolved to the Scottish ministers.

**The Convener:** Perhaps we should consider the nationalisation of Crown property, which would solve the problem.

**Christine May:** That is a policy matter, so the Subordinate Legislation Committee would not have a view on it.

**Mike Watson:** Jenny Hargreaves mentioned the broad pavement. Is that the area just at the junction where there is a small roundabout, with Holyroodhouse on one side and the Parliament building on the other?

**Jenny Hargreaves:** Yes. It is to the south of the Palace of Holyroodhouse, below the crags.

**Mike Watson:** From time to time, that area is used for events other than car parking. I am thinking of new year's day, on which there has been the 1 o'clock run for the past two years, which has been successful in getting families and others into Holyrood park. The area is used for entertainment and food stalls. If the regulations are approved, will it be possible for the parking measures to be suspended for such activities, for instance, on new year's day?

**Jenny Hargreaves:** Yes. The explanatory note states that parking permits can be issued by the Scottish ministers, which means Historic Scotland. We have asked that the regulations not apply on Christmas day, boxing day, new year's day, Good Friday and Easter Monday.

**Mike Watson:** Does that mean that the parking regulations for cars will be suspended on those days in that space?

**Jenny Hargreaves:** Yes.

**Mike Watson:** That clarifies the issue. Christine May might be better qualified to answer my second question because she is a member of the Subordinate Legislation Committee, which raised three specific points on which it wished the Executive to respond. I presume that the Executive responded in the manner that the committee wanted, but could we be informed what those points were?

**Christine May:** I cannot recall, but the answer is a matter of official record. I am sure that the clerk can ensure that a copy of the *Official Report* of the relevant meeting goes to every member.

**The Convener:** In future, where issues have been raised, it might be useful to include a copy of that as an aide-mémoire. I ask Jenny Hargreaves whether she can remember.

**Jenny Hargreaves:** Does Christine May mean the clerk of the Subordinate Legislation Committee?

**Christine May:** I was referring to the questions that that committee asked, to which you would have replied.

**The Convener:** The regulations were withdrawn and then resubmitted.

**Christine May:** Yes. We are considering the revised version.

**The Convener:** Yes. In cases in which we get a revised instrument on which points have been raised previously, it might be useful to have information on those points as an aide-mémoire.

**Murdo Fraser:** I have a question on the policy behind the regulations. Historically, visitors to the palace, the Queen's gallery and the teashop in the palace—which is always popular—have been entitled to park for free. It is a shame that those visitors will now have to pay to park, but I can understand why the measure has been introduced. I know that numerous visitors to the Parliament have driven into the car park, claimed that they were going to the palace for a cup of tea or a visit and then wandered into the Parliament, thereby parking for free.

**The Convener:** Never. Can you name them?

**Murdo Fraser:** Such despicable behaviour will now be stamped out. Was any thought given to a scheme whereby genuine visitors to the palace would still be entitled to park for free if, for example, they have a receipted admission ticket.

**Jenny Hargreaves:** I believe that the palace was asked about the matter. I also believe that it said at the time that it was happy to allow charging to go ahead.

**Murdo Fraser:** Well, if the palace is happy, so am I.

**Mr Stone:** Oh, you royalists—always doing what the Queen says.

16:15

**Susan Deacon:** I am supportive of the principle of the introduction of charging and can see why it is being done for the purposes of managing the area, but I am interested in a few aspects of how charging will operate in practice. Can you tell us something of how it is to be monitored and enforced? People in Edinburgh are used to things that the blue meanies do, although I am sure that such things would never happen in Holyrood park. At times, an official presence of some sort stops drivers getting into the park. When the charging arrangements are in place, will there be open access at all times to the car park for anyone who pays the parking charge? Who will go round checking windscreens?

**Jenny Hargreaves:** We will continue to have a car-park attendant on site and he will check cars for tickets. As people come in, he will direct them to the pay-and-display machines and will continue to ensure that people are visiting either the park or the palace.

**Susan Deacon:** What is Historic Scotland's role in terms of the enforcement of parking charges? All of us are used to the local authority procedures to which I referred earlier.

**Jenny Hargreaves:** That comes back to the questions that the Subordinate Legislation Committee raised which led to the redrafting of the regulations. Initially, we asked for an excess to be levied, but that power has now been withdrawn. At the moment, I cannot fully say what will happen. We have to take on trust what the people who come into the car park say when they tell the attendant that they are visiting the park or the palace.

**Susan Deacon:** I raised the question because of the importance of the issue. All of us can think of places such as hospitals and universities where, if the parking arrangements are barrier controlled or have a formal enforcement mechanism, people quickly test whether the system has real teeth. People are quick to find the car parks where there

is no follow-up other than a nasty sticker being fixed to the car window. The question is not unimportant, although it may be less one of policy and more one of operational interest to Historic Scotland.

**Jenny Hargreaves:** As the car-park attendant will be on duty while the parking charges are in place, we hope that the issue will not arise. As I said, the Executive recognised that the phrase "recoverable as a penalty", which was initially included in the draft regulations, was one that applied only under English law and did not have a Scottish equivalent. The Executive therefore withdrew the regulations and relaid them. As I said, I therefore do not have an answer at the moment to the second half of the question.

**Susan Deacon:** My final question concerns permits. Who qualifies for a permit?

**Jenny Hargreaves:** At the moment, as the park is governed by the Parks Regulation Acts 1872 and 1926, we can issue permits to the people who are covered by those regulations.

**Susan Deacon:** I assume that Historic Scotland would take those decisions in practice. The regulations say that a parking permit is

"a permit issued by the Scottish Ministers".

For the avoidance of doubt, can you confirm that ministers cannot hand out permits to people whom they want to be nice to them?

**Jenny Hargreaves:** No, they cannot. The park is managed by Historic Scotland.

**Susan Deacon:** So, in practical terms, Historic Scotland would exercise its discretion in that regard.

**Jenny Hargreaves:** Yes.

**The Convener:** Thank you. I take it that the committee is minded not to recommend annulment but to facilitate the introduction of the regulations?

**Members indicated agreement.**

*Meeting closed at 16:19.*

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